Chapter objectives

After reading this chapter you will:
- Be aware of the scale and scope of the contemporary tourism industry.
- Understand the difficulties of defining the contemporary tourism industry.
- Be aware of the various approaches to defining tourism from a supply-side perspective.
- Recognise that tourism is a partially-industrialised system.
- Recognise the issues involved in measuring the contemporary tourism industry.
- Understand the status of tourism in standard industrial classifications.
- Appreciate the tourism satellite account approach and its benefits.
- Be familiar with the challenges of measuring the scale of tourism employment.
Introduction

Tourism is often described as one of the world’s largest industries with huge figures quoted for the value of the tourism industry and the numbers it employs. This chapter provides a reality check for this ‘boosterism’ by demonstrating that we are far from reaching agreement as to just how to define the tourism industry. The chapter outlines the approaches to date in trying to define and measure tourism as an industry and the problems faced in doing so, not least the fact that many industries are involved in delivering the tourism product. It demonstrates that tourism is in fact only partially an industry, as governments, communities and others are involved in delivering the tourism product. We go on to show how tourism is not recognised as an industry in standard industrial classifications and national statistical systems. It then outlines the breakthrough in defining and measuring the tourism industry in the form of the tourism satellite account (TSA). The TSA has now been accepted by the United Nations as the industry standard for defining and measuring the tourism industry. It can be used to compare tourism with other economic sectors and to provide policy makers and planners with useful information. The chapter closes by considering how tourism employment is measured and some of the problems involved.

The size and scope of the tourism industry

The World Travel and Tourism Council (WTTC) is an industry lobby group comprising the major tourism corporations in the world. As part of their work they have estimated the size and scope of the tourism industry using sophisticated economic techniques. They state that travel and tourism is:

‘one of the largest and most dynamic industries of today’s global economy, travel and tourism … it accounts for US$6 trillion, or 9%, of global gross domestic product (GDP) and it supports 260 million jobs worldwide, either directly or indirectly. That’s almost 1 in 12 of all jobs on the planet’ (WTTC 2012: 3).

The question posed by these numbers is just how did the WTTC come up with these estimates, and what do they include as being a part of the travel and tourism industry? This is a key issue that is occupying the minds of academics and politicians alike, as well as industry lobbyists such as the WTTC. The problem is simple – how to measure the scale and scope of tourism, because tourism is an industry that challenges conventional paradigms. Yet it is important to do so, as tourism is a complex industrial system, a major employer and generator of revenues. Debbage and Ioannides (1998) speak of the commodification of tourism that has created this machinery of production:

‘Although changes in consumer demand and the evolution of increasingly more sophisticated consumer preferences can play substantive roles in shaping the tourism product, it is the actual ‘machinery of production’ that helps to manipulate and facilitate origin-destination tourist flows across the world’ (Debbage & Ioannides 1998: 287).
Ioannides and Debbage (1998) vent their frustration at the fact that we have not yet satisfactorily got to grips with analysing the supply side of tourism. They point to a lack of quality analysis of tourism as a supply-side phenomenon, despite the fact that tourism is bought and sold as a commodity and the industry is organised along capitalist lines, albeit with some unique characteristics. These include:

- The tourism industry is highly diverse – from size of establishment (SMEs to corporations); business type (IT to service provision); sector (air transport to accommodation); organisation (public and private sector); and process. It is therefore more a collection of industries than a single industry.

- The fact that tourism is not a single product but a diverse range of products and services that interact.

- It comprises tangible and non-tangible elements.

- It is produced where it is consumed.

To exacerbate this, the tourism industry is both misunderstood and under-explored (Debbage & Daniels 1998). This is because it is amorphous and complex, shrouded in conceptual fuzziness and imprecise terminology (is it tourism or travel?). This chapter aims to dispel some of this mystique and provide a clear description of how to approach examining the scope and scale of the contemporary tourism industry.

**A tourism system**

Leiper (1979) has clearly located the tourism industry within the wider tourism system as we showed in Chapter 1. His well-known tourism system comprises three key elements – the generating region, the transit zone and the destination region. Cutting across these three elements are the resources and industries required to deliver the tourism product. However, Leiper (1979) agrees that there are problems delineating these resources due to:

1. The difficulty of identifying the tourism element of an industry.
2. The difficulty of separating industry and non-industry elements.
3. Difficulties in specifying the number of industries inherently connected with tourism.

Leiper goes on to define the tourism industry element of the system as:

‘All those firms, organizations and facilities which are intended to serve the specific needs and wants of tourists’ (Leiper 1979: 400).

He further splits the industry into six sectors, each linked and specialising in a particular function:

1. Tourism marketing
2. Tourist carriers
3. Tourist accommodation
4. Tourist attractions
5 Miscellaneous tourism services (e.g. taxis)
6 Tourism regulation (including government and education).

Definitions of the contemporary tourism industry

Smith (1988) is concerned that the continued lack of agreement over definitions of the tourism industry is both frustrating and embarrassing for the credibility of the sector. The debate continues partly because economists refuse to accept that tourism is in fact an industry. Indeed, in 2006 the Australian Productivity Commission decided that the whole definition needed to be revisited and came up with a range of yet more new definitions. So why do we need definitions of the contemporary tourism industry?

1 For measurement and producing accurate statistics of supply. This includes the size of the tourism industry, the number of jobs it generates and what is included for the range of data collection and legitimate comparison with other economic sectors (Davidson 1994).

2 For legislative purposes – to ensure that laws and policy applying to the tourism sector do actually apply to that sector.

3 For credibility – to define and understand the sector for credibility in government and other economic sectors, as well as a sense of self-identity.

Generic definitions of an industry are based upon the manufacturing paradigm. Here, the notion of an industry is a group of independent firms all turning out the same product, and competing over these substitutable products. Another way to approach the definition is to think of an industry as a group of sellers of close substitutes to a common group of buyers. In other words, definitions of an industry focus around the people and activities involved in one type of business, or a distinct group of productive or profit-making enterprises. This clearly is problematic for tourism as:

1 The definitions are dominantly rooted in the economics of manufacturing.

2 The growth of tourism, and services more generally, has not been taken into account in such definitions.

3 Tourism statistical data are poor and do not support the sophisticated measurement of the industry.

As a result, supply-side definitions of tourism have proven more difficult to resolve and it is only since 2000 that real agreement has been reached. The key issue with supply-side definitions is to decide which businesses and organisations should be included in the definition of the contemporary tourism industry. But it is more than simply coming up with a list; there are complex technical issues to be tackled here. Smith (1996) illustrates this with the very practical example of a hotel – initially you may think that the hotel is wholly a tourism business. However, most hotels have a significant proportion of local business in the restaurants and function rooms. How should we apportion the tourists’ consumption