

Chapter 1 Tourism and Demography An Overview

From Tourism and Demography

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Tourism and Demography

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Edited by

**Ian Yeoman, Cathy H. C. Hsu,
Karen A. Smith and Sandra Watson**

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Tourism and Demography: An Overview

Ian Yeoman and Stephanie Butterfield

Objectives

The purpose of this chapter is to:

- ◆ Provide an overview of the key demography trends across the world using United Nations population projections;
- ◆ Illustrate how demography patterns will shape tourism demand, whether it is singleton households and feminisation of travel or new family structures and the rise of grandtravellers;
- ◆ Demonstrate how demography patterns will change the supply provision of tourism, whether it is taxation policy or labour supply.

Introduction

When many futurists argue about an uncertain world, whether it is oil prices, technology, the economic performance of China and climate change – the only certain prediction is birth and death. This chapter sets out to explain how this certainty will be the most important trend that shapes the future of tourism, whether it is the Baby Boomer generation retiring with wealth and desire to travel or the looming pensions crisis and the consequential collapse of outbound travel from developed nations such as Italy, Germany and Japan. This chapter describes the key demography trends and provides a range of examples of how demography will change the future of tourism. Material for this chapter is mainly drawn from reports by the United Nations, OECD and World Economic Forum. The authors acknowledge the importance of these sources.

World Demography Trends

Demography is the study of population characteristics. Birth, death, migration and ageing are key topics incorporated within demography. According to the United Nations, in 2050 there will be 9.1 billion people in the world compared to 2.5 billion in 1950 (see Table 1.1). From housing to water supply, this population increase will have major implications for everything and everyone. In response to the fiscal burden of an ageing population, many political leaders, including those of Japan and Italy, have tried to encourage people to have more babies, occasionally even offering monetary incentives.

World population grew from 600 million in 1700 to 6.8 billion in 2009 (United Nations, 2009). According to Cohen (2003), it took until 1927 to put 2 billion on the earth, less than 50 years to add another 2 billion; and just 25 years to add the next 2 billion. Thus, global population has doubled in 40 years. From 1750 to 1950, Europe and the new world experienced the most rapid population growth of any region, while populations of Asia and Africa grew very slowly. Since 1950, rapid population growth shifted from Western countries to Africa, the Middle East and Asia.

Between 1800 and 1900 the number of people living in urban centres increased from 2% to 12%. This rose to 47% in 2000 with 10% of the world population living in cities with over 10 million residents. In 1950, New York became the first city to have over 10 million people. However, by 2000 19 other cities did too. Of those cities, Tokyo, Osaka, New York and Los Angeles were the only ones in developed countries (Cohen, 2003).

Table 1.1: Key demography trends

		World	Developed countries	Less developed countries
Population (millions)	1950	2529	812	1717
	2008	6829	1233	3014
	2050	9150	1275	5596
Total fertility rate (per woman)	1950	5.00	2.80	6.20
	2008	2.56	1.64	2.73
	2050	2.02	1.80	2.05
Life expectancy at birth (years)	1950	46.6	66.1	41.1
	2008	67.6	77.1	65.6
	2050	75.5	82.8	74.3
Percentage of total population	1950	100	32.1	67.9
	2008	100	18.1	81.9
	2050	100	13.9	86.1
Median age	1950	24.0	29.0	21.6
	2008	29.1	39.7	26.8
	2050	38.4	45.6	37.2

Source: United Nations World Population (2009)

Demographic Projections for the Next 50 Years

The 2008 global population was put at 6.8 billion, with 5.6 billion living in less developed regions (Table 1.1). According to a scenario constructed by the United Nations (2009), by 2050 developing countries will account for 86% of the population. By 2050, the population of the 49 least developed nations will double from 835 million (2009) to 1.7 billion. However, between 2009 and 2050, the population of developed countries is projected to remain stable at close to 1.2 billion.

The majority of the population is concentrated in only a few countries. In 2009, 37% of people lived within India and China. Eight countries account for a further 22% of the world population: the United States, Indonesia, Brazil, Pakistan, Bangladesh, Nigeria, Japan and the Russian Federation. Consequently, 76% of the 230 countries covered by the 2008 Revision (United Nations, 2009) have populations of less than 20 million. By 2028, India will have a greater population than China and together they will house 36% of the world population. In 2050, the 10 most populous countries will be India, China, the United States, Pakistan, Nigeria, Indonesia, Brazil and three of the least developed nations, Bangladesh, Ethiopia and the Democratic Republic of the Congo.

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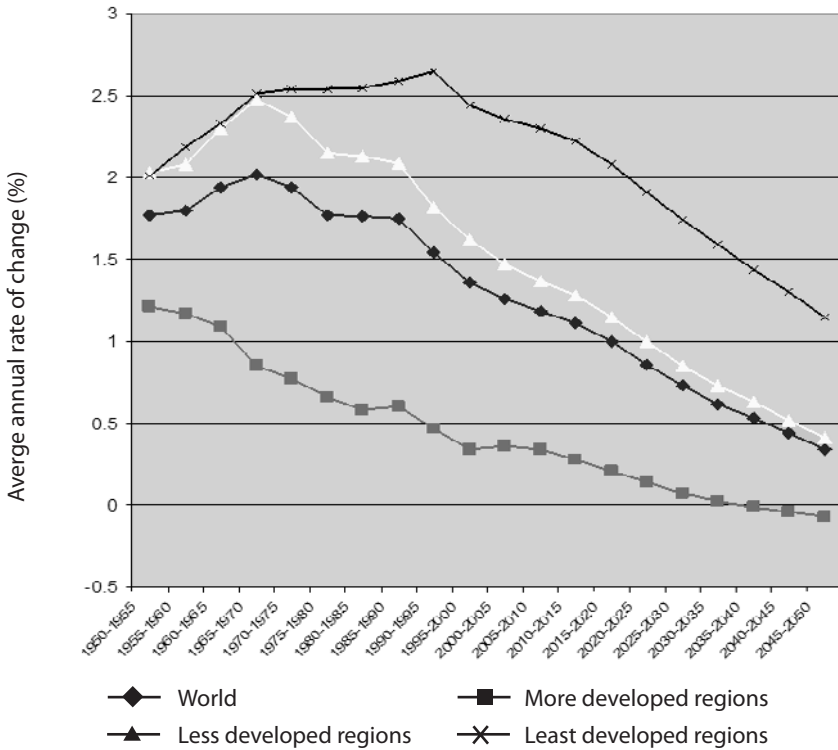


Figure 1.1: Average annual rate of population change for the world and the major development groups 1950–2050 (medium variant)

Source: United Nations (2009)

A population ageing, whereby the proportion of older persons in the population increases over that of younger persons, will be the main effect of fertility decline especially when coupled with increases in life expectancy (Figure 1.1). In 1950, only 8% of the population was aged over 60. In 2010 this will rise to 11% and by 2050, 22% of the population will be over 60. Globally, this means over 2 billion people will be over 60 in 2050. In contrast, over the next 40 years, the number of young people aged below 15 will decline from 1.86 billion in 2010 to 1.8 billion in 2050. Thus, in 2050 only 20% of the world population will be under the age of 15.

By 2050, 88 countries are expected to have a median age above 40, 43 of which are located in the developing world. Therefore, population ageing, already prominent in developed nations, is expected to also occur rapidly in developing countries. However, least developed countries with high fertility rates will continue to have young populations into the future. In 2050, nine least developed countries including Nigeria and Somalia will have the youngest populations with median ages below 25.

Developed nations provide a point of reference in terms of predicting population ageing within developing countries. In 1950, within the developed world, children (under the age of 15) accounted for 27% of the total population and the elderly (60 years and over) accounted for only 12%. By 2010, within developed countries, the number of elderly surpassed that of children (22% to 17%). By 2050, the number of elderly is projected to be more than double that of children (33% versus 15%). Thus, by 2050 the number of elderly would have increased four times their number in 1950 to reach 416 million. The number of children would have decreased from 222 million in 1950 to reach 197 million. In developing nations, the proportion of elderly is projected to rise to 20% and the proportion of children projected to fall to 20% by 2050. This has great implications for both the labour force and economic growth.

In 2050, only 52% of people will be within working age in developed countries. Thus, based on occurrences within developed nations the working age population is projected to decline steadily for the developing world. Specifically, the working age population is expected to decline from 62% in 2010 to 59% in 2050 within developing regions. However, among the least developed countries, that proportion will rise from 55% in 2010 to 62% in 2050, an increase that represents both an opportunity and a challenge. There is opportunity for economic growth provided lucrative employment is available to persons of working age. Furthermore, the number of oldest-old, persons older than 80, is also rising. In 2010, there were 106 million oldest-old people corresponding to 1.5% of the world population. By 2050, this segment of the population is projected to reach 395 million or 4.3% of the world population making the oldest-old the fastest growing segment of the world population.

Fertility

According to the 2008 Revision (United Nations, 2009), total fertility – that is, the average number of children a woman would bear if fertility rates remained unchanged during her lifetime – is 2.56 children per woman in 2005–2010 at the world level. This average masks the heterogeneity of fertility levels among countries. In 2005–2010, 76 countries or areas (45 of them located in the more developed regions) have fertility levels below 2.1 children per woman (replacement level), 120 countries or areas (all of which are located in the less developed regions) have total fertility levels at or above 2.1 children per woman. In 1950, only 0.4% of the world's population had a fertility rate of less than 2.1, by 2009 that increased to 46.7% and in 2050 it is projected to increase to 74.7%. This was five countries in 1953 compared to 147 by 2050 (see Figure 1.2).

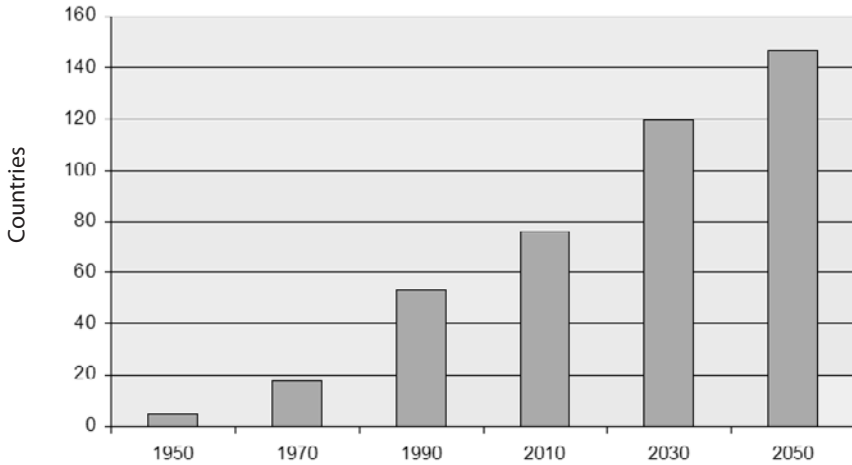


Figure 1.2: Number of countries where fertility is less than 2.1

Source: UNWTO (2009)

Whilst many developing countries are entering a transition from high to low fertility, in seven less developed countries the average fertility rate is 6 or more children per woman. For example, in Nigeria the total fertility is over 7 children per woman. The fertility within these seven countries is projected to decline by one child per decade. Thus, none is forecast to reach 2.1 by 2045–2050. Consequently, populations within these countries will almost triple from 159 million in 2008 to 425 million in 2050. Civil strife, political instability and HIV/AIDS will be big issues negatively impacting basic service provision within these countries. Despite significant contribution to population growth, such high-fertility countries account for less than 2% of the world population today and are expected to constitute only 4% of the world population by 2050. Countries with total fertility ranging from 4 to 6 children per woman account for 13% of the world population today.

In 2008, 41% of the population lived in developing countries with fertility rates ranging from 2.1 to 4 children per woman. By 2045–2050, a total of 147 countries including many developing countries, are expected to have fertility rates below replacement level. Thus, within this period 77% of the global population will live in countries with below replacement fertility. Many developed countries have already attained below replacement fertility levels and today all developed nations record fertility levels below 2.1 children per women. Bosnia-Herzegovina, Malta and Japan currently exhibit the lowest fertility levels in the developed world with under 1.3 children per women (United Nations, 2009).

Globally, in 2045–2050 the medium variant projects total fertility to be 2.02 children with 1.80 children per woman in developed regions and 2.05 children per woman in developing regions. Thus, the gap between developed and developing nations will narrow. However, developing countries will still have higher fertility, a difference that persists in all projection variants. Total fertility in the low variant is expected to be 1.31 children per woman in the more developed regions and 1.56 children per woman in the less developed regions. In the high variant, total fertility is projected to be 2.30 children per woman in the more developed regions and 2.53 children per woman in the less developed regions.

Urbanization

The 20th century has witnessed the rapid urbanization of the world's population. The global proportion of urban population increased from a mere 13% in 1900 to 29% in 1950 and, according to the 2005 Revision of World Urbanization Prospects (United Nations, 2006)¹ reached 49% in 2005. Thus, the urban population has more than quadrupled since 1950 increasing from 732 million to 3.2 billion in 2005. By 2030, 60% or 4.9 billion of the global population is expected to live in cities (United Nations, 2009).

These overall trends, however, obscure striking differences in urban population change between the more developed regions and the less developed regions. While the majority of inhabitants within less developed regions still live in rural areas, in the more developed regions the population is already highly urbanized. In 2005, 74% of the population within more developed regions was urban, compared to 43% in the less developed regions. By 2030, it is projected that 56% of people within developed nations and 81% of people within developed areas will live in cities. However, less developed areas will have many more urban dwellers than developed countries due to their large populations and high fertility rates. By 2030, the urban population in developing countries is predicted to be 3.9 billion, almost four times larger than the 1 billion urban dwellers expected in developed countries. As urbanization tends to rise as the level of development increases and socio-economic development is expected to continue in all countries, urbanization levels are generally projected to rise in the future.

¹ Urbanization projections draw upon United Nations 2005 *Revision of World Urbanization Prospects* rather than the United Nations 2009 *Population Projections*, therefore creating a number of statistical anomalies.

Immigration

Net migration to more developed regions steadily increased from 1960–2000 and continues to dominate as a world migration trend (United Nations, 2009). During 1990–2000 more developed regions gained 2.7 million migrants annually. Almost half of that net flow was directed to Northern America (1.6 million annually). Between 2000–2010 net migration to developed nations peaked at 2.9 million migrants annually. Within this period, Asia, Latin America, the Caribbean and Africa were major sources of migrants. Over 72% of all developed countries were net receivers of international immigrants. Flows also occurred among developing nations with Hong Kong, SAR of China, Israel, Kuwait, Malaysia and Qatar attracting significant numbers of migrants. Future projections for this period show net migration will remain around 2.4 million annually, with 1.3 million directed to North America.

Implications for the Future of Tourism

This section looks briefly at how demography is changing tourism demand and supply. The changing configuration of population is highlighted in the rise of single-person households and the changing role of women in society resulting in the 'Bridget Jones phenomenon'. As populations age, tourists search for the fountain of youth in order to stay younger and healthier longer, meaning the rise of medical tourism as more of a mainstream tourist product. Further ahead, as population ages, wealth per capita falls, resulting in a pension crisis as those in work cannot support those not working – the age dependency ratio becomes critical and a pension crisis looms which changes tourist outbound flows. In addition, governments will have to reassess the role of tourism within public policy due to the pressure of fiscal deficits. The tourism industry as a low-pay employer will feel the squeeze of the competition for labour as the younger workforce migrates to other industries which offer higher rates of pay, especially health care. Even the future of terrorism and the consequences on tourism is considered.

Bridget Jones and Singletons

Research by Yeoman (2008) on the singles market and travel in the UK identified that by 2030, single females who live alone will represent 19% households and holidays for this market act as a meeting place for singles. For companies such as Explore Worldwide (www.exploreworldwide.com) and Exodus (www.exodus.co.uk) the core market is the single traveller.

The main purchasers of Lonely Planet guides (Yeoman and McMahon-Beattie, 2006) are single, middle-class females and are portrayed in the films about Bridget Jones, a 30-something single woman living in London trying to make sense of life and love.

To pin down who we mean when we talk about singletons, it perhaps helps to begin by looking at how people's attitudes towards marriage and singleness have changed. In the 1950s, divorce was very rare, with only a tiny percentage of marriages ending that way. The expectation was that people would marry young and stay married. As the traditional marriage vows suggest, a woman was cared for by her father until such time as the husband took over the paternalistic role. There was only a short period of time in which a young woman could have sole responsibility for her life. Women also bore more children, with the mean number of children per woman being about 2.5. In post-war Britain, being single was usually a momentary aberration between coming of age at 21 and being married. A 1958 US study (Silverstein and Fiske., 2003) found that nearly all Americans assumed a woman would stay single only if she were ugly, immoral or neurotic. By 2009, attitudes had obviously changed. In fact, a range of pop-cultural portrayals have turned that stereotype on its head: we no longer assume that single women are ugly and immoral. Single people are now standard-bearers for beauty, admired for their independence and self-reliance. People's lives are also very different from the 1950s. They marry later, often having lived outside the family 'independently' for a number of years, and many women expect to work until retirement age, including the period when they are bringing up a family. Critically, the fact that almost all women work for at least a part of their lives means that they are often economically independent and no longer need to rely on a man – father or husband – to take care of them and their offspring. These social and cultural shifts have created an environment where the meaning of marriage has shifted: marriage has become something people can now approach as a desirable living arrangement rather than as a social imperative.

According to the Travel Industry Association of America (Yeoman, 2008), nearly 25% of US travellers (34.8 million adults) take a vacation on their own. The average solo vacationer is 42 years of age, with an annual household income of \$54,000. More than 25% have a professional or managerial occupation, 53% are male and 47% female, and 38% have graduated from university. Even married people sometimes prefer to holiday on their own; one in seven of the over-50s take holidays alone to escape the 'other half', according to research by Saga Holidays (2007). This research highlights the fact that going on holiday alone to meet new friends is a major driver for many and that 5% are searching for a new partner (whilst still married!). In China, there will be 10% more men than women by 2040 as

a result of rising prosperity, the changing roles of women, new career options and the country's one-child policy (sons have a higher childhood survival rate than daughters). In 2005, single-person households represented almost 30% of all households in the United Kingdom; over the past 25 years the average age of people at the time of their first marriage has increased significantly, rising in 2005 to 28 years for women and 30 years for men, a far cry from the 1980s when it was 22 for women and 24 for men (Yeoman, 2008). In the United Kingdom, the lifestyle of many single people aged between 25 and 40 is characterized by a focus on career and a busy social life. When it comes to holidays, therefore, many singles are looking for a wide variety of leisure services and activities that offer relaxation and a means by which to alleviate the stress created by day-to-day living. Furthermore, career-minded singles are more inclined to spend their higher-than-average disposable income on treating themselves, rather than on family life. This presents a potentially high return on investment for companies targeting this growing consumer group with their travel products and services. Without doubt, singles now represent a major consumer group in the United Kingdom.

Singletons have different needs from those holidaying in couples or groups. In some ways they are more flexible, because they are not restricted to choosing a holiday which appeals to all members of their family or group. However, whilst this makes them open to a wider range of options, it also means that the needs of the single traveller are much higher in terms of specific requirements, safety issues and demand for more challenging and rewarding holidays. Presented with the freedom to choose a holiday to satisfy only themselves, single travellers often feel a strong urge to take part in activities which they could not do if they had to take into account another person's tastes. They are, for example, more inclined to consider adventure holidays and extreme sports. Themed holidays linked to hobbies, such as trekking, surfing, bird watching, horse riding or yoga, as well as spa retreats and exotic city breaks, are also all niche-market products which operators would do well to offer single travellers. More so than couples and groups, singletons also feel the need to take part in activities where they gain a sense of achievement. Holidays where new skills can be learned, such as courses on cookery, writing and massage, and sporting holidays, are also likely to be successful if marketed to singles. With young working singles willing to spend more on travel abroad or to achieve a lifetime ambition, a plethora of opportunities exist for travel specialists and niche travel agents to put together mid-to-luxury holidays. For single male travellers in particular, unique trips involving the latest technology, including trips on high-speed boats or other cutting-edge transport, are expected to be successful.

Family Structures and Grand Travellers

Longevity and smaller core families have led to the family structure becoming more vertical rather than statically horizontal in form. Because there are more, longer-living grandparents and fewer children, grandparents are enjoying more time with their grandchildren. Consider the following: in 1900, the life expectancy of a woman in the United States was 47 years; today it is 80 (Shapner, 2007). Today, grandparents can expect to enjoy several more years with their grandchildren than could grandparents of the 1960s. The term 'multi-generational family', also known as the 'vertical family', is a term first coined by sociologist Michael Young (Briggs, 2001). It refers to the fact that because of increased longevity, there has been a gradual shift towards there being more generations in a family. Because people live longer and lead healthier lives it is more common now for a family to consist of three, four or even five generations. Supporting this trend is the phenomenon of falling birth rates, which leads to fewer siblings, cousins, aunts and uncles compared to previous generations. Thus, the structure of the family is more vertical and less horizontal than in the past. The implications of this 'stretching' are manifold for family life and for the relationship between generations at a societal level. Longevity means that grandparents are more likely to assume supervisory childcare. At present, more and more people in the age group 45 to 55 are finding themselves with dual care responsibilities, namely teenage children and elderly parents. But it is probable that in the future this age group could find themselves at the centre of a five-generation family, with great-grandparents in their 90s, grandparents in their 70s, parents in their 50s, their children in their 30s, and grandchildren at primary school, etc. As grandparents have more leisure time and parents lead increasingly complicated lives, a new trend is emerging – that of grandparents and grandchildren holidaying together. This is called grandtravel, which, according to Curry (2000), is one of the fastest growing trends in 21st century society.

According to the Travel Industry Association of America (Yeoman, 2008) 30% of US leisure travellers who are grandparents have taken at least one vacation with their grandchildren, and a survey conducted by Yesawich, Pepperdine, Brown and Russell, a marketing agency in the United States, revealed that 56% of children aged 6 to 17 would 'really like to' vacation with their grandparents (O'Brien, 2007). The growing demand for grandtravel is indicated by the fact that the business in this sector has increased 60% since 1996 (Jeffrey and Collins, 2001). The concept of grand-travel was first put into practice by Helena Koenig, who set up the tour operator Grandtravel in 1989 in Maryland, USA. Grandtravel runs escorted tours for grandparents and grandchildren and within its first

year received over 15,000 enquiries without any advertising (Schlosberg, 1990). Schlosberg hypothesized that if 15,000 sought out grandtravel when no promotion had been done, then thousands more would respond to advertising. Tours range from 7 to 15 days and include the United States, Europe, Africa and Australia. Koenig believes the grandtravel experience draws grandparents and grandchildren closer together and helps them relate to each other in remarkable ways (Yeoman, 2008).

The Importance of Medical Tourism and Well-Being

Figure 1.3 illustrates how functional health falls gradually throughout a person's life. This reduction doesn't cause problems until very old age, when it ultimately leads to an individual losing independence. One of the biggest conditions associated with advanced economies is obesity which limits life expectancy and increases the risk of chronic health diseases that can dramatically increase both mortality and morbidity in remaining years. As a consequence, in order to maintain a healthy lifestyle in old age, consumers are searching for a means to extend healthy retirement years. This means, in general terms, that:

- ◆ Consumer demand has increased for healthier foods and for better access to a variety of physical activities as a way of combating growing anxiety problems and depression, as well as growing waist lines.
- ◆ There is an increasing interest in Eastern medicine and health-related activities such as yoga, meditation and herbal remedies. Growth in this area may be most closely linked to affluence because they will remain an alternative to the staunchly supported public health service of western societies.
- ◆ At present, women make up a significant majority of 'health' consumers, but a steady growth in participation by males in the market is anticipated.
- ◆ Disparities between the self-reporting of conditions and the actual treatment of conditions suggest a demand for non-medically prescribed remedies or treatments, particularly in areas of the greatest discrepancies between condition and treatment, for example, heart and circulation problems, as well as alcohol and drug problems.
- ◆ An increasing use of beauty aids, combined with continued growth in disposable income, suggests a bright future for cosmetic treatments and for those searching for the fountain of youth.

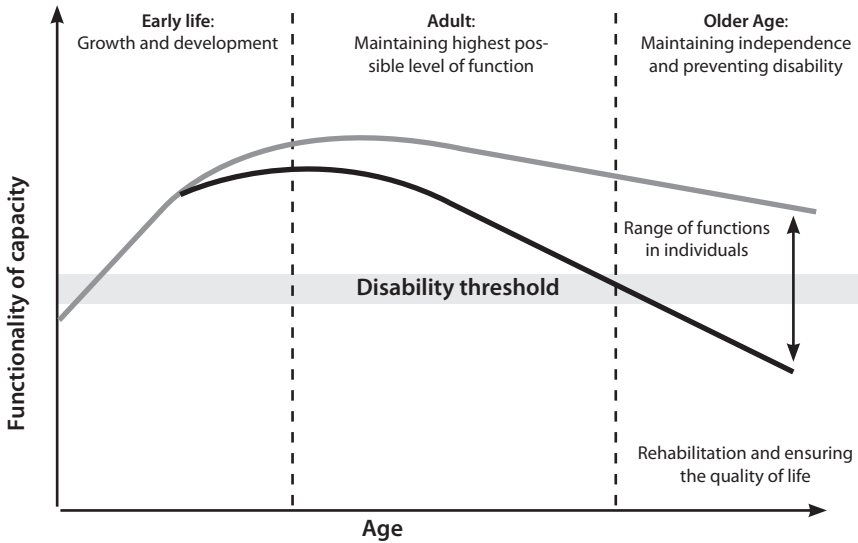


Figure 1.3: Maintaining functional capacity over the course of life

Wellness can be defined as a balanced state of body, spirit and mind, with fundamental elements such as self-responsibility, physical fitness, beauty care, healthy nutrition, relaxation, mental activity and environmental sensitivity. According to Mueller and Kaufmann (2001), wellness is viewed as a way of life, which aims to create a healthy body, soul and mind through acquired knowledge and positive interventions. Health tourism is defined as any kind of travel to make oneself, or a member of one's family healthier. Health tourism and wellness tourism are frequently used interchangeably. According to Lister (1999), healthcare and health treatments will be the world's largest industry in 2022, principally driven by an ageing population who are active rather than passive when it comes to healthcare. Lister goes on to say that tourism will become the world's second largest industry over the same period. Combined, health and tourism will represent 22% of the world GDP.

Medical travel is a fast-growing market. Sikken *et al.* (2007) estimates that gross medical tourism revenues were more than US\$40 billion worldwide in 2004, and will rise to US\$ 100 billion by 2012. It is driven largely by long waiting times for public treatment and high costs for private treatment in high-income countries. As medical cost inflation drives up insurance premiums relative to income, more people choose to decline coverage and meet their medical expenses out-of-pocket; in the USA, over 45 million people, around one in six of the population, are uninsured. The enormous price advantage of travelling overseas for treatment may reflect the quality

of provision, particularly pre- and post-surgery care, but also reflects both the lower wages paid to healthcare workers in low-cost countries and cheaper prices offered there by global suppliers of medical devices and other healthcare products. Medical travel is a global phenomenon. In addition to middle- and low-income patients from high-income countries travelling to lower-income countries in search of cheaper care, high-income patients from low-income countries travel to higher-income countries in search of better care. Singapore, Thailand, India, Costa Rica and Colombia are notable examples of countries that have successfully established themselves as hubs for medical tourism, while the governments of South Korea and Taiwan are about to launch campaigns to promote medical tourism services within their countries. In 2007, 600,000 foreigners sought medical treatment in Thailand and 450,000 foreigners in India. Singapore aims to service one million medical tourists annually by 2012 (Sikken *et al.*, 2007).

Pension Crisis and Outbound Travel

For post-Baby Boomers in 2050, senior tourism could be a different proposition as many countries such as Germany, Italy, Spain and the UK, reform pension policy. Pensioners post-2050 will be economically less well off compared to previous generations and as consequence the economic value of tourism will fall. Countries in the OECD have a large public sector with favourable pension provision compared to the private sector. With falling birth rates and rising life expectancies, the commitment from government to pay for public sector pensions and benefits is declining. However, the future of pensions and public pensions depends only partially on demographics, it depends on the economic trends in employment and earnings that determine a national ability to pay for pensions in the future, and it depends on political factors that determine a country's willingness to pay. Public pensions are extremely important in securing the financial future of pensioners and avoiding pensioner poverty. For example, Germany and Sweden had high old-age poverty rates, 65.8% in 1989 and 91.6% in 1992, respectively when only market incomes were considered.

Looking to the future, while expenditure and taxes for public pensions have not risen universally in the past, future increases are predicted, sometimes putting sustainability of public pension in the question (Figure 1.4). Turner *et al.* (1998), estimated that public debt relative to GDP would increase to almost 100% in Japan and the EU, and close to 70% in the USA by 2050. Sinn (1999) projected that the German tax increase would be 24% by 2040. The OECD (2007) forecast that public pension expenditure would rise from 14.5% of GDP in 2000 to 15.8% in 2032 before falling again to 14.5% in 2050.

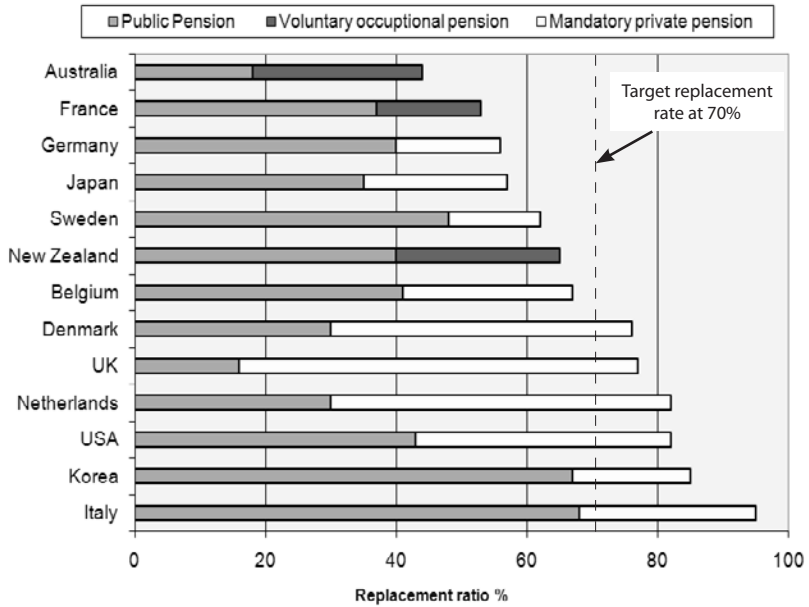


Figure 1.4: Projection of potential replacement ratio in 2050 at normal retirement age (as % of final salary; selected OECD countries)

Source: Sikken *et al.* (2007)

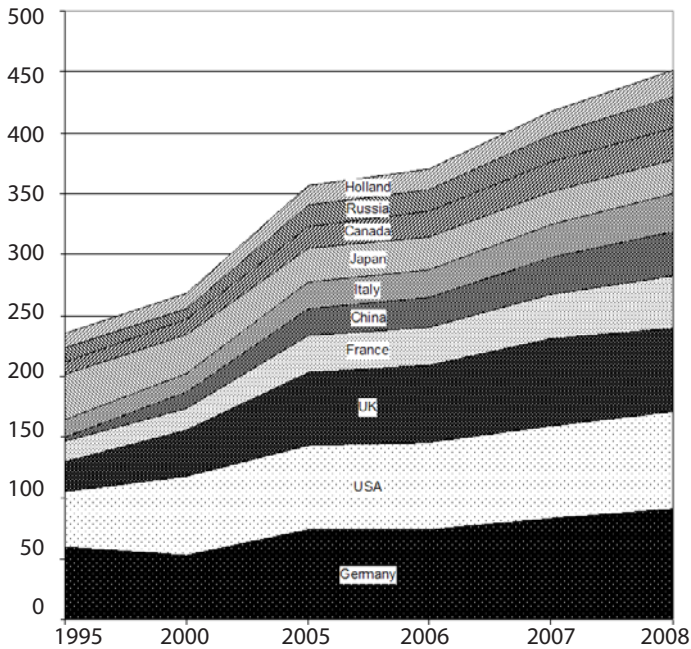


Figure 1.5: Outbound expenditure in billions of US dollars

Source: UNWTO (2009)

In 2008, international tourism receipts were recorded as US\$944bn (Yeoman, 2011), with the top ten countries representing 47% of that expenditure (Figure 1.5). The world's leader in outbound travel are the Germans, spending US\$91.2bn or US\$1093 per capita compared to US tourists who spend US\$79.7bn or US\$256 per capita. The German spend is nearly four times per capita than US tourists or 40 times per capita compared to Chinese tourists. But what does the future hold? Pension reform and the long-term forecasts for Germany's economy will dampen demand for travel. Demography projections for Germany show that the number of persons aged 60 years or older will rise from 28.5% of the total population in 2000 to 35.8% in 2050. Muskat and Quack (2005) conclude that in the short to medium term, as Baby Boomers retire, the benefits for tourism will be large due to secure pensions and inherited capital. But in a more long-term perspective, ageing populations will become problematic for Germany and propensity to travel and actual travel patterns will fall due to less wealth per capita, health issues and stagnant house prices (Lohman and Danielsson, 2004).

Labour Supply

Professor Robert Wright (Lisenkova *et al.*, 2007) predicts that, by 2040, Scotland's ageing population and shrinking demographic pool in the 16–25 age range will have a significant impact on profitability and employment on the hotel and catering sector. Wright predicts that output will fall by 10% and employment by 8%. As the tourism industry is fundamentally a low-pay, low-skill industry reliant upon young and immigrant workers, the sector will not be able to compete with other industries to attract skilled labour, compounded further by immigration control forcing the industry to reduce its capacity. This study also highlights the impact on Scotland's GDP which will fall by 8% in 2040 as the working age population shrinks by 14%. The results are up to three times as worse for Scotland's rural and island communities – suggesting the tourism economy in these parts of Scotland would be unsustainable.

Fiscal Policy and the Role of Tourism in Government

Government revenues will be adversely affected as the Baby Boom generation moves from its high-income-generating years to retirement. Per capita expenditure for the elderly is high and is forecasted to dramatically grow over the forthcoming decades, especially in the areas of health and medical support (Figure 1.6). If advances in medical technology come at ever-increasing cost and if the incidence of health expenditure on the elderly continues to rise, the fiscal burden could become substantial in

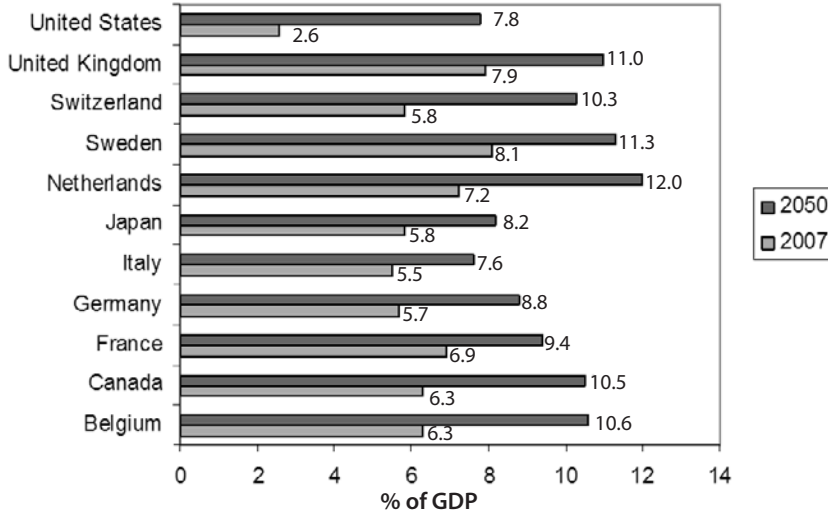


Figure 1.6: Health, long-term care: projected rise in age-related public spending

Source: Sikken *et al.* (2007)

many countries. At the same time, government revenues will fall as the population ages based upon the assumption that wealth per capita falls post retirement.

Although most countries have improved their fiscal balances in recent years, longer-term projections suggest that budget deficits would still reach unsustainable levels given present policies in many countries. This would create a severe drag on national saving at a time when saving will be crucial to fostering the growth of labour productivity, therefore many countries face severe financial deficits and greater uncertainties in financing the future. A clear example of the burden of extra expenditure is highlighted by examining the national accounts of Japan (Faruque and Mühleisen 2003; Sikken *et al.*, 2007). Although Japan’s net general government debt still appears relatively small (at 44% of GDP in 2007), this figure includes assets owned by the social security system – accounting for 50% of GDP – which are more than offset by future pension claims. If social security assets are excluded, Japan’s debt situation is considerably worse than that of other industrialized countries. Chand and Jaeger (1996) estimated the present value of Japan’s net pension liabilities at around 110% of GDP. Broadly consistent with these findings, the Ministry of Health and Welfare estimated that the main public pension system would need to raise contribution rates to 1.5 times their current level over the next 25 years to remain viable (Faruque and Mühleisen, 2003; Sikken *et al.*, 2007).

In many OECD countries decreases in labour force participation rates associated with projected demographic trends will depress the growth of GDP by as much as 0.5 to 1% point per year to 2050. Therefore, projections for GDP growth rates for Italy, Germany, Spain and Japan will never be more than 1.5% and many cases negative (OECD, 2007).

As a consequence, the role of tourism in government will need to be reappraised, it could be argued as Western economies and manufacturing capacity shrinks that governments will turn to tourism promotion and economic development to diversify their economies; therefore, many governments will use tourism as a place branding tool to seek inward investment (Yeoman and McMahan-Beattie, 2010). On the other hand, the economic priority for many countries will be health and welfare, therefore the amounts of money spent by governments on destination branding will be squeezed, as tourism does not have a powerful voice within many cabinets and is perceived as discretionary spending by many Treasury departments. For example, VisitBritain, the destination branding organization for the UK saw its budget reduced by 40% in 2007 following real cuts of 3% per annum in the previous decade. More recently, the budget deficits in many US states due to the global financial crisis resulted in many state tourism offices slashing their budgets (Yeoman, 2010).

Terrorism and Demography

Conflicts and crisis are part of our everyday lives. They have always been here and they always will. In today's global society, tourism has become the target of today's terrorist as it is the soft target, whether it is the Marriott Hotel in Islamabad, cruise ships off the Horn of Africa or the Madrid train bombings. Terrorism disrupts the flow of tourists, changes perceptions of destination brands, creates travel advisories and drives an increasingly regulatory environment. Countries with high birth rates, a young population, economic divide, lack of employment opportunities and poverty are the breeding grounds for terrorism (Piazza, 2006; Sachs, 2008; Yeoman, 2008). Nigeria, Pakistan, Afghanistan and Palestine are terrorism hotspots and thus devoid of tourists. One of the drivers of destination choice by tourists is safety; there is a high correlation between tourist revenues and safety. The high fertility rates amongst Muslim nationals of North Africa and the Middle East strain the social fabric of a nation. This is particularly true in poor countries with limited private sector employment and weak infrastructures, where disenchantment and hopelessness can bring large numbers of male youths more susceptible to recruitment by movements such as the Taliban or Al Qaeda. The risk of such mobilization is greater where the governing regime is seen as narrowly based, corrupt

and lacking popular legitimacy, such as Afghanistan. The fertility rate in Afghanistan is nearly 6.0 children, and 43% of the population is under 15. The only people buying the Lonely Planet guide to Afghanistan are the special forces of NATO countries seeking out the terrorists (Yeoman, 2008). Hardly, any one wants to go on a holiday to a battle zone. Pakistan's Swat Valley was once the lynchpin of the nation's tourism economy, today it is a battleground between the Taliban and the Pakistani military.

Conclusions

The world is changing and as mentioned at the beginning of this chapter, the only certain predictions about the future are birth and death. Demography affects everything and everyone whether it is the future of terrorism, health care, taxation, niche tourist markets or food supply. From a tourism perspective, demography offers both opportunity and threat. The Baby Boomer generation is retiring with relative wealth secured by adequately funded pensions and a booming capital growth, as a consequence, this generation is travelling to the far-flung corners of the world. The feminisation of travel as a result of the changing role of women in society has resulted in a booming singleton tourism market. It is the Bridget Joneses of the world that read the Lonely Planet and travel the world. Looking to the future, economic structures such as wealth per capita, pension reform and government revenues will change and reshape outbound travel patterns resulting in the rapid decline and significance of tourists from Japan and Germany. As said, demography will affect everyone and everything in the tourism industry.

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