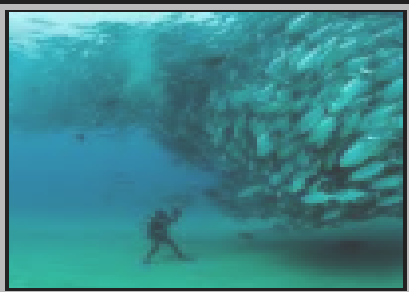


# Productive job creation and a transformative tourism growth: Development considerations for the ACP economies



Black River Gorges  
National Park

Grand-Baie

Grand Baie Bazaar,  
beaches & fishing

**Rukmani Gounder,  
School of Economics and Finance  
Massey University, Palmerston North, New Zealand**

**WIDER and UNESCAP Development Conference  
Bangkok, September 11 – 13<sup>th</sup>, 2019**

# Introduction



- Why Tourism as an Export Sector is important?
  - Tourism-led growth
- Tourism – Growth Causality nexus:
  - TOURISM → ECONOMIC GROWTH
  - ECONOMIC GROWTH → TOURISM
  - TOURISM ↔ ECONOMIC GROWTH

## Hypotheses:

- 1) Empirical examination of Tourism and economic growth linkages in Fiji, Jamaica and Mauritius
  - Estimate Time dependent hypothesis for tourism-economic growth dynamics by magnitude and direction
  - Contribution To and From in tourism-led economic growth (TLEG) and economic-driven tourism growth (EDTG).
- 2) Development considerations for Decent jobs ACP nations
- 3) Tourism Policies and SDG8

# Literature Review: Tourism and Economic Growth Linkages



Author	Country	Methodology	Findings
Gunduz & Hatemi, (2005)	Turkey	Leveraged bootstrap causality	Tourism-led growth (TLG)
Chen & Chiou-Wei, (2009)	Taiwan, South Korea	EGARCH, Cointegration	Tourism-led growth - Taiwan Bi-directional in South Korea
Akinboade & Braimoh (2010)	South African countries	Granger Causality	Tourism-led growth
Narayan, Naraya, Prasad & Prasad, 2012)	Pacific Island Countries	Granger Causality	Tourism-led growth
Tang, & Abosedra, (2014)	Lebanon	ECM	Tourism-led growth
Antonakakis, Dragouni & Filis, (2015)	10 European countries	VAR, Causality, Spillover index	<ul style="list-style-type: none"> <li>- TLG in Italy, Netherlands</li> <li>- EDTG in Cyprus, Germany, Greece</li> <li>- Reciprocal in Austria, Portugal, Spain</li> <li>- None in Sweden and UK</li> </ul>

# Sustainable Development Goal 8: Decent Work for All

8 DECENT WORK AND ECONOMIC GROWTH



To enhance SDGs 8 – **Tourism plays a crucial role in enhancing growth in small island nations**

- According to UNDP & WTO (2016, p. 6), tourism sector's linkages with other sectors and industries along its vast value chain can accelerate progress towards all the 17 SDGs
  - **Focus on employment is a central goal** and has become an urgent requirement, particularly to absorb youth and women into employment, and informal sector into the formal sector.
  - **Progress towards realisation of all SDGs particularly in the small island states will be challenging.**
  - **Productive job creation in the tourism sectors and supportive MSM enterprises** will be vital in the ACP nations.
  - **Improved sectoral performance to boost productivity growth** require strategies for creating and **sustaining wage & employment growth.**

<b>Direct and total travel and tourism industry's contributions to GDP, 2017 and 2028</b>						
<b>Activities</b>	<b>Fiji</b>		<b>Jamaica</b>		<b>Mauritius</b>	
	2017	2028	2017	2028	2017	2028
<b>GDP: Direct contribution (%)</b>	14.4	16.1	10.3	13.3	7.4	8.1
<b>GDP: Total contribution (%)</b>	40.3	43.4	32.9	42.8	23.8	26.1
<b>Employment: Direct contribution (%)</b>	13.0	16.5	9.2	12.1	7.2	8.4
<b>Employment: Total contribution (%)</b>	36.5	43.7	29.8	39.0	22.6	25.8
<b>Visitor Export (%)</b>	40.1	41.6	60.9	72.9	35.9	35.3
<b>Investment contribution (%)</b>	24.3	22.7	12.9	18.9	5.2	6.6

Tourism is;

- Largest foreign exchange earner for Island Economies (UNWTO, 2017).
- A vital source of employment and entrepreneurial activities.
- Tourism industry is projected to dominate economic activities with high visitor arrivals (UNWTO, 2018).
- Provides impetus for growth in the transport and storage sector, and accommodation and food services sectors.
- Tourism makes higher contributions in terms of investment in Fiji and Jamaica

# Model: Tourism and Economic Growth linkages

- Directional spillovers provides a decomposition of total spillovers FROM (TO) a particular source.
  - Spillovers distinguish the proportion of total spillovers from tourism (economic) growth to economic (tourism) growth.
  - If tourism growth is the net transmitter of spillovers, then the TLEG hypothesis holds.
  - If economic growth is the net transmitter of spillovers, then EDTG hypothesis holds.

**Estimate:** Total, directional and net spillovers are estimated by the generalised forecast error variance decomposition of moving average representation of the VAR model.

**Data:** seasonally adjusted monthly data for the period 1992M01 to 2017M05 based on the Census X-12-ARIMA procedure to remove seasonal pattern of distortion.

## (1) Total Spillover Index:

$$TS(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100$$

## (2) Directional Spillover Index:

$$DS_{i \leftarrow j}(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100 \text{ and } DS_{i \rightarrow j}(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100$$

Where  $\Sigma$  represents variance matrix of the error term,  $\varepsilon$ ,  $\theta_{jj}$  is the error term's standard deviation at the  $j$ th equation and  $e_i$  denotes a selection vector with one in the  $i$ th element and zeros otherwise. This yields a  $N \times N$  matrix  $\theta_{ij}(H)_{i,j=1,2}$ , each entry provides the contribution of variable  $j$  to forecast error variance of variable  $i$ .

## (3) Net Spillover Index:

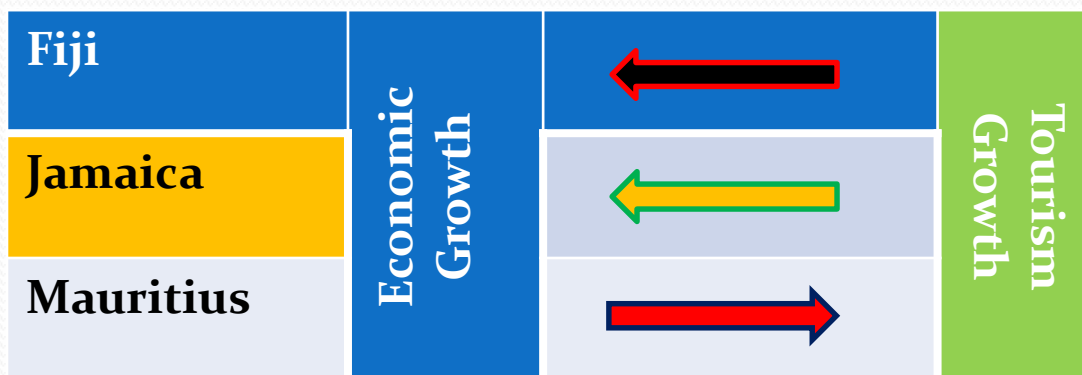
$$NS_i(H) = DS_{i \rightarrow j}(H) - DS_{i \leftarrow j}(H)$$

NS is calculated from variable  $i$  to variable  $j$  and vice versa, to indicate whether tourism growth (or economic growth) is the net transmitter of spillovers in net terms.

Advent of major economic events: 1997 AFC and 2007-08 GFC. Rolling window spillovers estimates are used for a 48-month rolling windows and structural breaks in VAR equation are tested (Bat et al., 1998)

# Static Results: Causality and Total Spillovers: Economic Growth & Tourism Growth

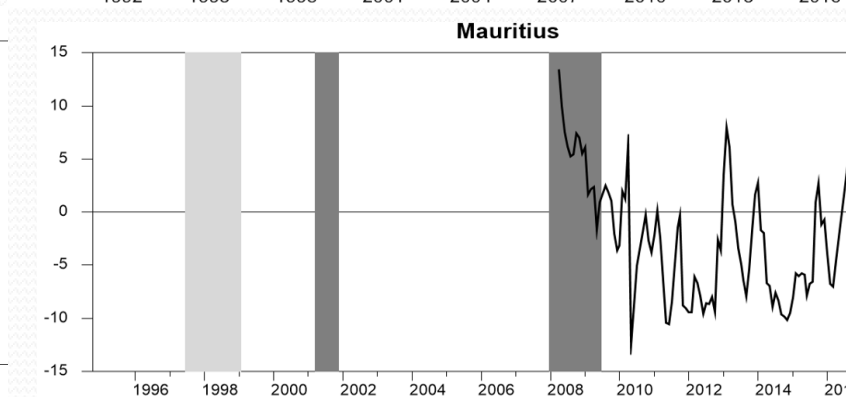
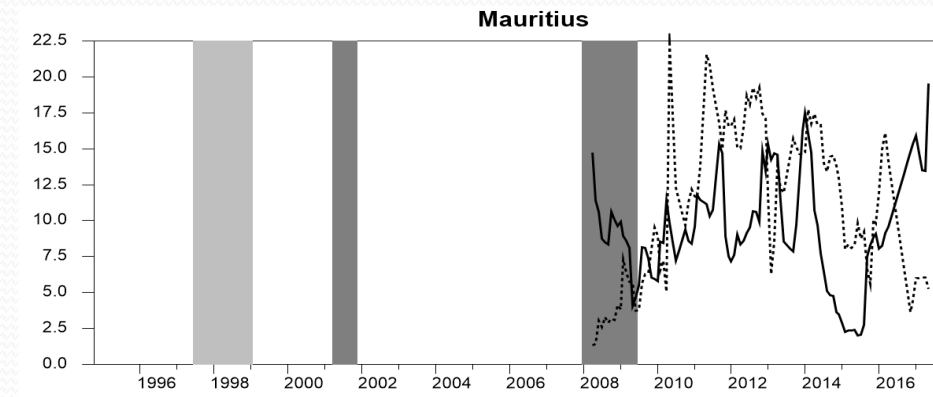
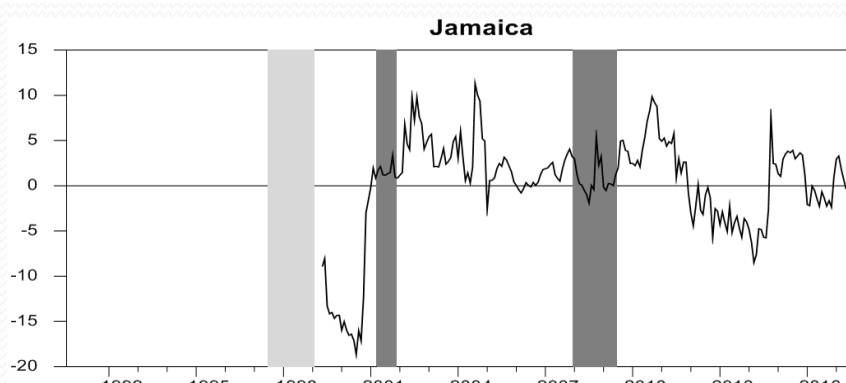
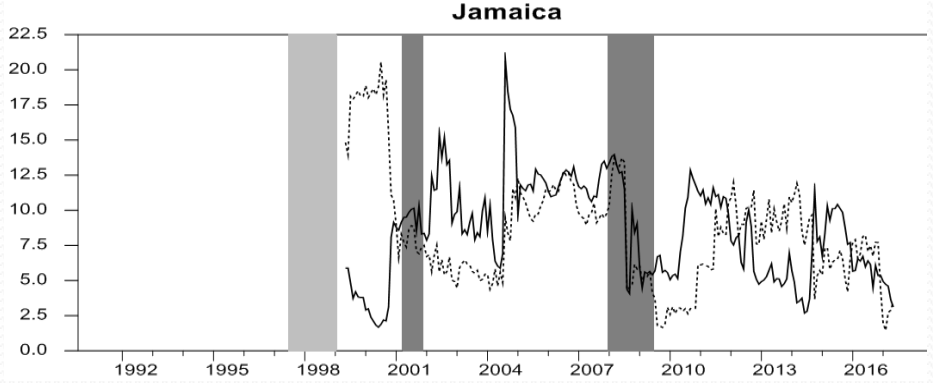
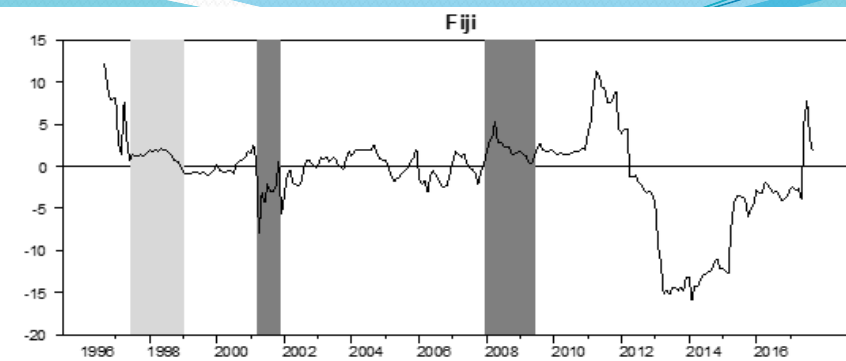
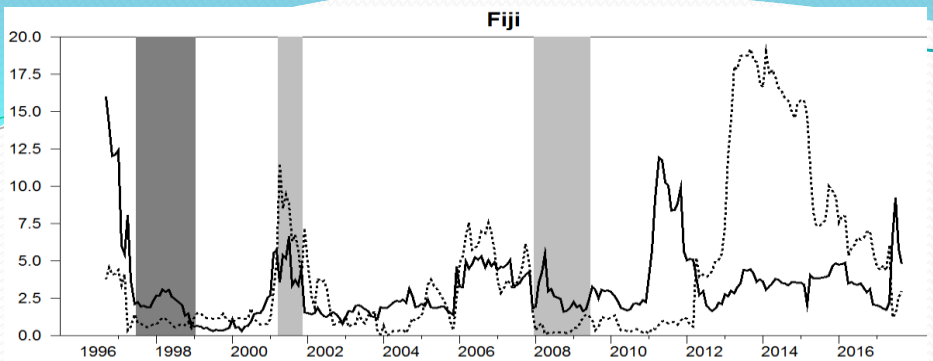
## Granger Causality Results: Fiji, Jamaica, Mauritius



**Table 2 Spillover Results for Industrial Production and International Tourist Arrivals**

	Fiji		Jamaica		Mauritius	
	IP	TA	IP	TA	IP	TA
<b>Industrial Production</b>	95.7	4.3	91.4	8.5	95.3	4.7
<b>Tourist Arrivals</b>	0.6	99.4	4.4	95.6	4.0	96.0
<b>Contr. TO OTHERS</b>	0.6	4.3	4.4	8.6	4.0	4.7
<b>Contr. Incl. own</b>	96.3	103.7	95.9	104.1	99.4	100.6
<b>Net spillovers</b>	-3.7	3.7	-4.1	4.1	-0.7	0.7
<b>Total spillover index:</b>	<b>2.45%</b>		<b>6.45%</b>		<b>4.35%</b>	

# Directional and Net Spillover Dynamic Results, Fiji, Jamaica, Mauritius



Directional spillovers *FROM* IP;  spillovers *FROM* international TA growth. Net Spillover: **Positive values** show IP (international TA) is the **net transmitter** of shocks; **Negative values** indicate IP (international TA) is the **net receiver** of shocks. Note: Dark grey shading reflects Asia recession, while light grey shading reflects US recessions & GFC, Plot of moving total spillovers estimated using a 48-month rolling windows, starting 48 months after the first available date.



# Productive Job Creations and SDG Linkages: ACP Nations

- TLED linkages have follow-on benefits from tourism to the economy that consequently spillover to other private sectors in the 3 ACP Countries.
  - Four core standards on decent work agenda: formal economy, the self-employed, casual and informal workers, and women working in the care economy and private households (ILO, 2012a, p. v).
- ACP 2030 Agenda Roadmaps: prioritised tourism industries and linked SDG 8 to reduce high informal employment, subsistence activities, underemployment and the working poor (GoJ & UNDP, 2017; GoM & UNDP, 2016; Ministry of Economy, 2017).
  - SDG8: Diversification and industry innovation growth; MSMEs; and access to finance services for inter-sectoral work to achieve productive work targets for all
- **ACP Nations - Nurturing MSMEs in the tourism sector**
  - **A Bigger role of private sector and foreign investors**
  - To represent **greater share of business sector**
  - To provide **public goods & services, harness knowledge-based capital**
  - SDG8 targets – **enable MSMEs longer longevity**

# Mauritius: Employment and Productive Growth

- Economic diversification: develop ocean economy, improve supply chain-SMEs links, access to information, partnership opportunities, meet regional-global production standards (GoM, 2015).
- **SMEs as a key driver and enabler in improving the living standards through job creation and increase in the value added** (Ministry of Business, Enterprise and Cooperative 2017)

## SMEs Employment and Labour Force

Share of SMEs total employment increased slightly from 48% in 2013 to 49.1% in 2017  
Exports share improved 7.2% in 2013 to 10.9% 2017  
SMEs gross value added fell slightly from 34.7% in 2013 to 33% in 2017.  
47% of SMEs operate at almost subsistence level, managed by own account workers (Statistics Mauritius, 2019).  
LFPR rate fell to 59% Mar 2019 from 61% in Dec 2015  
U/E rate rose to 6.9% in Mar 2019 from 6.4% in Dec 2018, Averaged 7.8% Mar 2004-2019

## Labour Productivity & Income

Economic growth fluctuated since 2015 hindered productive job creation.  
Female LFPR in 2018 averaged at 52.1% compared to 80.3% for male;  
Estimated PPP earned income averaged US\$14,367 for female compared to US\$30,350 for male (World Economic Forum (WER), 2018).  
While female literacy rate is high at 91% to that of male at 95.4% in 2018, female unemployment rate at 11.3% is very high relative to 4.8% male unemployment rate in 2018 (WEF, 2018).

- Economic growth in Mauritius is driven in large part by capital accumulation rather than labour growth since 2003, **this multifactor productivity declined without any progress by 2013** (Government of Mauritius and International Trade Centre, 2017).
  - Building a **competent labour force and addressing skills shortages** are relevant to enhance the quality of education to **develop skills for the industry needs**.
  - Owners of SMEs are **unlikely to adopt new technologies in the absence of skilled labour, skill development programmes**, improvement in the productivity, which are crucial for growth strategy.

# Jamaica: Employment and Productive Growth

- **MSMEs represent 80% to 90% of Jamaica's business sector** and is a key driver in creating sustainable economic development over the medium- to long-term (GoJ, 2018).
- MSMEs in **tourism businesses provide public G&S, harness knowledge-based capital** to build their niche in international markets and generate additional benefits for the economy.

SMEs Employment and Labour Force	Labour Participation & Income
<p>MSMEs comprise of 97.6%, with 83% of the enterprises fell in the micro sector in 2013 (MICAFA, 2017)</p> <p>Jamaica's low TFP affected low GDP growth in the last five decades (GERA, 2017).</p> <p>U/E fell from 13.5% 2015 to 11.6% in 2018 (CEIC, 2019)</p> <p>Tourism growth requires a larger skilled set of labour in various tourism activities</p>	<p>LFPR fell from 73.37% in 1994 to 70.77% in 2014, with an avg. of 71.8% from Dec 1990 to 2017.</p> <p>Female LFPR in 2018 averaged 63.61% compared to 82.3% for male</p> <p>Earned PPP income of females averaged US\$6,813 to that of male workers at US\$11,199 (WEF, 2018)</p> <p>Female U/E rate was 17.4% to 9.6% of Male; female literacy rate was 92.7% to 83.4% of male in 2018</p>

- Jamaica's coastal natural habitats of wild life, ecotourism activities and natural resource areas are major tourist attractions, valuable sources of food, employment, and income for local communities.
- It requires innovation to improve production and boost competitiveness (GERA, 2017).
  - Training and skills development of MSMEs need strengthening of business management capacity, financial inclusion and planning, and improving innovation & productivity (MICAFA, 2017).
  - Include women entrepreneurship in value chain secures employment, move towards business growth, productive employment, improve TFP of labour and long-term social security benefits.
  - Its access to larger markets in Europe and the Americas, but focus to enable MSMEs longer longevity, provision of business development services, value chain and infrastructures.

# Fiji: Employment and Productive Growth

- Fiji's Tourism Development Plans has a strategy shift is to grow **the value of tourism industry through quality tourism products and support the MSMEs and tourism operators** in a modernising and competitive tourism industry (Ministry of Economy, 2017).
- Tourism is one of the biggest employer providing direct and indirect employment in Fiji

SMEs Support Activities	Labour Force, Productivity & Income
<p>Nurturing of MSMEs in tourism is supported by training program and business development services for capacity building and productivity.</p> <p>Private &amp; FDI have established the Fijian Made-Buy Campaign to promote quality export products, which include industries that promote the growth of MSMEs at the community level to develop key entrepreneurial skills mostly in rural areas (MITT, 2017).</p> <p>Other tourism related activities required to support LR sustainable inclusive development: meet the supply of local agricultural-fisheries produce, meet growing demand for fruits &amp; vegetables, maintain supply chain in long run, and aim at training for job opportunities.</p>	<p>Fiji's total working population aged 15+ marginally fell to 58.24% in 2017 from 58.38% in 2016.</p> <p>LFPR averaged 58.1% from Dec 1990 to 2017 that attained a highest rate of 60.2% in 1991 declining to a lowest level at 55.1% in 2007.</p> <p>Unemployment rate in 2015 of 5.5% fell to 4.5% in 2017</p> <p>Female LFPR in 2018 averaged at 43.7% to 78.6% Male</p> <p>Earned PPP income for female averaged US\$6,245 to US\$12,759 in 2018 for male.</p> <p>Female U/E rate (12.9%) is twice that of male U/E rate (6.4%) in 2018.</p> <p>Female literacy rate is comparable at 92.1% to 95.9% of the male literacy rate in 2018 (WEF, 2018).</p>

To maintain sustainable employment generation growth in labour productivity has occurred but lacks growth in capital investment and productivity (ADB, 2015).

- A larger proportion of workers associated in the subsistence sector lead to lower productivity.
- Large informal employment is accompanied with lower earnings compared to paid workers. Hence, growth in industry and service sectors will need to promote quality work and better earnings.
- Provide secondary school leavers with specific training to fill skill gaps in industries that face skill shortages.
- Growth in private sector connectivity, human capital development, new technologies, productivity, and green growth form an integral part to create more jobs-inclusive growth nexus.

## Tourism Policies and SDG8 Nexus

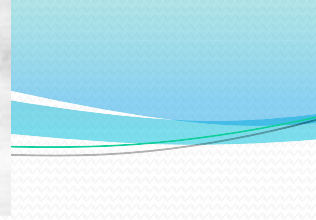
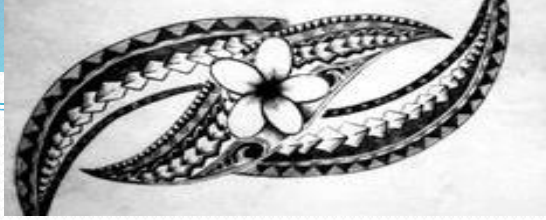
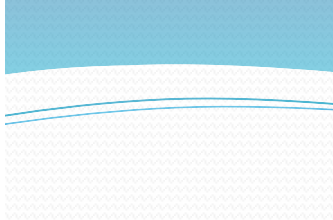
- All three ACP countries - Strengthen productivity through effective Government role:
  - Rely heavily on improving TFP to sustain economic growth - transition to high-value added economy.
  - Skills gap and apprenticeship - assess employers and apprentices to benefit both.
  - Relationship between labour market institutions & employees working conditions tend to lessen inequalities and improves labour market efficiencies.
  - Diversification strategies on international tourist arrivals and tourism spending to create a niche market of clean and green experiences, tourism activities.
  - Activities could achieve higher economic productivity and allow the economy to focus on high-value added and labour-intensive sectors.

## Conclusion - Tourism development and addressing the 2030 Agenda

- Net spillovers seen from tourism growth is larger in the 2012-2016 period
- Support for economic, social, cultural activities and preservation of natural resources to enhance the growth-led approach for sustainable development.
- A main scope of tourism sector in achieving productive job creation and decent work
  - Improve sectoral performance to boost productivity growth & wage growth.
  - Public-private sector investment, education reforms for skills gap, labour market reforms & labour legislations, increase labour-capital productivity.
  - Vulnerability in earnings in informal without employment protection strains the social safety nets and peoples' long-term welfare.
  - ACP island nations have considered the growth of MSMEs, national skills, self-employed and transforming informal workers to formality.

### Way forward:

- Emphasise on a TLED principles to support industry innovation: improve productive and a transformative quality employment, address gender inequality, high unemployment rates, income inequality and reduce wage-gap.
- Initiate programs for ministries to follow up actions on skill development that encompass productive labour force, stability and prosperity.
- For decent work 2030 Agenda outcomes: certainty and stability, development assistance to maximise the returns to tourism, and wider economic sectors and households.



***THANK YOU***

