

# TOURISM AND EMPLOYMENT IN ALBANIA – IS THERE A STRONG CORRELATION?

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## ABSTRACT

Tourism is undoubtedly a driving force for Albanian Economy. The fast pace growing industry which provides 19.3 per cent of the total employment and contributes more than 20 per cent on Albanian GDP is considered strategic for the future development of the country. Statistics provide figures that show a correlation between the number of visitors and the number of people employed in the industry that is one of the reasons why this industry is quickly growing. But there are no evidences, nor empirical measures that prove a correlation between the overall country's employment and the number of foreign visitors arriving in Albania every year. The objective of the paper is to measure the contribution of Tourism to the economy of the country with emphasis on wellbeing of Albanians. The methodology of the research varies from desk research to empirical tests in order to test the correlation between the overall country employment and number of foreign visitors arriving annually in Albania. This way the results will show theoretically and empirically how strong Tourism economy is linked to almost every strategic sector of the country giving Tourism not only a strategic and important weight in the GDP but proving that it has a multiplier and stimulating effect on the whole Albanian economy and especially on the welfare of Albanian citizens.

**Keywords:** *tourism, employment, welfare, VAR model*

**JEL Classification:** Z320

## 1. Tourism Importance Overview

For decades tourism industry growth has been a major contributor to increased economic activity throughout Albania. and the world. It has created jobs in both large and small communities and is a major industry in many places. It is the dominant economic activity in some communities.

According to the World Travel and Tourism Council<sup>3</sup>, the Travel & Tourism continued to show its resilience in 2016, contributing direct GDP growth of 3.1% and supporting 6 million net additional jobs in the sector. In total, Travel & Tourism generated US\$7.6 trillion (10.2% of global GDP) and 292 million jobs in 2016, equivalent to 1 in 10 jobs in the global economy. The sector accounted for 6.6% of total global exports and almost 30% of total global service exports. For the sixth successive year, growth in Travel & Tourism outpaced that of the global economy

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<sup>3</sup> WTTC Report 2017

(2.5%). Additionally in 2016, direct Travel & Tourism GDP growth not only outperformed the economy-wide growth recorded in 116 of the 185 countries covered by the annual economic impact research (including in major Travel & Tourism economies such as Australia, Canada, China, India, Mexico and South Africa), but it also was stronger than the growth recorded in the financial and business services, manufacturing, public services, retail and distribution, and transport sectors.

Most people think of tourism in terms of economic impacts, jobs, and taxes. However, the range of impacts from tourism is broad and often influences areas beyond those commonly associated with tourism. Leaders as well as residents who understand the potential impacts of tourism can integrate this industry into their community in the most positive way.

1. Economic
2. Environmental
3. Social and cultural
4. Crowding and congestion
5. Services
6. Taxes
7. Community attitude

Each category includes positive and negative impacts. Not all impacts are applicable to every community because conditions or resources differ. Community and tourism leaders must balance an array of impacts that may either improve or negatively affect communities and their residents. Leaders must be sensitive and visionary, and must avoid the temptation of glossing over certain difficulties tourism development creates. Tourism leaders must also balance the opportunities and concerns of all community sectors by working against conditions where positive impacts benefit one part of the community (geographic or social) and negative impacts hurt another.

Conversely, community sensitivity to tourism means avoiding undue burdens on the industry that could thwart its success. Local leaders should not expect tourism to solve all community problems. Tourism is just one element of a community. While creative strategic development of tourism amenities and services can enhance the community or correct local deficiencies, tourism, like all business development, must assure that its products (attractions and services) attract customers. Overbearing rules and restrictions, and overburdening taxes can make tourism businesses less attractive or competitive.

## **2. Tourism and Employment in Albania**

It is a well known fact that Tourism undoubtedly contributes substantially to income and employment generation in Albania. Travel and Tourism are major contributors and GDP and Employment.

In the WTTC Report<sup>4</sup> "Travel and Tourism Economic Impact" 2017, Albania it is stated that the direct contribution of Travel & Tourism to GDP was ALL127.7bn (USD1.0bn), 8.4% of total GDP in 2016, the total contribution of Travel & Tourism to GDP was ALL393.0bn (USD3.2bn), 26.0% of GDP in 2016. In 2016 Travel & Tourism directly supported 85,500 jobs (7.7% of total employment)..

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<sup>4</sup>WTTC: Travel and Tourism Economic Impact 2017, Albania

In 2016, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry was 23.9% of total employment (267,000 jobs). This is expected to rise by 3.2% in 2017 to 275,500 jobs and rise by 2.9% pa to 368,000 jobs in 2027.

From the figures above we may deduct that undoubtedly Tourism is one of the major sectors of economy providing employment to a large number of population. The induced and satellite effect of Tourism make that the number of employees working in industries closely related to tourism activities are almost one quarter of the entire active workforce of Albania. Consequently Tourism may induce employment to other sectors.

But the aim of this paper is to verify how large such effects may be extended for the Albanian economy. Is the development of Tourism in Albania linked closely with employment or it does not substantially influence in the overall situation of country's employment. The method choosed to verify the connection between two factors in the VAR method.

To start the analysis of the correlation we have examined two variables Number of visitors arrived and employment in time series. The data are provided in time series and specifically are shown in the tables below.

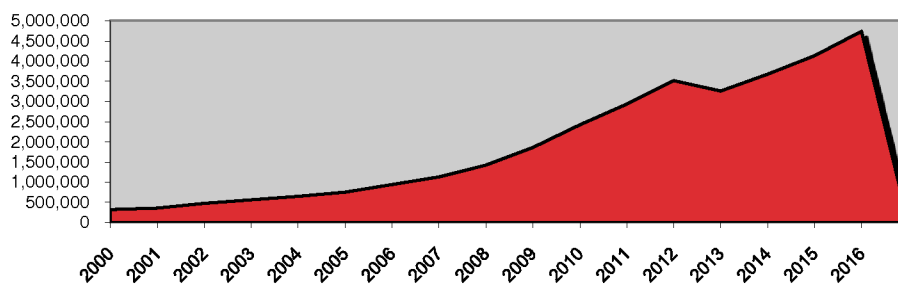
**Table 1:** Number of Tourist arrivals and total employed in Albania<sup>5</sup>

Years	No. of Tourist arrivals	No of Employed in Public Sector, Non agricultural and agricultural private sector
2000	317,149	1,068,190
2001	354,000	920,569
2002	470,574	920,144
2003	558057	926,225
2004	645409	931,217
2005	747,837	932,102
2006	937,038	935,058
2007	1,126,514	939,000
2008	1,419,191	901,708
2009	1,855,634	905,088
2010	2,417,337	904,210
2011	2,932,132	925,242
2012	3,513,666	959,227
2013	3,255,988	916,916
2014	3,672,591	925,262
2015	4,131,242	972,621
2016	4,735,511	1,042,810

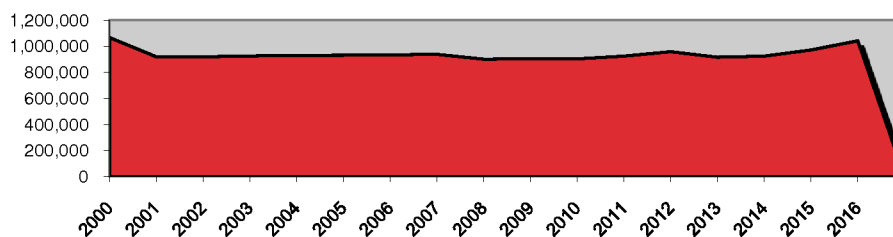
<sup>5</sup>Source: INSTAT

The increase in the number of tourist over 17 years of time has been indicated in the following table. As we see there was always a positive trend with a substantial increase from 2008 and on. Indeed the 2008 year coincides with the first international spot for Albanian Tourism which is broadcasted by Euro News and CNN. We do not have means to measure the impact of the spot but only we put in evidence the fact that the increase of the tourist number might be increased in this year and in the following years due to substantial promotional efforts of Albania as a tourist destination.

**Figure 1:** Number of Tourist arrivals in Albania <sup>6</sup>



**Figure 2:** Number of Employed People in Albania



### 3. Literature Review

Many authors have thoroughly studied Tourism in all its dimensions. The Phenomena Tourism causes multiple economic and social reactions to a country or even multiple countries since the globalization has increased the chain effects of Tourism.

The tourism industry is as well seen as one of the key sectors that enable the creation of jobs in the local economy. However, though tourism is seen to be very important for the economy, rigorous empirical evidence on the contribution of tourism to the local economy is limited.

Several investigations have showed that tourism development has the possible effect of promoting economic growth, creating jobs and generating revenue for the government. Referring to the Tourism Led growth hypothesis which is an analysis of the probable relationship between tourism and economic growth supports a bidirectional relationship between tourism and economic growth. Moreover, tourist spending is regarded as an alternative form of exports which provides much needed foreign exchange earnings for an economy which are used to import capital goods to produce goods and services, which in turn may foster economic growth in host countries.

<sup>6</sup> Source: INSTAT

The employment creation aspect of tourism is another vital contributor to promulgating economic growth and development of the host country. For instance, the tourism industry employs local citizens in hotels, restaurants, and entertainment and tourist services which cater directly for tourists or through the multiplier effect.

Crucially also, many developing countries are dependent on the tourism sector as a major source of foreign exchange; even more so since such foreign exchange revenues often serve to contribute towards improving the host countries balance of payments (Belloumi, 2010). In this vein also, Robu and Ballan (2009) suggest that a growing national tourism sector contributes to increased national income and employment which effectively leads to an improved balance of payment situation.

ILO Global Dialogue Forum on New Developments and Challenge (2010) reveals that the travel and tourism industry is the largest and most dynamic industry. Global economy is expected to generate about 9% of total GDP and provides more than 235 million jobs in 2010 representing 8% of Global employment. According to ILO report prepared for the Forum International Tourism was affected by the global economic and social crisis and expecting the tourism sections global economy to provide 296 million jobs by 2019. Tourism has the potential to become a major generator of job.

Ajala.O.A. (2008) in his work on “Employment and Income Potentiality of Tourism Development in Amhara region Ethiopia” examined the role of tourism development in socio-economic development of the region, generating foreign exchange, reducing unemployment and in improving the living standard of the people. The author has focused on Hotel industry, Souvenir, Tour guide, and water transport business.

JagmohanNegi(2008)inhisbook

“Internationaltourismandtravel,conceptandprinciples”discussedabout scope and composition of tourism and travel, types and characteristics of Tourism, tourism marketing policy, job structures in travel trade, tourist accommodation and tourism transportation facilities etc.

Stephen J page, Joanne Connell (2006) in his book “Tourism A Modern Synthesis” identified the potential of tourism industry in Employment generation and examined the various determinants of employment creation in tourism, particularly the types of tourism.Resort Development will create variety of new jobs but may not always benefit more the local people.

Kim et al study (2006) examines the casual relationship between tourism expansion and economic development. This study reveals that tourism expansion and economic development have a reciprocal relationship in Taiwan.

Mckercher et al studies (2005) have conducted a study to examine the nature of relationship between tourism and cultural heritage management in Hongkong. The result of this study shows the positive relationship between tourism and cultural heritage management.

Lim and McAleer study (2005) critically examined the management practice, problems and challenges faced by two ecotourism attractions located in the Gold Coast and Brisbane in Queensland, Australia. The study focused on two case studies of best practices of ecotourism management and pro active Sustainable tourism stance of an eco resort and wetland reserve and concludes that sustainable tourism could make significant contribution to the quality of environment, economic development and well being experience for the visitors and tourists. The study shows that both resorts have demonstrated a commitment to environment of the communities apart from generating lot many employment opportunities.

Tourism is seen to generate important externalities to other sectors of the economy, thereby generating significant benefits to the local economies. This can be explained by the fact that

while tourists visits a particular country, the demand for local goods and services increases, mainly by direct spending as well as indirectly through the multiplier effects. Finally, an increase in employment as a result of tourism development has the potential to reduce the level of poverty and increase the welfare of the population in the country. Hence, there might result in an increase in income thereby improving the quality of life mainly for those down the income ladder.

#### 4. Methodology and Objectives

The study will be conducted by simple VAR method which puts into correlation the number of tourist arrived and the total number of employed people in Albania. The independent variable is the number of tourist arrived and we will se if the overall employment depends substantially from this factor or not. We have not examined other variables since we would like to check only the potential of tourism over the total employment in the country.

Thus hypothesis of the study is:

1. *There is positive correlation between tourism development (measured only by the number of tourist arrived) and employment in Albania.*

The main objective of the study is to understand how Tourism development is related to employment and income generation of population in our country.

We will not make the correlation between no of tourists and number of Tourism or Tourism satellite jobs but the number of the overall jobs in Albania which also measures the induced potentials

#### 5. VAR Model for Albania

The anova elaboration of the data provided the following figures.

± .482	critical value .05 (two-tail)
± .606	critical value .01 (two-tail)

##### Regression Analysis

r <sup>2</sup>	0.040	n	17
r	0.201	k	1
Std. Error	46891.908	Dep. Var.	<b>No of Employed</b>

##### ANOVA table

Source	SS	df	MS	F	p-value
Regression	1,391,803,287.4316	1	1,391,803,287.4316	0.63	.4387
Residual	32,982,765,144.0978	15	2,198,851,009.6065		
Total	34,374,568,431.5294	16			

##### Regression output

variables	coefficients	std. error	t (df=15)	p-value	confidence interval	
					95% lower	95% upper
Intercept	930,459.4319	19,114.1203	48.679	6.28E-18	889,718.6491	971,200.2148
of Tourist arrivals	0.0063	0.0079	0.796	.4387	-0.0105	0.0231

The correlation shows that there exist a weak connection between variables due to  $R=0.201$ .  
The regress equation would be:

$$Y = 930459 + 0.0063 x$$

Therefore there will be 930459 employed people even if there are no tourist arrivals. Only four percent of changes can be explained with the change of tourist numbers, the other changes are as result of other factors that were not subject of the study.

## 6. Conclusions:

The empirical test proven that the hypothesis of the study is not fully verified.

The weak correlation between the number of employees and the number of tourist arrivals might prove that the boom of tourists has not contributed properly to the development of the country in general. The pace of tourist number increase should contribute to a major number of employed directly or indirectly in Tourism sector. The reasons for this weak correlation might be:

### 1. *Insufficient and staggering tourism offer*

Albania is a country with scarce tourism offer from the superstructure point of view. Family hotels with limited capacities does not allow for increases in the number of guests and an extensive role of tourism in specific regions or communities. Though a country where a variety for of tourism might take place the reduced number of hotels and scarce capacities does not allow for big groups of tourists which in their spur might induce the communities a more proactive approach to Tourism and Tourism related activities.

### 2. *High Seasonality*

Many hotels, especially those along the seashores of Albania are built early solely as beach hotels. They do not offer other opportunities for groups that want to spend days out of summer season. They have not diversified the offer and therefore they can not employ people out of the season. The seasonal workers either are not often registered at all, or are registered as part time employees without any effect on the overall employment of the country. Furthermore the seasonal workers often do not see their careers in Tourism industry, which is a factor why Tourism might be not strongly connected with the employment in the country.

### 3. *Circulation of working power*

Circulation of working power mainly due to evasion and seasonality is now a well known phenomenon of the Tourism industry. Hotels or agencies often employ people for the probation period of three months which makes this sector quite vulnerable and not a highly attractive sector concerning jobs, especially for front line ones.

### 4. *Low level and inadequate services*

Due to the factors mentioned above also the lack of inadequate technical high schools the level of services is low. The seasonality makes the income generation for the Tourism employers even worse. Therefore the level of services remains low and it is not a factor contributing to the increase of the specific wage of this sector in the Albanian economy.

### 5. Government has not given Tourism the needed importance

Though with an increase number of visitors every year and steadily increased visitor exports, Tourism still has not been given the needed importance and priority from Government. Lack of attention is resulted in scarce promotional efforts, scarce investments and other infrastructure interventions. Therefore to Tourism lack the Governmental support technical and financial wise. The efforts so far are scarce for the attention that should be given to this important sector and its role in the Albanian economy as a whole.

### 6. Lack of major investments public or private

Tourism lack major investments being public or private in Tourism sector. The investments should contribute to increase the accommodation capacities or improve the existing ones. There are areas without any investment which might be of an enormous potential concerning tourism development. The increase of investments and capacities will bring not only to more employed in Tourism sector but will develop other sectors which heavily depend on Tourism. They will also make that some communities develop Tourism as their priority and not other activities which are at present without any interest or that provide scarce incomes for the families living in such places. For instance north of Albania has many areas where Tourism is not developed at all and the communities are in the edge of their existence, whereas proper investments and a major supports for Tourism related activities will bring to the fast development and substantial incomes.

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