
Business Indicators ♦ May 1999

The Tourism Sector: GDP and Employment

Highlights

- Tourism GDP grew 1.2% in 1997 to \$4.1 billion. This was nearly 5% of the provincial total of \$86.0 billion.
- Tourism GDP growth lagged behind the provincial average of 2.3%. This was the first time since 1993 that total provincial GDP growth outpaced the tourism sector.
- Based on its contribution to GDP, tourism was the tenth largest activity in BC.
- Direct tourism employment was unchanged in 1998, with 112,940 jobs resulting from tourism activity.
- Tourism accounted for 7.8% of total employment in BC during 1998.
- The tourism sector was the fifth largest employer in the province, its ranking unchanged from the previous year.
- Employment in the key tourism sectors of transportation services and food and beverage services saw growth in 1998. However, accommodation services and amusement and recreation services both experienced a second straight year of declining employment.
- Tourism workers, on average, earned \$437 per week. This was below the provincial average of \$618, although some industries within the tourism sector had wages and salaries well above the provincial average.

Measuring the tourism sector

We usually think of a tourist as being a sightseer, visiting a place far from home. But a tourist is anyone who travels to a place outside their usual environment and stays away for less than a year. The motivation for the trip (leisure, business, or to visit friends and relatives) is irrelevant to whether the traveller is a tourist or not. Nor is it necessary for a tourist to stay overnight in the destination; day trips (also known as excursions) are an important source of tourism activity.

Because tourism is an activity and not a specific good or service, there is no specific "tourism industry." Tourists make purchases from a variety of industries, most of which also provide the same services to local residents (for example, restaurants). This presents a challenge when measuring the impact that tourists have on those industries. Fortunately, from studies of tourist behaviour we know what the typical tourist does and buys while visiting the province. Using this information, we are able to determine what effect tourists have on specific industries.

BC STATS has been producing estimates of tourism sector GDP since 1991, and last year began measuring direct tourism employment. Both of these measures provide a means of comparing tourism with other parts of the provincial economy, as well as tracking the performance of the tourism sector over time.

Tourism GDP

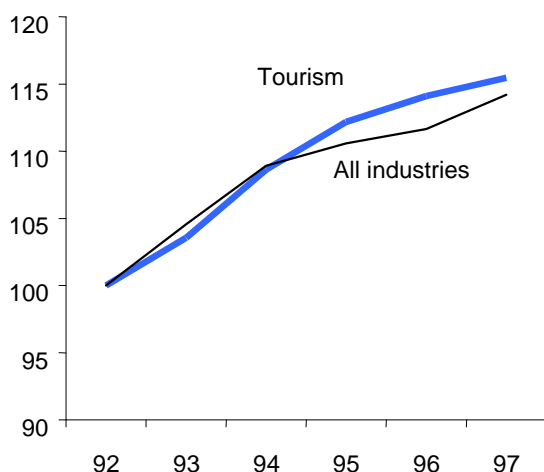
Measuring tourism's contribution to economic activity in BC

In 1997¹, tourism activity generated \$4.1 billion in GDP, an increase of 1.2% over 1996. This was the smallest increase in tourism GDP since 1991, when tourism GDP fell 9.0%.

By comparison, total GDP in BC rose 2.3% to \$86.0 billion. This marked the first time since 1993 that total provincial GDP growth outpaced the tourism sector.

Over the long term, tourism GDP has grown more than the BC economy

GDP Index (1992=100)



What is GDP?

GDP is a measure of value added, essentially the difference between the cost of the material inputs necessary to create a product or service and the price at which it sold. Thus GDP includes wages and profits, and is therefore an excellent measure of how much impact an industry has on the economy.

What are constant dollars?

GDP is reported here in constant 1992 dollars, removing the impact of inflation on the values. Reporting data in constant dollars is one way of showing the change in the output produced by an industry. For instance, if a restaurant sells the same number of meals from one year to the next, the outputs have not increased and thus **constant** dollar GDP would not change. But if that restaurant had charged an extra 2% for the meals in the second year, its **current** dollar GDP would increase by 2%.

Table 1. Tourism GDP*, 1990-97

Year	Tourism sector		All industries	
	GDP (billions)	% change	GDP (billions)	% change
1990	3.6	3.2	72.2	1.7
1991	3.3	-9.0	73.2	1.3
1992	3.6	6.4	75.3	3.0
1993	3.7	3.5	78.8	4.6
1994	3.9	4.9	82.0	4.1
1995	4.0	3.3	83.3	1.5
1996	4.1	1.7	84.1	1.0
1997	4.1	1.2	86.0	2.3

*constant 1992 dollars

¹ The most recent year for which data are available.

Table 2. GDP by activity, 1997

Activity	GDP (\$ billions)	% change
Finance, insurance and real estate*	\$17.3	3.3%
Retail and wholesale trade*	\$9.9	5.3%
Transportation, storage and communication*	\$7.1	4.1%
Health	\$6.2	2.5%
Construction	\$5.9	1.3%
Forestry & related	\$5.1	-5.4%
Education*	\$4.9	2.3%
Business services	\$4.8	6.9%
Government services*	\$4.4	-2.0%
TOURISM	\$4.1	1.2%
Mining & related	\$3.9	3.9%
Other manufacturing	\$3.0	7.6%
Other personal services*	\$2.1	2.6%
Utilities	\$2.0	-11.1%
Agriculture & related	\$1.7	-2.1%
Accommodation, food & beverage*	\$1.7	6.0%
Amusement & recreation*	\$0.9	7.4%
Personal & household services*	\$0.7	-2.0%
Fishing & trapping	\$0.5	-0.3%
All industries	\$86.0	2.3%

*excluding tourism activity.

Accommodation services and transportation services are the two largest components of the tourism sector, each representing roughly one-quarter of tourism GDP. Food and beverage services and retail trade account for another quarter. The remainder is generated in a variety of other service industries.

Table 3. Tourism GDP, 1997

Industry	GDP (\$ millions)	% change
Accommodation	\$1,061	-3.7%
Transportation, storage and communication	\$972	2.1%
Retail and wholesale trade	\$725	5.4%
Food and beverage	\$590	7.2%
Finance, insurance and real estate	\$206	3.6%
Other services	\$545	-2.5%
TOURISM	\$4,101	1.2%

The relatively weak performance of the tourism sector during 1997 was due largely to a decline in the large accommodation services industry (-3.7%). Growth in this industry is influenced by a number of factors, including the number of leisure visitors to the province and business travel within and to BC. During 1997 visitor entries from the province's three largest overseas markets (Japan, UK, and Germany) were all off. This in turn contributed to a relatively weak performance in the accommodation industry in 1997. However, the performance of other components of the tourism sector was stronger. Food and beverage services (+7.2%) and retail and wholesale trade (+5.4%) led the sector. Transportation services (the second largest tourism industry) saw GDP increase 2.1%, spurred on by growth in air transport, which in part may be related to the Open Skies agreement with the US.

Direct Tourism Employment

113,000 jobs generated by tourists in '98

In 1998, there were 112,940 people working in British Columbia's tourism sector, virtually unchanged from 112,990 in 1997. This was the first time since 1995 that tourism employment growth has not outpaced the provincial average (0.9%). Both the tourism sector and total provincial employment grew at the slowest rate since 1992.

The number of jobs generated by tourism has a history of volatility. When the economy is performing well, both inside and outside BC, the tourism sector usually booms. But when the economy slows, as it did in both BC and Asia (both of which are important sources of visitors) during 1998, tourism generally falters.

What is direct tourism employment?

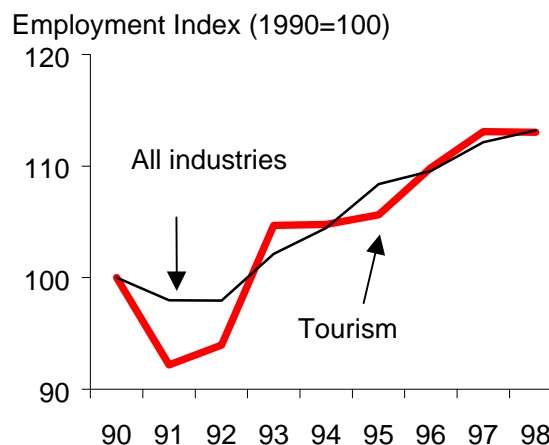
Direct tourism employment is a measure of the number of people working in various industries that serve tourists. It includes workers in industries ranging from food and beverage services to retailing and wholesaling, and even health care and education.

Table 4. Tourism employment, 1990-98

Year	Tourist generated		All industries*	
	Workers (thousands)	% change	Workers (thousands)	% change
1990	99.9	16.1	1,285.6	5.3
1991	92.1	-7.8	1,259.7	-2.0
1992	93.9	1.9	1,259.2	0.0
1993	104.6	11.4	1,313.1	4.3
1994	104.7	0.1	1,342.9	2.3
1995	105.5	0.8	1,393.2	3.7
1996	109.8	4.0	1,408.5	1.1
1997	113.0	2.9	1,441.7	2.4
1998	112.9	0.0	1,455.1	0.9

*does not include agriculture, fishing, and self-employment.

Tourism employment booms and busts with more vigour than the BC economy as a whole



Are tourism employment estimates comparable to other employment figures?

Yes, as long as care is taken to ensure that jobs are not double counted. Since the tourism employment figures are calculated by apportioning a share of total employment in each industry to the tourism sector, those jobs must be subtracted from total employment in the relevant industries.

How is direct employment in tourism measured?

Direct employment estimates are generated by apportioning a percentage of total employment in various industries to the tourism sector. These proportions are calculated as part of the GDP estimation process. In some cases (e.g., accommodation), the share may be very close to 100%. In other cases, such as the food and beverage industry, the tourism share is much smaller (about 25%), as a significant percentage of the industry's activity is generated by residents rather than tourists. Some industries, such as education, may include activities which are entirely unrelated to tourism (e.g., elementary and secondary schools) as well as activities which have a strong tourist orientation (e.g., museums). Estimates of the tourism share are determined on an industry by industry basis, then applied to employment data for each industry.

What's the source of the data?

Direct tourism employment estimates are based on information from Statistics Canada's Survey of Employment, Earnings and Hours (SEPH), an employer survey. The SEPH data provides a wealth of detail about employment, wages and hours in a large number of industries. However, because it is based on an employer survey, the SEPH data does not include:

- Self-employed workers
- Workers in agriculture
- Workers in the commercial fishing industry

A comparison of total employment figures from SEPH and the Labour Force Survey (LFS, a household survey which covers workers in all industries as well as the self-employed, but provides less industry detail) suggests that the SEPH data may be underestimating total employment in all industries by about 411,000. Of this total, 31,000 are workers in agriculture and fishing. The remainder (380,000) are self-employed in other industries. However, it should be noted that some of the differences between the SEPH and LFS estimates are due to other factors as well.

What effect does the exclusion of self-employed workers have on the direct employment estimates?

A rough adjustment to the direct tourism employment figures using industry averages for the major components suggests that the SEPH-based estimates may be underestimating direct employment in tourism by about 13,000 (10% of the total). This compares to about 20% of people working in all industries who are not covered by the SEPH survey. In addition to agriculture and fishing, industries which are significantly affected by the exclusion include construction, business services, and personal services. In some of these industries, as many as half of the people with jobs are self-employed.

Tourism as part of the BC employment picture

One in every 12 jobs in BC is due to tourist activity, making tourism the fifth biggest employer in BC. The largest employer is retail and wholesale trade, with 255,200 workers.

Table 5. Employment by sector, 1998

Industry	Employment (thousands)
Retail & wholesale trade*	255.2
Business & personal services*	158.6
Health & social services*	158.0
Education & related services*	128.6
TOURISM	112.9
Finance, insurance & real estate*	89.4
Accommodation, food & beverage*	82.8
Transportation, storage & communication*	82.7
Forestry & related manufacturing	82.3
Government*	72.1
Construction	72.0
Other manufacturing	65.0
Mining & related manufacturing	36.6
Amusement & recreation*	23.0
Utilities	11.8
All other industries	23.4
All industries**	1,454.6

*excluding tourism workers.

**does not include agriculture, fishing, and self-employment.

Table 6. Tourism Employment, 1998

Industry	Employment	% change
Food & beverage	29,460	2.8%
Accommodation	27,430	-4.0%
Wholesale & retail trade	21,680	1.0%
Air transportation	13,630	4.1%
Other transportation	5,600	1.1%
Amusement & recreation	5,090	-13.8%
Travel services	4,940	5.7%
Other services	5,100	0.5%
TOURISM	112,940	0.0%

* does not include self-employment.

The hospitality industries are the core of tourism employment

Half of the jobs in the tourism sector are in the two hospitality industries: accommodation (27,430) and food and beverage service (29,460) industries. Retail trade (21,680) is the third largest employer, followed by the transportation industry (19,230). Airlines provide three out of every four tourism-generated jobs in the transportation industry. Other major employers in the tourism sector include amusement and recreation (5,090) and travel services (4,940). A smaller number of workers are employed because of the scattered impact that tourists have on industries like health, finance, and education.

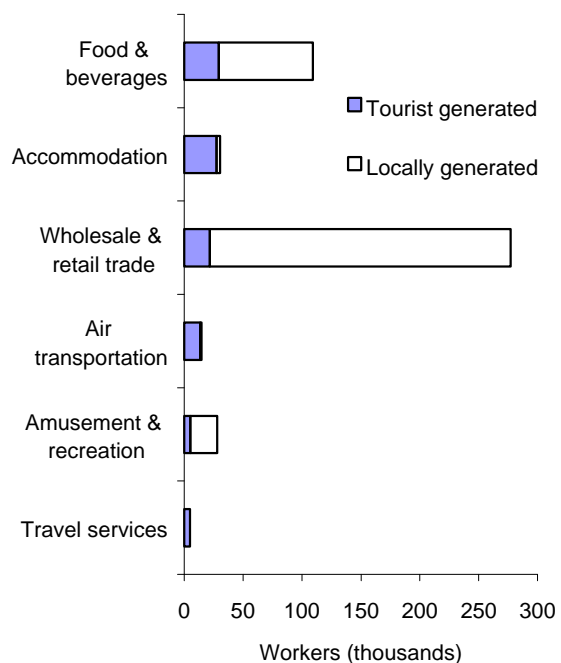
In 1998, growth in the number of workers slowed in most of the big tourism industries. Employment in transportation services grew 3.2%, while food and beverage services climbed 2.8%. These gains were offset by the second straight year of declining numbers of workers in both accommodation

services and amusement and recreation services.

Dependence on tourism varies between industries

Some industries are far more dependent on tourism than others. In travel services, air transportation, and accommodation, at least nine of every ten workers are employed because of tourism. The industry that is next most dependent on tourism is food and beverage services, where roughly one in four people are employed because of tourist activity. This is followed by amusement and recreation (one in five).

Accommodation, air transport, travel services are dominated by tourist activity



Nearly 22,000 jobs in retail and wholesale trade are created by tourism—almost one-fifth of the tourism total. However, these workers make up a small share (only 8%) of total employment in this industry.

Table 7. Direct Employment*, 1998

Employment (thousands)	Tourist generated	Locally generated	Total
Total Goods	0.0	291.4	291.4
Food & beverage services	29.5	79.8	109.2
Accommodation	27.4	3.0	30.5
Wholesale & retail trade	21.7	255.3	277.0
Air transportation	13.6	1.2	14.8
Other transportation**	5.6	81.5	87.1
Amusement & recreation	5.1	23.1	28.1
Travel services	4.9	0.0	4.9
Other services	1.8	158.5	160.3
Health	1.4	158.0	159.4
Education	1.0	128.6	129.6
Finance, Insurance & Real Estate	0.5	89.4	90.0
Government services	0.4	72.1	72.5
Total services	112.9	1,050.5	1,163.4
All industries	112.9	1,341.6	1,454.6

* does not include agriculture, fishing, and self-employment.

**includes storage and communication industries.

\$2.6 billion in wages and salaries are due to tourism in BC

Workers in the tourism sector earned an estimated \$2.6 billion in 1998. Of this total, about a third (\$840 million) was earned in the transportation and communication industry. The payroll of the accommodation industry was estimated at \$490 million, while tourism-generated wages in the food and beverage sector were \$350 million. This does not include income from tips and gratuities, which are an important source of income for many workers in the hospitality industries.

The average worker in the tourism sector earned \$437 per week. This compares to an average of \$618 for all BC workers. Workers in goods producing industries earn significantly more (\$800) than those in service industries (\$573).

Some industries provide careers ...

If the stereotype of a tourist is not entirely accurate, neither is that of the low-paid tourism job. Within the tourism sector, there is a wide range of occupations that require a variety of skills and training, and earnings reflect these differences. High wage earners such as airline pilots, administrators, analysts and museum curators are employed in the tourism sector. Workers in occupations like these often earn above-average wages. Industries with an important tourism component where weekly wages are above the sector average include air transport (\$802), museums and archives (\$600), auto and truck rental (\$598), and travel services (\$515).

... while others provide experience and flexibility

Many of the jobs in the tourism industry are entry-level positions requiring minimal training. They often provide temporary employment for students and others who are just entering the workforce. Individuals who continue in these jobs are usually able to ascend to better positions at higher pay as they gain more experience and work their way up in an organization.

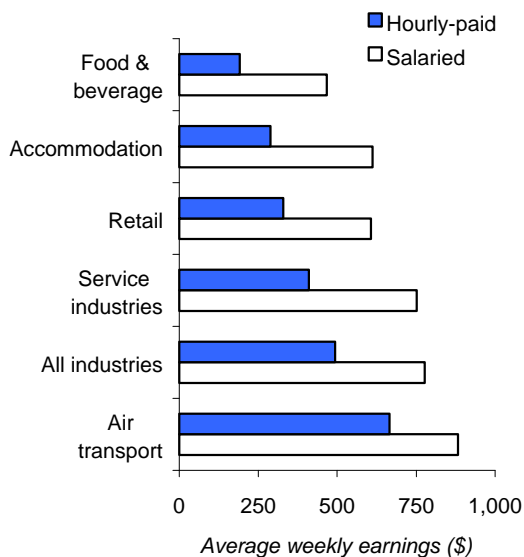
Many workers in the tourism sector are employed part-time (less than 30 hours a week) and their wages reflect this fact. Individuals may choose part-time employment over full-time work for a variety of reasons, such as family obligations.

Seasonality is a significant factor in the tourism sector, where there are definite peak during the summer, as well as shoulder and low seasons. Employers may hire additional workers on a temporary basis during the high season in order to cope with increases in demand, but may not be able to offer

them ongoing employment when tourism activity tapers off in the winter months.

The food and beverage service industry is a perfect example of this phenomenon, where many of the jobs require little training and are ideally suited for part-time work. In 1998, average weekly earnings for workers in food and beverage services were only \$229. This was based on a short work week of 23.7 hours. Salaried staff in the industry worked 36.8 hours (the provincial average for salaried workers), earning \$467 weekly. But these workers made up only 11% of the industry's employees. Waged employees—89% of the industry—were typically part-time, with only 22.1 hours each week, and average earnings of \$192.

Wages are highest in the air transportation industry



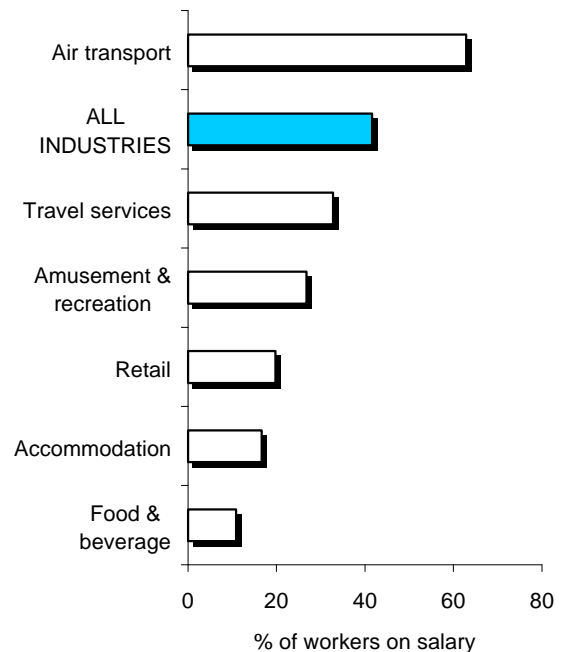
A wide range of pay scales

The average worker in BC earned \$618 per week in 1998. Among salaried workers, the average was \$777 per week (including overtime), while workers paid by the hour earned \$494. Within the tourism sector, wages ranged from a low of \$192 per week for hourly paid workers in the food and beverage services industry to \$883 for salaried employees in the air transportation industry.

Most tourism workers paid by the hour

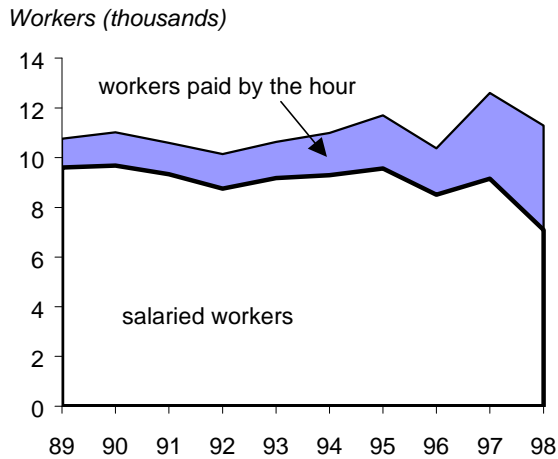
While roughly 40% of all workers in BC are salaried, in most of the large industries in the tourism sector a much smaller proportion are on salary.

Salaried workers less common in tourism sector



The food and beverage service industry is the most extreme case, with only 11% of the workers on salary and the remainder paid by the hour. The air transport industry is quite the opposite, with nearly two-thirds of the workers on salary. This proportion has been falling in recent years, however. Ten years ago, nine of every ten workers in the industry were on salary.

Air transport sees change in salaried/hourly worker mix



Accommodation employment—one bell weather of the sector's health

The accommodation services industry, made up of hotels, motels, and other short-term accommodation properties, is a cornerstone of the tourism sector. In 1998, these properties took in \$1.2 billion in revenue from room sales alone. Revenue from other services such as restaurants, taverns, and the rental of banquet and meeting facilities, in some parts of the industry, nearly double that figure². The health of this industry is looked upon as an indicator of how the tourism sector is performing, and there are signs that the performance in 1998 was less than optimal.

Employment in accommodation services fell for the second year in a row, with the loss of over 1,000 workers (-4.0%). This single statistic hides an interesting underlying trend. The number of salaried workers has grown, but the increase was not sufficient to offset a drop in the number of waged workers. It is conceivable that the decline in total employment was, at least in part, the result of a shift in employment patterns, with salaried

² Source: Statistics Canada, *Traveller Accommodation Statistics* (#63-204-XPB).

staff doing work previously undertaken by part-time staff paid by the hour.

It might seem odd that total employment in the accommodation industry has fallen at a time when there is expansion in the number of hotels operating in BC, particularly in greater Vancouver. But this construction of new hotels has spread visitors across more properties, leading to lower occupancy rates³ across the industry. Furthermore, large hotels (250 or more rooms) saw revenue drop in 1998 (-2.2%), even though total provincial room revenue jumped 3.8%. Given that average room rates in BC have increased (up 3.3% in 1998)⁴, this suggests that total room sales in the large hotels were down. It is surmised that the large hotel properties have the greatest flexibility in staffing, and as demand fluctuates they are able to alter the number of workers accordingly. In 1998 sales fell, dragging the number of employees down in their wake.

These data may also represent a structural change in how hotels operate, with some of the "behind the scenes" work, such as laundry services, being out-sourced to businesses in a different industry.

Wages and salaries paid to workers in the accommodation services industry fell 9.2% to \$488 million, the lowest wage bill in the industry since 1995. This drop was due to fewer workers, working for less money. The average weekly earnings of hourly workers fell 4.4%, while salaried workers in the industry took home 13.9% less than in 1997.

Gazing into the hazy crystal ball

Tourism is, like all other industries, susceptible to changes in the economic climate both within and without BC. There is no doubt that the downturn in the Asian economies hurt

³ In 1998, occupancy rates in BC fell to 62.8%, a drop of 3.4 percentage points. (Source: Pannell Kerr Forster.)

⁴ Source: Pannell Kerr Forster.

the sector's performance in BC, as fewer travellers from those nations visited the province. And the provincial economy is not performing as well as it did a few years ago; this too will impact tourism throughout BC, as resident travel makes up a big chunk of tourism activity. As the economy here and abroad improves, as they surely will, tourism is likely to be reinvigorated.

Early indications suggest that this may already be occurring. The number of American travellers coming to the province continued to grow in 1998, and it appears that the slump in Asian visits may be over. Whether these economic improvements translate into stronger GDP and employment growth in 1999 remains to be seen.