

The Economic Ascent of the Hotel Business

12

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12 Continental European Hotel Businesses: 1980–2008

Introduction

In this chapter the two main economies of continental Europe, France and Germany are analysed separately and the position of the other economies are treated collectively. Not only are they smaller economies, but also they are very much smaller hotel economies. The exception is Spain which benefits from very high volumes of foreign leisure demand and thus, has one of the largest hotel supplies in Europe. The most significant economic development of the period was the break-up of the Soviet Empire and the collapse of communism in 1990. From then until 2008 hotel demand in this region rose, but the economies came from such a weakened and structurally primitive state that the growth in hotel demand and supply by 2008 still left them trailing far behind the western European economies.

France: 1980–2008

Developments in economic structure and hotel demand: France 1980–2008

Over the 28-year period to 2008, Otus estimates that hotel demand in France grew to 95 million room nights, up from 66 million, a 1.3% average annual growth. French domestic demand added 12 million room nights to reach 45 million, while Britain with a similar population added 26 million room nights to reach a total of 62 million, due to the faster development in the structural balance of the British economy and a greater proportion of its employment in service businesses. In contrast, foreign demand into French hotels added 17 million room nights to reach 50 million, while Britain added 14 million room nights to reach 45 million. Over the period there was also a shift in the structure of the hotel business as hotel chains grew to capture 66% of total demand, a strong

annual average growth of 4.7%, whereas unaffiliated hotels demand shrank by 16 million room nights to end the period at 33 million. During the period, the four factors that are indicative of the shifting structural balance of an economy to service business experienced mixed developments. Human and civil rights legislation expanded as it did in most western economies. Undergraduate and postgraduate degrees in pure social sciences expanded more so than in applied social sciences and the social sciences became part of the secondary school curriculum. The expansion of ownership of appreciating assets such as homes, insurance policies, pension schemes and other saving mechanisms was slower than in the US and Britain and this limited the provision of personal credit. Business and personal travel expanded, but the proportion of French citizens travelling internationally and their frequency of international travel was less than for US and British citizens.

During the 1980s and 1990s, France suffered from high levels of unemployment, some years above 10%. To combat this, the first Aubry Act introduced on 1 January 2000 reduced the statutory working week to 35 hours and was successful in creating new jobs and containing the higher levels of unemployment. Tables 12.1 and 12.2 illustrate the encouragement that the Act gave to the total numbers employed. Over the 27-year period to 2007, the latest year for which employment data were available, employment in agriculture and industry, the two segments that yield lower domestic business demand into hotels, grew and the proportion employed was significantly higher than in the US and Britain. The proportion in service businesses, the segment that yields the highest domestic business demand into hotels, was lower than in the US and Britain.

Table 12.1: Employment by Segment in France: 1980–2007 (millions)

	Agriculture	Industry	Citizen Services	Service Businesses	Total
1980	1.9	7.6	6.5	6.0	22.0
1990	1.3	6.5	7.8	6.9	22.5
1996	1.3	5.6	8.7	7.0	22.6
2003	1.7	8.4	7.3	7.3	24.6
2007	1.5	8.5	7.8	7.8	25.6

Source: 1980 - 1990 Groningen, 2003 - 2007 INSEE

Table 12.2: Employment by Segment in France: 1980–2007 %

	Agriculture	Industry	Citizen Services	Service Businesses	Total
1980	8%	35%	29%	27%	100%
1990	6%	29%	35%	31%	100%
1996	6%	25%	39%	31%	100%
2003	7%	34%	30%	30%	100%
2007	6%	33%	30%	31%	100%

Source: 1980 - 1990 Groningen, 2003 - 2007 INSEE

Chapter extract

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