

Temporary Employment in Tourism Activities: Regional differences in Spain

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Abstract

The great capacity of tourism to provide employment, especially between groups of workers with a more difficult insertion in the labour market, is one of its most well-known positive aspects. However Tourism employment is often described as low skilled, which is associated with average lower wages, higher percentage of fixed-term contracts, and longer working day than other industries. Nevertheless, this is not true for all tourism activities. Although this description could be close for hotels and restaurants labour market, it is completely different for land transport or travel agencies and tour operators activities. This could be related with the fact that each characteristic tourism industry provides a different percentage of his output to tourists, as it is shown in the Spanish Tourism Satellite Account. Given that, the aim of this paper is to analyse what factors can determine the incidence of temporary employment in Tourism activities in Spain and to discuss regional differences. As result, our first step is to identify the labour market characteristics of the different tourism activities. These results are clear influenced by the particularities of the different activities (labour market of transport activities is very different from hotels and restaurants activities) and not by a tourism characteristic. Thus, the second step is to analyse how tourism influence in the labour-market conditions after controlling for the particularities of the different tourism activities. In this case, we focus in just one characteristic of the labour market very associated with low-quality jobs; the share of workers with fixed-term jobs. Although Spain is one of the countries with the highest arrivals of tourists, those are not equally distributed by regions. This allows us to identify the degree of specialization of each region in tourism, and to analyse its impact in the share of workers with fixed-term contracts. Results show that the highest tourism specialization of the region decreases the share of workers with fixed-term contracts, after isolating the particularities of the different tourism activities. It seems that this low-quality characteristic disappear with the development of the sector in some regions.

Keywords: Tourism, labour market, tourism specialization, temporary jobs, regional development.

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Introduction

Tourism sector is playing an important role in the development of a region, contributing to the economy growth and job creation. Other of its positives aspects of tourism is that generate employment among people with low possibilities entering the labour market such as women, immigrants, young people and less skilled (Sinclair, 1991, 1997; Santana, 2005).

As a result, a lot of studies have been focused on estimating the number of direct or indirect jobs which Tourism development generates (OECD, 2000; Polo & Valle, 2008). Actually, in Spain, in 2009 the labour force in the Tourism sector reached a total of 2,496,561 workers, representing the 10.8% of the total labour force and 16.8% of the service sector labour force (INE, National Statistics Institute). More than 54% of the tourism workers were employed by Restaurants and Hotels Activities. Employment of the Tourism characteristic activities in Spain is characterized by a high percentage of fixed-term contract (31,4%) , in contrast with the total of the economy (26 %)

However, these quantitative approaches only take into account the number of jobs and not the “quality” of this employment. In fact, Tourism activities could be identified as a source of low quality employment: workers with little or no formal training, high seasonality, long working hours, higher percentage of fixed-term contracts, and poor career prospects. (ILO, 1997; Shaw & Williams, 2004; Sinclair, 1997; Sinclair & Stabler, 1997).

Nevertheless, in a recent paper, Fernandez et al. (2009) show that low wages incidence in Hotels and Restaurants industries is lower in those regions where Tourism is more developed. In line with this paper, our main aim is to test if the development of tourism has effects on the labour market conditions, in this case on the employment stability in Tourism activities. The fixed-term contracts are one of the labour-market characteristics to identify the low-quality employment. In fact, temporary jobs are associated with lower job training, lower wages etc. These problems are worse in Tourism activities since the incidence of temporary jobs is higher than in other economic activities, in the country with the highest percentage of fixed-term contracts from the European Union. Thus, in this paper we tried to analyse if low stability is in the nature of Tourism or instead, Tourism could cope with it.

We based on the model of Dolado et al. (2002) to analyse the determinants of fixed-term contracts, including variables accounting for the degree of specialization in Tourism. We use data by provinces and Tourism activities for 2001 and to assess the robustness of the results we also estimate the model using quarterly data from 2001-2010 by Tourism activities but not accounting for the regional dimension.

The purpose of this article is to contribute to bridging the gap about working conditions in Tourism industry. The first section provides a review of the concept of Tourism, its particularities and indicators to identify the regions, provinces or areas specialise in those activities. In the second section we analyse the incidence of fixed-term contracts both by provinces and Tourism activities. Later on, in section three we present the results of our model, which attempts to study the determinants of fixed-term contracts. The final section sums up the main conclusions of the analysis.

1 The Tourism characteristic activities in Spain

Therefore, the increasing attention of research in tourism labour force has found some problems related with the particularities of the activity. Tourism is a heterogeneous industry which represents a wide variety of business types and sizes, so it is not a sector in the traditional sense of the word and it does not fit the standard criteria for national accounts. Tourism is defined as the activities of travellers, taking trips outside their usual environment for less than a year for a main purpose not related to the exercise of an activity remunerated from within the place visited (OECD 2008). Tourism is a demand side phenomenon based in the viewpoint of consumption: it provides goods and services that are consumed by visitors. This is the most important characteristic of Tourism industry, since as the normal classification of the economic sectors depends on the kind of goods or services they produce.

However, it is no possible to calculate the employment from the volume of goods and services sold to tourists.³ On the one hand, the tourism industries can also provide products and services to non visitors. And on the other hand, visitors can spend money on products and services of other industries. Consequently in this article we analyze tourism from a

³ Tourism Satellite Accounts shows an estimation of tourism employment, nevertheless they focus on number of jobs and it is not possible to identify workers attributes.

supply perspective, following the international recommendations and considering the tourism employment as the jobs in the tourism characteristic industries⁴.

Thus, we focus on establishments dedicated to the production of tourism characteristic products: “products which in the absence of visitors, in most countries would probably cease to exist”. It has been proposed a list of Tourism Characteristic Industries: “Productive activities that produce a principal output which has been identified as characteristic of tourism”. Nevertheless, tourism industries are able to do secondary activities together with main activities, generating different products from tourism products, selling their products not only to tourist and excursionists, but also to other types of agents.

The Spanish Statistic Institute defined a list of characteristic tourism activities according the recommended methodological framework approved by International Organizations (WTO, OECD...). The Spanish Tourism Satellite Accounts allow us to calculate the “Tourism Ratio”: The proportion of each Tourism Characteristic Industry output attributable exclusively to visitors’ purchases. The tourism ratio shows differences from one characteristic tourism activities to others, as for example the production attributable to tourism is 94 % in hotels, 86% in air transport or 30 % in restaurants, while in other activities such as cultural or recreational activities do not reach 5 %. So, we will group the characteristic activities depending on the part of his output linked to tourism (Annex A.1). Moreover, we try to identify region specialized in tourism. Given that data available for provinces, we calculate different indicators to approximate this specialization such as: the location quotient,⁵ the tourist arrivals, Tourist arrivals by the population of the destination province, Tourist arrivals by the extension of the destination province (km²).

⁴Although this methodology is considered the best choice from a technical standpoint, it has some problems. For example, the underestimation of employment in tourism, by not considering the employment generated by tourism demand in non tourism industries, or to overestimate the employment generated in tourism industries, which also produced for non-tourists

⁵ Since in the aggregate model we have not the regions, we modified it and we use the quarters of 2001 as reference instead of the employment in Spain. The location quotient is defined as:

$$\frac{E_{ij} / \sum_j E_{ij}}{\sum_j E_{ij} / \sum_j \sum_t E_{ij}}$$

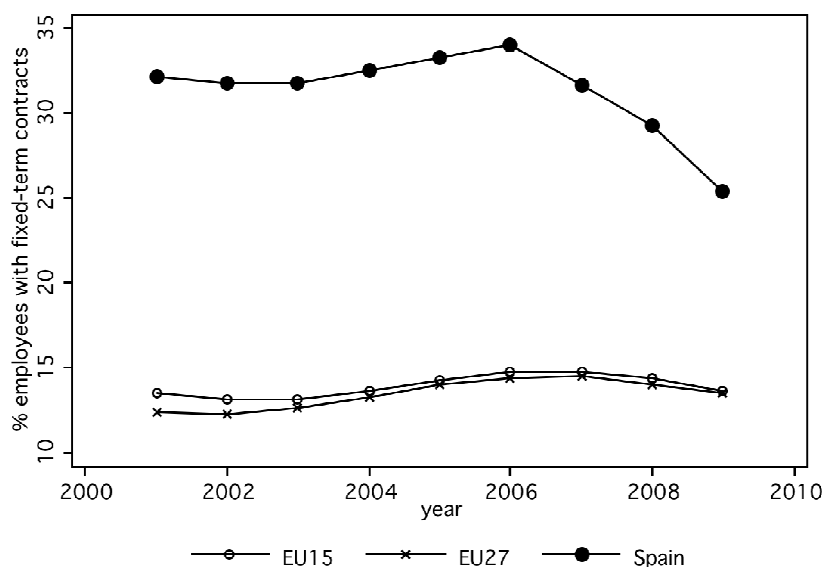
*100, being E_{ij} the employment of sector i in quarter j . If the index is higher than 100 it means that this quarter j has a higher percentage of sector i compared with this proportion in 2001. In other words, it means that the quarter j will be specialized in sector i than in 2001.

2 The incidence of temporary jobs in Tourism activities

Although temporary contracts can diminish some labour market inflexibilities (Bentolila and Saint-Paul, 1994) and decrease the long-run unemployment (Bentolila and Bertola, 1990) they cause also some potential costs. Booth et al. (2002) shows that temporary jobs typically pay less, they are associated with lower satisfaction and provide less work-related training.

Spain is the country in the European Union with the highest percentage of employees with fixed-term contracts (Figure 1). In fact, the share of temporary employees in Spain doubles the average of the European Union in 2001. Although the difference has decreased in the last decade, Spain keeps its first position during all the period.⁶ As a result, the Spanish case has been much studied. Evidence for Spain show that temporary contracts could reduce the long-term unemployment, nevertheless it increase the workers' turnover. As a consequence of this high turnover, in addition to a decline in regional migrations and in fertility rate, there is a fall in investment on specific human capital which could lead to a decrease in labour productivity (Dolado, et al. 2002).

Figure 1: Share of employees with fixed-term contracts



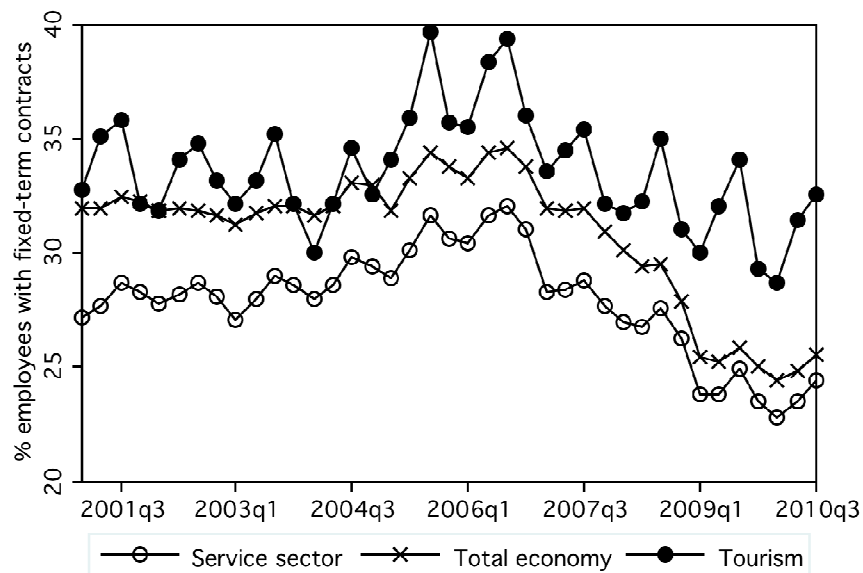
Source: Own elaboration based on Labour Force Survey (Eurostat)

⁶ The differences between Spain and most of the countries of the European Union are still very wide despite the fact that several labour market reforms in 1994, 1997, 2001, which provided a less stringent EPL for permanent contracts and considerable restrictions for the use of fixed-term contracts.

Although, the percentage of fixed-term contracts in Spain is high among all economic activities compared with other countries in Europe is not homogenous between them. In fact, figure 2 shows that the incidence of the fixed-term contracts in Tourism is much higher than in the total economy, and even much higher than the services sector. The problem is even trickier in Tourism sector than in other sectors since seasonality is much important. Booth et al. (2002) find evidence that fixed-term contracts are effective stepping-stones to permanent jobs but not to seasonal employment. Cost of fixed-term contracts (lower wages...) are typically transitory, in the sense they move into permanent jobs and catch up their counterparts who started in permanent jobs. Nevertheless, this does not happen with the seasonal employees.

In this paper, we are not going to analyse the severity of the consequences of fixed-term contract to employees, literature has already analyse them. The idea of this paper is to see if the particular conditions of tourism activities (the demand determines them) could affect the labour conditions of the workers. Could the share of workers with the fixed-term contract be affected by the development of Tourism demand?

Figure 2: Percentage of employees with fixed-term contracts in Spain



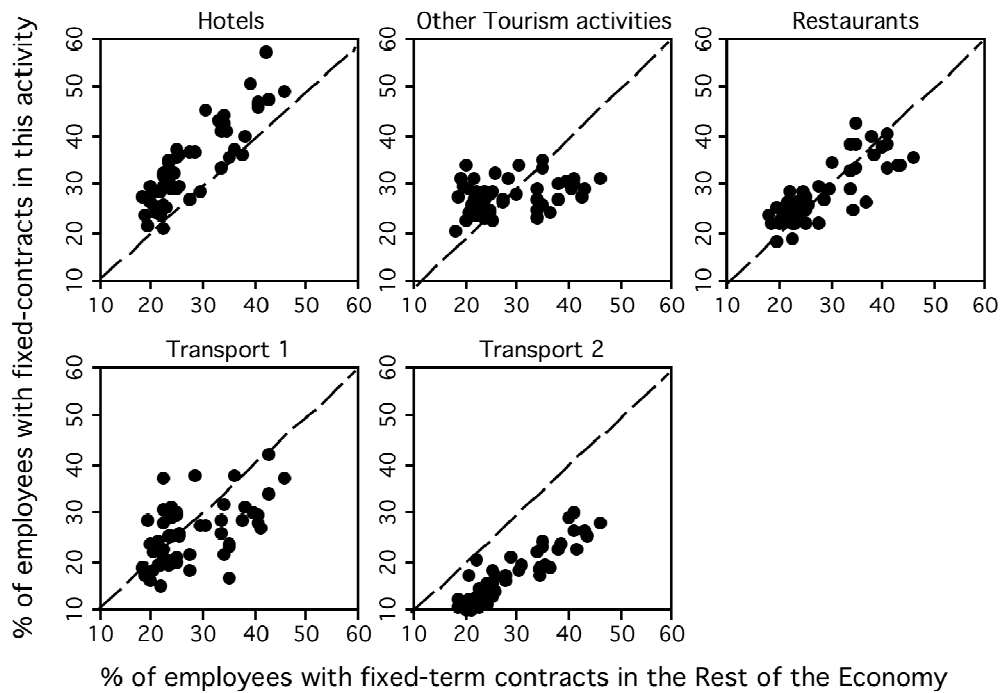
Source: Own elaboration based on Labour Force Survey (IET)

Before analysing the determinants of the incidence of fixed term contracts, we would like to show the differences by Spanish provinces and Tourism activities.⁷ Neither in all tourism activities nor in all Spanish provinces the percentage of employees with temporary jobs is higher than in the Rest of the Economy. In fact, in transport 2 (Tourism activities which dedicate about 30 of their production to Tourism demand)⁸ this share is lower for all provinces, and even in Hotels activities there are some provinces where this percentage is lower than in the rest of economic activities. We are not going to go deeper in these differences but we should take them into account in the empirical analysis. Moreover, we should also consider that the development of the tourism (the arrival of tourists) is really different for provinces, even between provinces inside the same region.

⁷In order to show the differences by Spanish provinces and tourism activities, we represent the information in graphs where the vertical axis shows data about a particular Tourism activity while the horizontal axis shows data about the Rest of the economy. Consequently, points above the diagonal show a higher weight of fixed-term contracts in this particular Tourism activity, and points below the diagonal show a lower weight than in the rest of economy. Of course, the points situated in the diagonal show the same values in ordinates (Tourism activities) than in abscises (rest of the economy).

⁸ The complete disaggregation of Tourism activities (3 digits) is not suitable for our analysis by provinces, since there is not data. For example, analyse the employment of the “Sea and coastal water transport” in provinces without coast has not much sense. For this reason, we group the tourism characteristic activities in 5 groups. The criterion for grouping them is the proportion of production that they dedicate to Tourism. For more details, see the Annex.

Figure 3: Percentage of employees with fixed-term contracts in Tourism Activities relative to the rest of the economic activities by Spanish provinces in 2001



Source: Own elaboration based on Census Data 2001 (INE)

3 Determinants of the incidence of temporary jobs in the Tourism Activities

To analyse if the development of Tourism has effects in the temporary employment of Tourism characteristic activities, we analyse the determinants of the percentage of employees with fixed-term contracts. We estimate a regression model using data from the Census 2001 for the Tourism activities and the Spanish provinces. To assess the robustness of the results, we also estimate a model using quarterly data from 2001 to 2010. This data is taken from Encuesta de Población Activa (EPA, Labour Force Survey) and it is disaggregated by Tourism activities but not by provinces.⁹ We estimate the following model.

⁹Although the more suitable source for the analysis of employment is EPA, the main analysis is based on 2001 Census data due to the unavailability of EPA data with the required level of sectoral or regional disaggregation, and as we have point out before, both dimensions are really important. Moreover EPA data was collected from a

$$l\tau_{ij} = \beta Z_{ij} + \lambda_i + \lambda_j + \varepsilon_{ij}$$

Being i industry and j provinces¹⁰. Z_{ij} would be a set of variables which explain the percentage of fixed-term contracts ($l\tau_{ij}$). and ε_{ij} would be the error term. We also include dummy for provinces (λ_i) and for Tourism activities (λ_j)

In the set of variables which explain the share of fixed-term contracts we include the proportion of young (under 30 years old) employees and the proportion of employees with a university degree. Those variables should capture the effects of the wage gap between permanent and temporary workers, the elasticity of substitution and the relative efficiency of temporary contracts (Dolado et al., 2002).¹¹ In the aggregate model form 2001 to 2010, we also take into account the growth rate of employment to control for the business cycle.

Our main aim is to see if the specialization of a particular area in Tourism improve the labour markets conditions, in this case the stability of the jobs. Thus, the important variable for us is the indicator if a country, region or area is specialized in Tourism. As we have seen the previous section, it is not clear the better way of approximating it, thus we include different variables: the location quotient,¹² the tourist arrivals, Tourist arrivals by population of the province, tourist arrivals for km².

Related with those variables we also include the Tourism ratio (contribution of the characteristic tourism activities to tourism demand). We just include this variable in the

secondary source the *Instituto de Estudios Turísticos* (IET, Institute of Tourism Studies) instead of the Instituto Nacional de Estadística (INE, Spanish National Statistical Institute), as a result we have to use the aggregation of the tourism activities that they provide us. For more details see the Annex.

¹⁰ Spain is composed of 52 provinces. Although from a political point of view, the regional disaggregation could be more relevant, we have chosen this disaggregation since the arrival of tourists is very different from provinces even inside same regions. The aggregation of the sectors depends on proportion of production dedicated to tourists. We include this data in the Annex. In the aggregated model we include time dummies instead of the province dummies.

¹¹ Dolado, et al. (2002) also includes the proportion of employees covered by collective bargaining and those working by public sector. We have not these variables in our database; nevertheless, they seem to be not really important in our case. On the one hand, public sector usually does not provide services to tourists, so the employees working for the public sector should be close to zero. On the other hand, the inclusion of union coverage was more linked to the 1997 reform.

¹² Since in the aggregate model we have not the regions, we modified it and we use the quarters of 2001 as reference instead of the employment in Spain. The location quotient is defined as:

$$\frac{E_{ij} / \sum_j E_{ij}}{\sum_j E_{ij} / \sum_j \sum_i E_{ij}}$$

*100, being E_{ij} the employment of sector i in quarter j . If the index is higher than 100 it means that this quarter j has a higher percentage of sector i compared with this proportion in 2001. In other words, it means that the quarter j will be specialized in sector i than in 2001.

disaggregated model for provinces since in the aggregate model the activity classification is done according with other criterion different from the share of production that these activities dedicate to Tourism.¹³ We consider that this variable is really important since this factor determine if these activities are classified or not like activities characteristic of Tourism.

Results of the regional model (Table 1) and the aggregate model (Table 2) are very similar and in line with the results of Dolado et al. (2002). The share of young employees has a positive impact in the percentage of employees with fixed-term workers and appears to be significant. This is an expected result since youth are likely to be more affected by temporary contracts than adult workers. Nevertheless, proportion of employees with tertiary education is found to be not significant.

Variables accounting for the development of Tourism appear to be significant. The location quotient, tourists arrival, tourists arrival by population have a negative impact in the dependent variable. That means that the development of tourism has a positive effect in the job stability for Tourism activities. Nevertheless, there is not agreement with tourists arrival for Km², although their effects are really small and they seem to be not significant in some cases. This apparent contradiction could be due to we use administrative divisions and because we are not taken into account the real influence area, so this indicator could be not suitable for our analysis.

Table 1: Results for the Tourism Activities by Spanish provinces (2001)

ln(% workers with tertiary education)	0.08	0.08	0.08	0.08
ln(% workers aged 16-29)	0.54***	0.54***	0.54***	0.54***
ln(Contribution to tourism)	-0.11***	-0.11***	-0.11***	-0.11***
ln(location quotient tourism)	-0.33***			
ln(tourists)		-0.08***		
ln(tourist/Km2)			0.03*	
ln(tourist/population)				-0.05***
Constant	3.27***	2.60***	1.54***	1.28***
Observations	260	260	260	260
R-square	0.85	0.85	0.85	0.85
Adjusted R-square	0.81	0.81	0.81	0.81

¹³ For example transport activities are a combination of very different shares. See the Annex for more details.

Another important result is that the contribution of tourism activities to tourism demand appears to be significant and negative. This means that Tourism development would have a higher effect in jobs stability in those activities with a higher contribution to tourism demand.

Table 2: Results for the Spanish Tourism Activities (2001-2010)¹⁴

ln(% workers with tertiary education)	-0.04	-0.02	-0.01
ln(% workers aged 16-29)	0.44***	0.48***	0.50***
employment growth	0.13*	0.11	0.10
ln(location quotient tourism)	-0.87***		
ln(tourists)		-0.19**	
ln(tourist/population)			-0.16
second quarter	0.01	0.10**	0.09*
third quarter	0.05***	0.17***	0.16**
fourth quarter	0.01	0.04**	0.04*
change in the database (2005-2009)	0.10***	0.10***	0.09***
change definition(2009-2010)	-0.16***	-0.08***	-0.09***
Constant	6.13***	4.89***	1.56***
Observations	152	152	152
R-square	0.67	0.66	0.65
Adjusted R-square	0.64	0.63	0.62

4 Conclusions:

Tourism is really important in some countries such Spain, especially for some regions, generating an important amount of jobs. In spite of that, some researchers argue that the quality of these jobs is low. Thus, in this paper we attempt to analyse if the low-quality jobs is in Tourism nature and the particularities of its activities (for example, the demand determine if the production is part of Tourism or not).

We have not analysed all characteristics that could characterize a low quality job and we just focus on one, stability. Stability is an important variable when we talk about the quality of the job because it is related with other characteristics such as job trainer, motivation...It is also a very important variable in the Spanish labour market, since Spain have the highest percentage of employees with fixed-term contracts in the European Union.

¹⁴ In this model, we include two additional variables in order to control for the changes in the database. First, variable account for the changes of definition of employed in EPA. The second is the change in Classification of Economic Activities (NACE).

Our results show that low stability is not a characteristic of Tourism. It is true that the incidence of temporary contracts is higher than in other activities of the economy, but it is also true that the incidence of fixed-term contracts would be lower in those provinces which are specialized in Tourism.

We have also taken into account that Tourism demand determines Tourism production and consequently tourism employment, i.e. we account for the percentage of production that each economic activity dedicates to Tourism. Thus, our model shows that as higher is this share, lower would be the incidence of fixed-term contracts.

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Annex

Hotels	94,51%	Restaurants	30,43%	Transport 1	21,86%	Transport 2	90,17%	Other Activities	7,00%
55.1 Hotels	94,51	55.3 Restaurants		60.1 Transport via railways	55,30	61.1 Sea and coastal water transport		63.2 Other supporting transport activities	
55.2 Camping sites and other provision of short-stay accommodation		55.4 Bars		60.2 Other land transport	32,15	61.2 Inland water transport	80,40	71.2 Renting of other transport equipment	
		55.5 Canteens and catering		71.1 Renting of automobiles	44,40	62.1 Scheduled air transport		92.3 Other entertainment activities	
						62.2 Non-scheduled air transport	86,94	92.5 Library, archives, museums and other cultural activities	
						63.3 Activities of travel agencies and tour operators; tourist assistance activities n.e.c.	99,37	92.6 Sporting activities	
								92.7 Other recreational activities	

Table A 1: Tourism Activities aggregation from IET.

Hotels	Restaurants	Transport	Other Activities
55.1 Hotels	55.3 Restaurants	60.1 Transport via railways	63.2 Other supporting transport activities
55.2 Camping sites and other provision of short-stay accommodation	55.4 Bars	60.2 Other land transport	63.3 Activities of travel agencies and tour operators; tourist assistance activities n.e.c.
	55.5 Canteens and catering	61.1 Sea and coastal water transport	71.1 Renting of automobiles
		61.2 Inland water transport	71.2 Renting of other transport equipment
		62.1 Scheduled air transport	92.3 Other entertainment activities
		62.2 Non-scheduled air transport	92.5 Library, archives, museums and other cultural activities
			92.6 Sporting activities
			92.7 Other recreational activities