

# **The Contribution of Tourism Industry to the Economy: Case of the Greek Tourism Sector**

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## **Abstract**

Tourism industry is considered as the most vital major industry with broad visible economic impacts worldwide. As expected, most developed and developing countries and international organizations are interested to develop and promote the tourism industry in order to provoke economic development and positive impacts to many sectors. Especially in Greece, tourism is amongst the most important sectors of economic activity provoking large and positive benefits for the regional and national level (Petrevska, B. & Kjosev, S., 2012; Dritsakis, N., 2004). The goal of this research note is to highlight the contribution of the tourism industry to the economy through the apposition of tourist figures at a global level and the presentation of the current situation in Greece. Also, some of tourist financial figures of tourist demand are presented from the primary survey carried out by the author on all the businesses of thermal spa facilities in Greece.

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**Keywords:** Tourism Industry; Economy; Greek Tourism; Thermal Spa Facilities

## **1. Introduction**

Tourism is one of the world's most important economic development activities, contributing significantly to the Gross Domestic Product and with substantial effects on the economies of many countries. In addition to direct effects, it also

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offers an indirect impact on the economy of a country, the multiplicative effects, which are manifested by a series of currency transactions whenever a tourist spends money in the host country. It is a dynamically growing activity that contributes to the country's sustainable economic, social and cultural development (Danchev, S. & Paratsiokas, N., 2012; Igoumenakis, N. et al., 1999; Pavlopoulos, P., 1998).

## **2. The Importance of Tourism to the Global Economy**

The tourism industry as a labor-intensive industry enhances employment in businesses which offer tourism services, such as transport services, accommodation, catering, as well as indirect jobs in sectors that support or supply these organizations, such as industry, construction, utilities services, etc. In addition, it prevents the active population from immigration, helps to improve the quality of life and the living standards of the residents of isolated areas. The tourism industry is for many developing countries a source of revenue for the state and contributes to the improvement in the current account and the increase in foreign exchange inflows (SETE, 2014; Zacharatos, G. & Tsartas, P., 1999; Igoumenakis, N., 2007; Kokkosis Ch. & Tsartas, P., 1999).

Particular value has the reference to "real" figures for highlighting tourism's contribution to the global economy. The international tourist arrivals have been increased from 674 million in 2000 to 1,235 million in 2016 and the international tourism receipts from US\$ 495 billion in 2000 to US\$ 1,220 billion in 2016, revealing the boosting growth of tourism sector. The arrivals were increased by 4% in 2016 worldwide, 46 million more than in 2015. The growth of international tourism receipts worldwide was 2.6%, with total earnings in the destinations estimated at euro 1,102 billion in 2016, from euro 1,078 billion in 2015. The number of international arrivals pointed to 33% increase since the pre-crisis year 2008, whereas the international tourism receipts showed an increase of 28% in real terms in the same period, following the global economic and financial crisis. Likewise, the total value of the tourism exports up reached US\$ 1.4 trillion or US\$ 4 billion a day on average in 2016, according to World Tourism Organization. The international tourism represents 7% of the world's exports in goods and services in 2016, presenting an increase of 6% from the year 2015 and 30% of the world's services exports. Furthermore, 1 to 10 of the jobs worldwide is creating by tourism (UNWTO a., b., c, 2017).

Table 1: Inbound tourism by mode of transport, 2016 (share)

Means of transport	Overnight visitors
Air	55%
Road	39%
Rail	2%
Water	4%

Source: World Tourism Organization (UNWTO), 2017

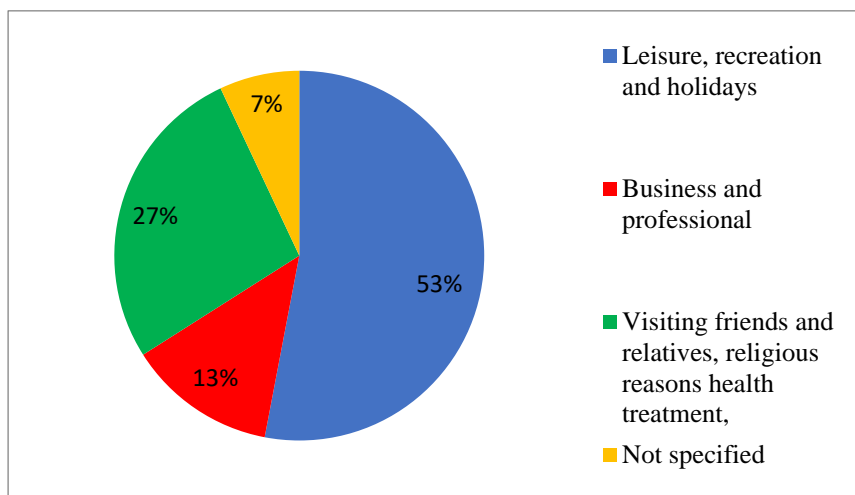


Figure 1. Inbound tourism by purpose of visit, 2016 (share)

Source: World Tourism Organization (UNWTO), 2017

The tourism receipts are an important contributor to the local economies worldwide, creating employment and opportunities for development. According to a survey by UNWTO, in 2016, Europe shows an increase of 0.9% in the international tourism receipts corresponding to euro 404 billion, which represents 36.7% of receipts worldwide. The international tourists who visited Europe were 616 million during 2016, approximately the half of the world total, an increase of 13 million from 2015. Some countries presented a remarkable performance whilst others reported fewer receipts due to security concerns. Meanwhile, Europe still remain the world’s largest region for outbound tourism, recorded the (50%), of international arrivals by Asia and Pacific (26%), America (17%), Middle East (3%) and Africa (3%). China is the top country in expenditures which was rose by 12% in 2016 reaching US\$ 261 billion. The second world’s largest source market is United States which was increased by 8% in 2016 reaching US\$ 124 billion. France, United States, Spain and China continued to be the world’s top tourist destinations in international arrivals ranking in 2016. Regarding the receipts, US and Spain remain at the top, followed by Thailand (UNWTO a., b., c, 2017).

### 3. Results

The contribution of Greek tourism is a key pillar of the country's Greek economy, with a large contribution to GDP, employment, deficit in the balance of goods as well as a lever of economic growth in island regions. (Iraklitos, Equal, 2016; Lagos, D., 2018). The direct contribution of tourism to the country's GDP in 2015 amounted to 17.56 billion euros, points to 10% of the total GDP, while more than 50% of the GDP of the island and remote areas of Greece is generated by tourism: in South Aegean is 68%, Crete 52% and Ionian 58% (SETE, 2017).

In 2015, Greece welcomed 23.6 million travelers, an augmentation of 7.1% compared to 2014. This increase is due to the significant increase in arrivals from the traditional markets of Greece (Germany, the UK, Italy, France), and also from the neighboring countries (FYROM, Bulgaria, Serbia, Turkey). The revenues followed the upward trend of arrivals by 5.2% compared to 10.2% the previous year, reaching 13.68 billion euro. An indicative size of the tourist flows is also the number of overnight stays. The total overnight stays were increased by 0.1% in 2015 compared to 2014, pointing to 185 million. Also, the exports from visitors in 2015 generated € 14.8 billion and it is estimated at 25.8% of total country exports (Maroulis, D. & Ikkos, A., 2017).

The average length of stay was reduced by 6.5% (7.8 nights) and as a result the expense per journey was reduced from 590 € in 2014 to 580 € in 2015 (2%). This decrease is due to the increase in arrivals of tourists from non-EU countries with an average stay below the average. On the other hand, the expenditure per night was increased by 4.6% in 2015 and reached 74 € from 72 € in 2014, due to the shorter duration of holidays rather than the lower daily expenditure. The air transport was increased by 9.7% in 2015 and 7.1% in 2014, while the maritime transport was decreased by -8.1% and -5.4% respectively (Hatzidakis, A., 2015; SETE, 2014).

The employment in the tourism sector is remarkable, since 10% of the country's labor force is employed in the tourism sector, likewise it is the third largest sector in terms of employment. The overall contribution of tourism to employment in 2015 reached 18.9% of total employment in the country, which corresponds to 682.8 thousand jobs. Almost 1 in 5 workers in Greece work in tourist businesses (Ikkos, A., 2015; Panousi, S. et al., 2016; SETE, 2017).

According to the "Holiday Inquiry Survey" by Hellenic Statistical Authority for 2015, the domestic travel expenses for travel above 1 overnight stay were € 1.264 million while in 2008 the corresponding expenditure was € 3.868 million. In other words, during the economic crisis, between 2008 and 2015, the domestic tourism fell by around -67.0%. Average per Capita Expenditure per domestic trip of at least 4 nights has decreased by -32.0%, resulting in a total decrease of -66.5% (Ikkos, A. et al., 2017).

In 2016, the arrivals of incoming tourism in Greece showed an increase of 5.1% and the revenues a decrease of -6.8%, due to the average tourist expense decrease by the European tourists as well as the time spent in our country and the offers

from the companies to cover late market entry. The direct contribution of tourism to Greece's GDP represents almost 9.6% and stood at 16.9 billion euros, a decline of 3.5% compared to 2015. The importance of tourism in 2016 for Greece was significant, since the contribution of the incoming tourism together with the transport revenues were covered 90.0% of the goods balance deficit. The contribution of tourism to the employment, however, is decisive since in the third half of 2016 at the peak of the tourist season it employed 602 thousand employees or 16.0% of the total employment (Ikkos, A. et al., 2017).

Table 2: Basic figures of inbound tourism 2015-2016

	<b>2015</b>	<b>2016</b>	<b>% Change</b>
Revenues (mil. €)	13,679	12,755	-6.8%
Overnight stays (thous.)	185,027	190,402	2.9%
Arrivals (thous.)	23,599	24,799	5.1%
Average duration of stay	7.8	7.7	-2.1%
Average per capita Expenditure	579.6	514.3	-11.3%
Expenditure per Night	73.9	66.9	-9.5%

Source: Ikkos, A. et al., 2017

One of the weak points of Greek tourism is the high concentration in specific areas especially in the islands and the strong seasonality. Like the most developed host countries due to the favorable climatic conditions and the day off from work and schools the tourist traffic concentrates at the high season of the summer, enforcing the tourist businesses to suspend their operation and workers to be idled the rest of the year. The arrivals and receipts show Greece tourism dependence on the predominant “Sun and Sea” tourism product, as the April-September season accounted the 79.5% of the total annual arrivals and 88.1% of revenue (Ikkos, A. et al., 2017; Tsartas, P. et al., 2010; Williams, A. & Shaw, G., 1998). This particular tourism model adversely affects the utilization of the productive potential of the sector, since it is spread over seven instead of twelve months a year, thus reduces the competitive position of the Greek tourist product. At the same time, the high tax burden on tourism companies reduces the available capital and increases the seasonality since tour operators are unable to operate more months per year, impeding the competitiveness of the Greek tourist product (SETE, 2017; Varvaresos, S., 2000; Tsartas, P. et al., 2010).

The Greek product has not yet diversified enough to lengthen the demand period and increase its competitiveness. This model of tourism based on mass organized tourism today is in decline, unable to meet the modern tourist needs of new generation of tourists. The new type of tourist is more up to date, requires more

value for money, uses new technologies to organize his trip, is more environmentally sensitive, makes more trips in a year but of shorter duration and seeks alternative and sustainable of tourism by actively participating in recreational activities related to culture and nature (Patsouratis, V., 2002; Zacharatos, G., 1999). Mass tourism, with massive features and internationalism, is gradually being abandoned, while the demand for forms of special and alternative tourism and personalized products and services is growing. Forms of special interest tourism are linked to the principles of sustainable development, are more environmentally friendly and contribute to a more rational time and regional distribution of tourism demand. Alternative forms of tourism involve activities for tourists, provide quality upgraded services and products, are more cost-effective and less connected with summer holidays and tour operators. It is therefore necessary to promote and exploit specific forms of tourism that will complement the existing model of tourism product of Greece, contributing to the increase of its competitiveness as well as the creation of new tourist destinations (Iraklitos, Equal 2016; Danchev, S. & Paratsiokas, N., 2012).

A sample of the tourist demand in a specific form of tourism the thermal tourism is presenting below. The primary survey was carried out by the author on all businesses of the thermal spa facilities in Greece. The questionnaire provides information on various aspects related to tourist demand for the spa tourism in the year 2014. According to the thermal tourism businesses, 53.6% of their customers spent 8-14 days and 10.7% 15 days and more in their installations, showing that the alternative forms of tourism can attract visitors for a longer period. Moreover, 85.5% of the businesses declared that the daily spending (on average) made by their customers for spa tourism services was up to 30 euros, probably due to the financial crisis affecting Greece which could lead the tourism offer to attempt attracting tourists of the highest income level. The months with the highest attendance were August and September with the rates standing at 43.9% and 45.6% respectively, proving the strong seasonality of the Greek tourism, although this type of tourism as well as other forms of alternative tourism could attract visitors throughout the year. 80.7% of the businesses had customers who visited them about once a year demonstrating the loyalty of the visitors to this form of tourism. Finally, 63.2% of the enterprises declared that the tourist development of the region should move towards the development of alternative forms of tourism, 57.9% to the modernization of the existing tourist accommodation and 52.6% to the implementation of a special tourism program.

#### **4. Conclusion**

Tourism contributes a significant proportion of the economic development to many nations and it is one of the largest employment generators worldwide. As it presents an actual high quantitative and qualitative growth to the countries' economies, national tourism organizations as well as various tourism enterprises adopt new methods, innovative information technology and new diversified

tourism products (Williams, A. & Shaw, G., 1998).

Greek tourism policy should turn to a diversified tourism offer of a long-term sustainable development model. It is necessary to enrich and differentiate the current tourist product of the country to attract tourists with special interests such as health and sport tourism, where there are significant growth prospects. The intended increase in arrivals and incomes from incoming and domestic tourism in Greece should be directed towards a model that is competitive, qualitative and diversified.

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