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SOCIO-ECONOMICS IMPACTS OF TOURISM

Abstract

Tourism is a global phenomenon in which different cultures, nations and races intertwines, in order to satisfy the tourist as a content consumer. Tourism sector contributes a lot to the overall world economy, and society.

Tourism is the economic division that continually evolves in any national economy, the statistical data represent that 2010-2014 it was developed by over 3% annually. Tourism is also a branch that does not absorb the benefits of the national economy, but it is a branch in which most of the final consumer is a person beyond national borders. The internationalization of tourism gives the right to be the engine of global international economic exchanges. In 2014, tourism was the fourth place as a branch that contributes

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to international trade in 1409 billion dollars. Also, international tourism has achieved 30% of the overall exports from service sector that is 6% of total world exports.

With more than 1.1 billion tourists involved in international travel each year, tourism continues to be a force with greater socio-economics and environmental influence on tourism destinations.

Key word: Tourism industry, economic impacts, socio-cultural impact, environmental impacts, tourism destination

JEL classification: Z3; Z32; Z33

Introduction

As defined by the World Tourism Organization, tourism is the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purpose. Therefore the people, who are considered to be ‘tourist’, are those who are:

- away from their normal place of residence for a period of up to one year (but will return home);
- taking part in activities that would normally be associated with leisure and tourism;
- temporary and short term visit;
- not necessarily away from home overnight as they could be on a day trip or excursion; and
- away from home but not necessarily on holiday, as they could be away on business.

There are three main types of tourism; domestic tourism, incoming or inbound tourism and outbound tourism. *Domestic tourism* is when people take holidays, short breaks and day trips in their own country. *Incoming/*

inbound tourism entails people entering the country in question from their home country, so it is a type of international tourism. And, *outbound tourism* is when people travel away from their home country to visit other international countries for leisure or business.

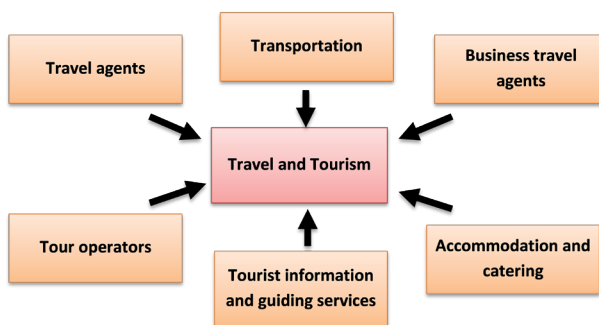
1. STRUCTURE OF TOURISM INDUSTRY

In order to assist people with their travel arrangements, there are specialist **travel service providers**. These include travel agencies which retail travel products direct to the individual or groups and business travel agencies specialized in providing travel for the business customer or promoting, conference trade. Tour operators provide a package for the individual and principals providing the basic services required by the travel and tourism industry. It is possible to divide the components of the travel and tourism industry into six key areas, as represented in Figure 1.

Travel agents provide a customer with advice and professional guidance on the choice of a holiday or to purchase travel products. The main aims of travel agents are:

- to sell holidays and associated products like insurance, car hire and currency exchange;
- to provide information;
- to advise clients.

Figure 1: Components of tourism industry



Source: World Tourism Organization (2015), UNWTO Annual Report 2014, UNWTO, Madrid.

They sell their products in the same way as other high street shops, so they advertise their products and special offers to supply customers with what they want. They act as agents for the suppliers of industry products or 'principals' such as airlines, rail companies, hotels, ferry and cruise companies, car hire companies, tour operators, and foreign currency suppliers. They earn their income from the commission paid by these principals. They supply brochures to potential customers for them to browse through and then take bookings along with any deposits or payments. They will use computer reservations systems or view data systems to investigate availability and the costs of any planned journey or holiday and advice on the suitability of the accommodation or transport to meet the customers' needs.

Another type of travel agent is the business travel agent who specializes in arranging accommodation and transport specifically for the business traveler; whether this is to attend conferences, develop new business or visit existing or new suppliers. Agents arrange flight, transfers and accommodation suitable for the business traveler. Some large companies have their own travel agencies at their headquarters to organize the travel needs for the company. This is only beneficial when a company undertakes a large volume of business travel and tends to happen in large multi-national companies.

A **tour operator** puts together holiday package which consist of: travel (road, rail, sea and air), accommodation (hotels, guesthouses, self-catering villas or apartments) and travel services (transfers to and from the destination airport, car hire, excursions).

The package holiday offered may cover a wide range of destinations, both national and international, and can cover a variety of holidays, such as cruises, adventure, touring, winter and summer destinations. The tour operators act as the 'wholesalers' in the travel industry, as they produce a package holiday and then negotiate with travel agencies the commission they will receive to sale these to the end user, the customer.

There are two types of tour operator: the wholesale operators, who put together and operate tours only thought retail travel agencies; and the direct sell operators, who market their products direct to the public (in other words they do not use travel agencies to promote their products).

Tour operators may specialize in a particular type of product – some only offer holidays within the home country, others operate only in a particular field, such as cruises, whereas others cover a wide range of holiday opportunities. Incoming tour operators or inbound handling agents specialize in tours for overseas visitors in the home country thus earning money for the national

economy. Examples of worldwide tour operators are American Express and Thomas Cook, though there are others such as Kuoni and Preussag.

The tour operator will cost the package to include travel and accommodation and also produce brochures, employ and train staff (such as holiday representatives or tour directors.) They undertake market research on not only type of holiday in demand but which principals to use, and maintain their central reservations systems and customer support.

The principals within the industry, as previously mentioned, include the transport, accommodation and attraction providers. These provide the finance required to operate the product and act independently of tour operators or travel agencies, earning their income from sales, whether to individuals or tour operators. They supply the initial product, whether it is hotel accommodation, an airline, catering or an attraction.

As of the principals in the industry, **transport providers** are those operating any major form of transport. These would include *the airlines* providing the seats which an individual traveler, business person or tour operator may purchase. The airlines may be scheduled airlines operating to a timetable from large regional and national airports, or they may be chartered airlines. *Ferry operators* are another type of transport principal. Ferries provide vital links between groups of islands, or islands and a larger land mass. These services are provided for all travelers, not just tourists, but tickets are also sold to tour operators, through travel agencies or direct to the customer. *Rail companies*, whether national organizations or privately owned rail companies, are also transport principals, and provide a scheduled service within the home country. Seats may be reserved by individual or business travelers either direct with the provider or through travel agencies. Tour operators may reserve seats for specific groups of travelers on a particular route. Any seats not used by the tour operator would be available to the general public to purchase on an individual basis.

A tourist's choice of transport would depend on:

- Price
- Destination
- Time – how much is available
- Reason – visiting family or friends, business or leisure
- Departure points – how easy it is to get here
- Convenience.

In order to encourage more people to buy their holidays, many tour operators will provide flights from more accessible regional airports either direct to the final destination or to one of the major international airports which operate long-haul flights.

Many travelers wish to be independent at their destination and so require the services of *car hire principals* who provide cars of varying specifications to suit different group sizes and budgets. These may be hired independently through international chains, such as Hertz or Avis, to be available at the point of arrival for the period of the booking, or may be hired through travel agencies and tour operators. Many tour operators now promote self-drive holidays, where the flight and car hire are included but the more independent travelers buy their own accommodation in the destination country. Business travelers may also require car hire in order to visit customers in the destination country, so the business travel agency could make a booking.

Accommodation principals are those who build and staff hotels, villas, apartment resorts or holiday cottages which are available to any traveler. Some of these are major international chains such as Marriott Hotels, Holiday Inn, Comfort Inns and Hotels; others are smaller providers who may only own one or a small chain of hotels. The accommodation may be marketed individually by the provider or rooms purchased by a tour operator in order to make up a package holiday often at a special rate. The benefit to the accommodation provider of selling through a tour operator is that they have a more guaranteed occupancy rate throughout a holiday season. Otherwise they may have to spend large amounts of money on advertising in order to attract sufficient individual customers to make a profit.

Accommodation is divided into two basic categories: serviced accommodation (where meals are provided such as in hotels and guesthouses) and self-catering accommodation (such as cottages, chalets and apartments where the occupants provide their own food). Tourists can also reserve accommodation on different terms such as:

- Bed and breakfast (where the price only includes the provision of bed and breakfast which may be cooked, buffet style or continental);
- Half board (with bed, breakfast and either lunch or evening meal included in the price);
- Full board (where accommodation and all meals are provided);
- All-inclusive (which includes accommodation, all meals, snacks and beverages for the period of the stay).

Though accommodation is a major feature of travel and tourism, visitors require *catering facilities*, and principals within the industry include those providing a variety of outlets for food and refreshment. Whether a visitor is only away for a few hours, or for a longer holiday, food and/or drink will be required and these can be found at a variety of outlets. Airlines, ferries and rail principals will usually provide some form of catering and outlets will also be provided at airports or terminals. Visitor's attractions often provide a variety of catering outlets which may include a cafeteria, self-service food selection area or a restaurant with waitress service. Even cinemas and theatres may sell snacks, ice creams or confectionery and drinks.

Major resort areas and hotels provide a wider choice of catering facilities, ranging from fast food outlets to restaurants providing various meals from different ethnic regions. There could also be cafeterias where snacks and meals can be purchased plus bars and coffee shops. Even large shopping malls and sporting venues provide catering outlets for the convenience of participants and spectators.

The principals in service sector may provide attractions for the visitor. The attractions must be by need for the attraction in that particular location and its potential audience. Attractions may be purpose built, such as theme parks or they may be part of a nation's cultural heritage. They may also be created for a purpose, for example zoos. Other attractions may relate to the industrial heritage or scientific development of a country. Some large companies allow visitors to tour their factories or manufacturing plants.

Many countries with an established or significant travel and tourism industry or those aiming to increase the national income by promoting tourism further, are likely to have a separate governmental departments or a public body responsible before the government for this purpose. These bodies are known as National Tourism Organizations or NTOs.

A typical NTO will have four main areas of responsibility:

- Marketing;
- Research and corporate planning (i.e. undertaking market research and deciding the policies and strategies for the organization);
- Development (looking at ways to develop tourism further, through customers care and quality assurance, liaison over training, trade relations and product development);
- Finance and administration (managing its budgets, corporate press and publicity, staffing and general administration functions including information technology).

Part of the role of the regional tourist boards is to provide information to visitors when they are actually in that area. This is done through Tourist Information Centers (TICs). These may be located at points of entry to the areas (such as railway or bus stations) or at central points in the towns or cities, often with signs directing visitors to them. Inside the TIC there will be displays of leaflets and brochures on local attractions, entertainment venues and events, and possibly details about public transport such as timetables for buses and rail travel within the local area. There may also be a touch-screen facility enabling visitors to locate particular places of interest. One of the services provided by the TIC is information on accommodation in the area and many are able to take bookings on behalf of local hotels and guesthouses for a small deposit.

Another ancillary service within the industry is the provision of tourist guiding services. These may come in the form of tour guides, guides or tour directors. They are selected group of people because of their knowledge of the specific area and also their ability to organize and manage people, so their skills must include good communication and administration. They may be required to deal with customer complaints and negotiate with other providers, such as the coach company, hotel accommodation if this is provided and excursion providers whilst on a tour. Other types of guiding services include those specifically located at an attraction, such as museum guides. They usually have a specific, detailed knowledge of the attraction in question, and may be able to conduct tours in a particular foreign language to help visitors from overseas who do not speak the local language.

2. SOCIO- ECONOMIC AND ENVIRONMENTAL IMPACTS OF TOURISM

Tourism has great impact in regions and countries where it is developing. It is well known that tourism, in global, as well as in local frames has economic, social, cultural, environmental impacts in tourism destinations.⁵

⁵ Ackovska, M.: Turismot i ekonomskiot razvoj na Republika Makedonija. Ekonomski institut, Skopje, 2009, p.88.

2.1. Social and cultural impacts of tourism

The tourism impacts on area social and cultural are enormous. Social and cultural impacts of tourism include such benefits, as⁶:

- Local community can mix with people from diverse background with different lifestyles which through 'demonstration effect' may lead to the development of improved lifestyles and practices from the tourists' examples;
- there can be an improvement in local life through better local facilities and infrastructure (developed to sustain tourism) which could lead to better education; health care, employment opportunities and income; more cultural and social events available for local people such as entertainment; exhibitions etc.
- Improved sports and leisure facilities created for the tourists which local people may use, particularly out of the tourist season;
- Conservation of the local cultural heritage of an area and rebirth of its crafts, architectural traditions and ancestral heritage;
- Urban areas which may be in decline can be revived and the movement of people from rural areas to urban areas for employment may be reversed as jobs will be available in the tourism industry;
- Increase in youth exchange programs, villages tourism, home swap programs and voluntary work overseas.
- However, tourism may have negative effects on an area, such as:
- Infrastructure (roads, railways, health care provision) may not be able to cope with the greater numbers created by tourism;
- Poor sanitation may lead to diseases for both tourists and local population;
- Local population's activities and lifestyles may suffer intrusion from tourists leading to resentment towards tourists;
- Local population may copy lifestyles of tourists through the

⁶ See: McKercher, B. and Cros, H. :Cultural tourism, The Haworth Hospitality press, New York, 2002. P 151-179.

‘demonstration effect’ and the result could be a loss to local customs and traditions as well as standards of behavior;

- There could be a loss of native languages and traditions leading to the area losing some of its original appeal;
- Increased crime rate could develop through a decline in moral and religious values, leading to greed and jealousy of wealthier visitors;
- Traditional industries may be lost and local goods substituted by imported and mass-produced goods which lack authenticity but appeal to a mass market;
- Tourists may act in an anti-social manner which could cause offence to the local population. Unless sufficient information is provided by the host nation and tourist providers on the standards of behavior expected in that area, local populations may come to resent tourists and act aggressively towards them, or the host community adopts the same anti-social behavior;
- Tourists may be unprepared for social contact and interaction with the host community (particularly in large self-contained resort areas) which leads to resentment and constraint in the host community;
- There may be language barriers between the tourist and the host community which may create communication problems.

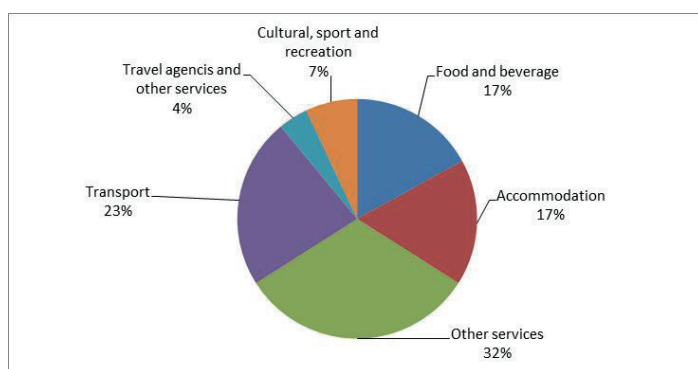
Providing careful planning is undertaken in an area where tourist development is being considered and the host community fully involved in that planning. Many of these negative factors may take some time to become apparent in the host community so planners need to research tourist development and its effects to try and prevent problems arising.

2.2. Economic impacts of tourism

The major benefit of tourism for a region or country is economic as it provides an opportunity for job creation and generation of revenue at international, national, regional and local levels. Tourism can also benefit economies at regional and local levels, as money comes into urban and rural areas which in turn stimulates new business enterprises and promotes a more positive image in an area. Revenues from foreign visitors were much

higher in accommodations, food and beverage, entertainment, purchases and other services and products reaching export of 1,245 billion in 2014, a 3.7% increase compared to 2013. International tourist arrivals grew by 4.4% in 2014 reaching 1.135 billion visitors.⁷

Figure 2: Internal tourism consumption



Source: OECD Tourism Trends and Policies 2014

When an area developed as a tourist destination, the local economy benefits because new jobs are created and visitors bring more business to local shops and restaurants. The income generated can then be used to improve local services, whether by developing better transport and infrastructure, or by providing more facilities for residents and visitors, such as leisure centers, shopping areas and entertainment or attractions. This is known as the ‘**multiplier effect**’.

The balance of payments is a statement which shows the flows of international currency and capital items to and from a particular country. Items are classed as either ‘visible’ or ‘invisible’. Visible are items which can be seen – such as cars, electrical products or raw materials - and invisible items are those which cannot be physically seen – such as shipping, banking, tourism and insurance. The tourism balance of payments for a particular country is the figure which shows all the earnings from overseas visitors, less any payments made by its own residents who travel abroad.

The multiplier concept is the term used to calculate the benefit of tourism income to a particular region.⁸ Money spent by tourists in a destination area has both direct and indirect economic benefits. Enterprises which offer tourist facilities, such as hotels, attractions and transport

⁷ World Tourism Organization (2015), UNWTO Annual Report 2014, UNWTO, Madrid.

⁸ Vanhove, N.: The economics of tourism destinations, ELSEVIER, Oxford, p 120.

operators, benefit directly from presence of the tourist, such as shops, banks, and businesses which provide goods and services for the tourist (like laundries and food suppliers).

A small local restaurant is more likely to have a higher income multiplier effect, as it would use local staff and probably local suppliers. But a large city-center hotel may be part of a national or international chain, and goods and services may be purchased centrally by the organization, so less of the income earned by the hotel is spent in the local area.

International tourism (travel and passenger transport) make up 30% of world exports of services and 6% of total exports of goods and services. By all export categories, tourism ranks fourth after fuels, chemicals and food, and is the first place in many developing countries.⁹ On average tourism covers 9% of GDP or every 11th employee is in tourism in 2014¹⁰.

Tourism is a very people-oriented business, therefore the opportunity to create employment in an area is one of the attractions to governments. If an area has suffered from declining industries and levels of unemployment are high, tourism could be a way of revitalizing that area and creating employment. But the skills needed within the industry may not be the same as the traditional industry, so efforts are made to retrain and recruit those with the necessary expertise (such as communication, personal presentation or specific catering qualifications, for examples). Some of the employees may need to be relocated to the developing area, particularly where there are skills shortages, but others will be employed locally. Other local residents may see an opportunity to become self-employed and develop their own business in the tourism sector. An converting buildings into holiday cottages, or a fisherman unable to earn sufficient income through fishing alone offering boating or fishing trips to visitors round the local coastline.

Direct employment in tourism occurs in accommodation and catering, transport operations, travel agencies, tour operators, tourist attractions and government department (such as tourist boards and tourism information centers, national parks and monuments, air traffic control and lifeguards.) Tourism employment opportunities may also arise more indirectly, through areas such as customs and immigration officials at land borders, ports and airports; and capital investment jobs (design and construction of highways, airports, aircraft, hotels/resorts and cruise ships, for example). Employment

⁹ Travel and Tourism Economic Impacts 2015, WTTC, p 3 and 4.

¹⁰ <http://media.unwto.org/press-release/2015-04-15/exports-international-tourism-rise-us-15-trillion-2014>

opportunities may also grow in areas concerned with the supply and production of travel products (film developers, sign markers, laundries, food producers and chemists, for example).

The negative impact of employment within the tourism industry can be that, as the work may be seasonal, the employees may not have the same loyalty and commitment to the job, and take little interest in gaining skills and qualifications in the industry, the hours can be long and the salary may not always compete favorably with other industries, so potential employees may not see their work as a career opportunity. This can have an effect on the way tourists experience an area. Poor service or an otherwise unfavorable experience may affect a tourist's enjoyment of an area. The tourist is unlikely to return to that area and may tell others, thus creating a decline in demand affecting other tourism providers in that area.

Tourism is considered to be a growing industry, but if potential visitors do not have the income to spend on tourism, a negative aspect could be a recession in tourism. If a developing country is over-dependent on tourism, then the economic and social problems caused by a recession in the industry could be great. Governments need to develop strategies to reduce over-reliance on tourism employment to minimize these effects. A further aspect of over-dependence is that employees may be attracted to employment in tourism-related work and leave their traditional primary industries, particularly in developing countries. This has the effect of loss of labor in those traditional industries, causing labor supply problems.

Another negative impact of tourism can be inflation in prices of goods and services in an area, which causes difficulties for the local residents. The businesses catering for the tourist may increase their prices to attract more revenue but the local population may not be able to pay these higher prices. Prices of houses in a popular tourist area may rise, so local people may no longer be able to afford to buy there. This can happen where houses are purchased as second homes or holiday villas meaning they are no longer available to local residents. A social difficulty could arise as younger people may be forced to move from the area in order to be able to purchase a property. Local shops and businesses may decide to cater more for the tourist market, this reducing the facilities and choice for local inhabitants who may need to travel further for basic supplies of goods. If an area is spending money on the development of facilities for tourists, such as hotels or roads, then there is less money available for other capital projects such as schools and hospitals which an area may need.

2.3. Environmental impacts of tourism

An attractive environment appeals to tourists, whether natural or built, and the development of tourism in a locality will relate to the surrounding area. The term 'environment' refers to the physical setting in which tourism takes place – this could be coastal resorts, historic cities, mountain ranges, picturesque villages, sites of cultural interest including museums and national monuments – and which provides the stimulus for travel.

Tourism itself will affect the environment in both positive and negative ways. The following lists summaries these effects. The positive effects may include¹¹:

- increased investment in the area (may improve facilities, access and enable development);
- conservation of features encouraged (buildings, wildlife, countryside);
- increased income for upkeep and preservation of facilities.
- On the other hand, negative aspects could include:
- appealing environment spoilt by over-development;
- local people displaced due to development of coastal resorts;
- damage to natural flora and fauna;
- scarcity or reduction in water supply/quality to meet tourism demands;
- increased litter and waste disposal problems;
- greater air pollution and noise from overcrowded facilities/increased art traffic.

There are pressure groups that campaign to preserve the environment and try to prevent over-development, such as Friends of the Earth and Tourism Concern. Governments department in many countries aim to achieve sensitive tourism development that is respectful of local environments and customs. The more involved a local community is with the development of tourism in an area, the less damaging the impact of tourism may be on that area. However, the local community may see the benefits of tourism development

¹¹ Eagles, F.J.P.: Sustainable Tourism in Protected Areas. Guidelines for planning and management, IUCN. Cambridge, 2002, p.130.

without being fully aware of the negative effects or costs to the community. Or they may focus on the threats to the environment without seeing the positive aspects. This is where local tourism forums (such as regional tourist boards) can help focus the issues and provide an opportunity for discussion and analysis as well as raising public awareness.

Conclusion

Tourism industry is one of the fast growing industries in the world. Tourism sector has significant impact on employment, foreign exchange flows, and on all economic and social activities. Tourism sector gives incentive for development of other industries. Generally, tourism effects are determined by following factors:

- attraction of tourism destination;
- scope and intensity of tourism flow;
- level of economic development of tourism destination;
- scope and quality of tourism infrastructure in tourism destination;
- level of recirculation of tourism consumption in tourism destination;
- level of destination adoption on seasonal tourism demand.

Tourism consumption is a generator of economic impact of tourism. Its impact depends of the number of foreign tourists, flows in that consider, investment and other multiplicities in defined area. Tourism consumption might be: direct, indirect and induced. So, the impacts are also divided on: direct, indirect and induced.

Direct impacts are the most transparent impact and are the most significant. They consider on direct participants that offer tourism services (tourism sector). Indirect impacts are related to inter-sectoral exchange, i.e. tourism sector supplies that come from other sector of the economy. What refers to induced impacts, they are generated from the growth of income from economic activities, as well as a result of initial change of final consumption and recirculation of increased income of local or national economy.

Tourism sector can influence the on the whole community of one country, taking into consideration three main aspects as: economic, environmental

and socio-cultural. The impacts might be positive or negative, but in general positive effects are dominant.

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