



6th T.20 MEETING

Antalya, Republic of Turkey, 30 September 2015

Policy Note

Tourism, SMEs and Employment – Policies to Stimulate Job Creation and Inclusiveness

Tourism is an engine for better jobs and sustainable development ...

Policy makers across the world are facing the challenge of addressing low economic growth, high levels of unemployment and rising income inequality. While the global economic outlook is slowly improving, unemployment and under-employment remain key challenges and some vulnerable groups such as women and youth are in danger of being excluded from the labour market. According to the International Labour Organisation (ILO) about 45-50 million new jobs will be needed each year over the next ten years just to keep up with the growth of the world's working-age population and reduce the unemployment caused by the economic crisis. There are currently 201 million unemployed people, of which 74 million are youth¹. More than 40% of jobseekers in advanced economies have been without work for more than a year².

G20 leaders have repeatedly emphasized the importance of increasing growth and ensuring that it produces more and better quality jobs. They have set the ambitious goal of raising G20 aggregate GDP by more than 2% by 2018, in order to add more than US\$2 trillion to the global economy and create millions of additional jobs³. G20 labour and employment ministers' have recently reiterated their strong commitment to tackling inequalities as well as creating better jobs, more inclusive societies and stronger economic growth⁴.

In view of the above, and considering the objectives of the G20 of promoting more inclusive labour markets, increasing investment on human resources, and achieving successful implementation through effective monitoring as well as the priorities of the Turkish G20 Presidency – Inclusiveness, Investment for growth and Implementation – this Policy Note highlights how the tourism sector can foster job creation and promote inclusive growth within the G20 economies.

¹ World Employment and Social Outlook: Trends 2015, ILO

² Global Employment Trends 2014, ILO

³ G20 Leaders' Communiqué Brisbane Summit, 15-16 November 2014

⁴ G20 Labour and employment ministerial declaration: Creating quality jobs for all, investing in skills and reducing inequalities to promote inclusive and robust growth, Ankara, 03-04 September 2015

Tourism's current value and growth potential positions the sector as a driver of economic and employment growth in G20 countries. Tourism is an important driving force of growth and socio-economic development, with significant potential to increase export revenues, stimulate enterprise and job creation, facilitate the development of infrastructure and public services and promote social inclusion.

Tourism has the capacity to contribute directly, and indirectly through the tourism value chain, to create opportunities for women and young people while fuelling growth through micro, small and medium business. Yet, tourism's role in employment generation and entrepreneurship is often underestimated and undervalued in policy formulation and implementation.

Over the past few decades, tourism has experienced continued growth and diversification, becoming one of the largest, most dynamic and resilient sectors of the global economy. The sector accounts for 10% of global GDP, a total of US\$ 7.6 trillion.⁵ International tourist arrivals grew from a mere 25 million in 1950 to 1.1 billion in 2014 and are set to reach 1.8 billion by 2030 according to UNWTO⁶. In 2014, international tourism generated US\$ 1.5 trillion in exports, accounting for 6% of global trade in goods and services⁷. Another 6 billion tourists are estimated to take trips within their own countries each year. The share of domestic tourism expenditure accounts for at least 50% of all tourism in income in the G20 economies, reaching in many cases over 80%.⁸

Tourism is a major source of employment because of its labour-intensive nature and the significant multiplier effect on employment in related sectors. It is estimated that one job in the core tourism sector creates about one and a half additional or indirect jobs in the tourism-related economy, and overall it accounts for one in 11 jobs in the world. In 2014, travel and tourism generated over 105 million jobs directly; this equals 3.6% of total employment and is forecast to grow by 2.0% in 2015 to over 107 million. It is estimated that by 2025, travel and tourism will directly account for over 130 million jobs, an increase of 2.0% per annum over the next decade⁹.

Tourism has also proven a resilient sector. Over the last decades, international tourism decreased only on three occasions – in 2001 following the 11 September attacks, in 2003 due to SARS and in 2009 as a consequence of the global economic crisis. On all occasions, the sector has recovered strongly in the subsequent years. Such resilience and growth have translated into employment generation. Job creation in 'hotels and restaurants' in the OECD countries grew at a rate double that of the whole economy between 2009 and 2013¹⁰.

Tourism is firmly positioned in the post-2015 development agenda. The sector has been identified as one of the eleven sectors that can lead the transition to the Green

⁵ 2015 Economic Impact Annual Update Summary www.wttc.org/research/economic-research/economic-impact-analysis/

⁶ UNWTO Tourism Highlights, 2015 Edition

⁷ UNWTO, <http://media.unwto.org/press-release/2015-04-15/exports-international-tourism-rise-us-15-trillion-2014>

⁸ Exploring the Full Economic Impact of Tourism for Policy Making, Extending the Use of the Tourism Satellite Account through Macroeconomic Analysis Tools, UNWTO Paper, T.20 Meeting, 2011)

⁹ 2015 Economic Impact Annual Update Summary www.wttc.org/research/economic-research/economic-impact-analysis/

¹⁰ Supporting Quality Jobs in Tourism, OECD, 2015

Economy¹¹ and is included in the Sustainable Development Goals (SDGs) as a target in Goals 8, 12 and 14. The sector's contribution to job creation is recognized in Goal 8¹², target 8.9 "By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products".

... with particular potential to advance youth employment and women labour force participation

Promoting better employment outcomes for youth and women remains a key G20 objective and an integral part of the G20 inclusiveness agenda. G20 Leaders' committed to reduce the gender gap in labour force participation rates by 25% by 2025 and reduce the share of young people who are "most at risk of being left permanently behind in the labour market by 15% by 2025"¹³. A multiyear agenda to ensure continued focus on key labour and employment priorities related to women, youth, inequalities and working conditions has been established¹⁴.

The tourism sector is not only relatively labour intensive but it also employs more women and young people than most other sectors. In OECD countries, women account for 60% of employment in the tourism sector. This is higher than the share of women employed in the services sector (47%) and in the economy as a whole (43%)¹⁵. Furthermore, women play a leading role in tourism entrepreneurship. UNWTO/UNWomen research shows that the global rate of women entrepreneurs in 'hotels and restaurants' (36%) is comparatively higher than in all sectors (22%)¹⁶.

Yet, due to the significant horizontal and vertical segregation of occupations the gender gap is often large in the sector. Women are often over-represented in non-standard forms of employment, and low-skilled and unskilled women often find themselves in the most vulnerable jobs, where they are more likely to experience poor working conditions and inequality of opportunity and treatment. They also suffer segregation in terms of access to education and training and are on average paid 20-25% less than male workers for comparable skills.¹⁷ The sector poses additional challenges to reconciling work and family responsibilities for both women and men due to organizational and structural characteristics. These include a highly variable demand cycle with irregular working hours and unpredictable shifts.¹⁸ Yet, this flexibility may also constitute an opportunity for those wanting to hold a job in tourism concurrently with another occupation.

The age profile of workers in the tourism sector is young. Just under half (47%) of people working in tourism in European OECD countries are between 15 and 34 years of age,

¹¹ UNWTO/UNEP, Green Economy Report, 2011

¹² Goal 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"

¹³ The target group in this regard has been identified by the Ministers as low skilled or informally employed young people and the young people who are neither in employment nor in education or training (NEETs).

¹⁴ G20 labour and employment ministerial declaration: 'Creating quality jobs for all, investing in skills and reducing inequalities to promote inclusive and robust growth'

¹⁵ Supporting Quality Jobs in Tourism, OECD, 2015

¹⁶ UNWTO/UN Women Report on Women in Tourism, 2011

¹⁷ Thomas Baum, "International perspectives on women and work in hotels, catering and tourism", Sectoral Activities Department and Bureau for Gender Equality, Working Paper No. 289 (Geneva, 7 April 2013); ILO: "Poverty reduction through tourism", Sectoral Activities Department (Geneva, 2013).

¹⁸ International Perspectives on Women and Work in Hotels, Catering and Tourism, ILO, 2013

compared to a third (32%) in the economy as a whole. The share of workers between the ages of 15-24 years is particularly high at 21%, twice the share of the total economy in OECD countries¹⁹. While the sector has traditionally had a young workforce, demographic changes point towards a future multi-generational labour force.

... but decent work deficits need to be addressed.

Temporary and part time employment and other non-standard forms of employment (NSFE) are important features of the tourism sector. NSFE are particularly prevalent among women, young people, and the less-skilled. Aside from seasonal fluctuations, the main reasons are competition, flexibility and technological change. These forms of employment can be beneficial to both employers and employees if they can accommodate the needs of enterprises for flexibility, while at the same time providing decent employment that enables workers to balance work and personal responsibilities. But they can also lead to decent work deficits including inadequate social security coverage, low wages and income inequality and poor working conditions²⁰.

Ambiguous working relationships and informal working arrangements are other important challenges in promoting decent work in tourism. The ILO Working Conditions (Hotels and Restaurants) Convention, 1991 (No. 172) requires Member States to “adopt and apply a policy designed to improve the working conditions of the workers concerned”. Furthermore, the transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) offers guidance on how to facilitate the transition from informality to the formal economy. The aim is to facilitate the transition of workers and economic units from the informal to the formal economy, to promote the creation of enterprises and decent jobs in the formal economy, and to prevent the informalization of formal jobs.

Support to Micro, Small, and Medium-sized Enterprises (MSMEs) is key,...

MSMEs make a crucial contribution to job creation and income generation, accounting for two-thirds of all jobs worldwide. MSMEs are the major job creator in tourism with around half of the tourism workforce working in enterprises fewer than 10 people, while around three quarters work in enterprises employing fewer than 50 people²¹. Considering the structure of the tourism industries, MSMEs play a key role in job creation in the G20. Tourism MSMEs are also an important source of innovation and economic diversification contributing to shaping development of destination countries.

Constraints faced by MSMEs vary significantly depending on national contexts and enterprise characteristics. However, access to finance, business regulations and inadequate skills are common constraints faced by MSMEs including those in the tourism sector²². In this regard, it is essential to create an enabling environment that improves economic

¹⁹ Supporting Quality Jobs in Tourism J. Stacey, 2015

²⁰ Non-standard forms of employment Report for discussion at the Meeting of Experts on Non-Standard Forms of Employment (Geneva, 16–19 February 2015)

²¹ Supporting Quality Jobs in Tourism, OECD, 2015

²² Report IV. Small and medium-sized enterprises and decent and productive employment creation, International Labour Conference, ILO, 2015

prospects for MSMEs, overcomes decent work deficits for workers and ensures that economic activities are environmentally sustainable²³.

... better data and know-how on tourism labour markets is needed...

Statistical information on tourism is pivotal to monitor impact, evaluate progress and guide policy making. The majority of G20 economies are working on developing their statistics and economic analysis of tourism; 14 out of 20 countries have a Tourism Satellite Account in line with United Nations recommendations. Yet, there is still a significant lack of data on employment and decent work in tourism. This gap needs to be closed in order to provide reliable and consistent information on occupational structure, qualifications, skills, working conditions, wages and remuneration in tourism in the G20 economies. The UNWTO/ILO best practice on measuring employment in tourism report helps countries overcome the difficulties in measuring employment in tourism and advance knowledge on tourism and employment.

... and skills development must be at to be at the center of a decent work strategy for the sector

Tourism is dependent on quality human resources to be competitive, but the sector faces a range of challenges which impact workers, business performance and growth. Tourism is facing new challenges, including greening the economy, demographic transition, technological developments, increased mobility and migration, changing lifestyles, demand patterns and travel behaviours, the emergence of new markets, increased competition and pressure to deliver high quality tourism experiences to visitors²⁴. As recognized in the G20 training strategy a major challenge in all G20 countries is enhance the responsiveness of education and training systems to these changes in skill requirements while at the same time improving access to training and skills development²⁵. These challenges are particularly relevant in the tourism sector where a mismatch between qualifications and workplace reality is a predominant factor negatively impacting tourism employment and talent development.

Policy issues for discussion

1. What measures do National Tourism Administrations (NTAs) need to take to enable a more integrated strategy to promote inclusive development and decent work in the tourism sector?
2. How can the tourism sector take full advantage of the G20 Labour and Employment Ministers' new training strategy as well as the outcomes of the G20 Employment Working Group?
3. How could ILO's International Labour Standards and in particular C 172; Working Conditions (Hotels and Restaurants) Convention, 1991 (No. 172) and R 204, Transition from

²³ The conclusions reached at the 2007 International Labour Conference discussion on the promotion of sustainable enterprises identified 17 pillars for an environment conducive to the promotion of sustainable enterprises.

²⁴ Supporting Quality Jobs in Tourism, OECD, 2015

²⁵ G20 Training Strategy: A Skilled Workforce for Strong, Sustainable and Balanced Growth

the Informal to the Formal Economy Recommendation, 2015 (No. 204) guide NTAs and the industry?

4. How can social dialogue in the tourism sector be strengthened including through innovative mechanisms that correspond to the realities of the sector?
5. How can the skills mismatch in the tourism sector be addressed and multi-stakeholders partnerships in education and training be promoted?
6. How can tourism promote gender equality and empowerment and youth employment while taking full advantage of an age diverse workforce?
7. How can employment in tourism be stimulated through entrepreneurship?
8. How can the measurement and the knowledge of tourism labour markets be improved?