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## Evidence-based Employment Scenarios

### Sector Studies and Employment Scenarios: A View of South Africa's Tourism Sector *Preliminary Findings*

S. Lowitt  
August 2006

## **Sector studies and employment scenarios**

### **A view of South Africa's tourism sector: Preliminary findings**

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## 1 Sector studies in the employment scenarios process

The Economic Growth and Development Initiative's (EGDI's) employment scenarios process is characterised by a strongly evidence-led approach. The overarching scenarios offer an economy-wide view which shows how sectors relate to each other, and how policies might balance out. This approach assists policy-makers and researchers to ask serious questions about overarching industrial policy, and how it might affect employment and income distribution. At the same time, it is also necessary to understand specific sectors and the concrete conditions in which they operate. To stress-test the scenarios and place current policy decisions and expectations within the constructed scenarios, a series of sector studies will be undertaken within the EGDI process to try to understand more fully the potential of various sectors to contribute to job creation. Two types of sector studies will be undertaken:

- 'Reality-check studies' which seek to test policy-makers' expectations regarding growth and employment in sectors assigned priority status. The priority sectors considered are those which appear in Asgisa (2005), the Department of Trade and Industry's (dti's) Industrial Policy and CSP (2005) and those contained in the IMS and MERS (2003)<sup>1</sup>.
- 'Potential contributory studies' which seek to locate and analyse sectors which have not been designated priority status but which could make a substantial contribution to employment creation. These sectors (or subsectors) include activities that may not have been fully recognised yet by policy-makers as important contributors to employment. They also include activities which exist in such a form that they do not readily appear on the radar screen of researchers and policy-makers. An example of the former is the export potential of the construction sector. Recycling and reconditioning is an example of the latter. The list of potential contributory sectors has been developed based on international experience, previous work conducted by the HSRC and consultation with experts and stakeholders.

Both types of studies are approached in a similar manner based on the starting proposition that because the demand for labour is derived, the employment potential of any economic activity cannot be understood, in the first instance, without a full appreciation of the demand for that activity's outputs. As such the sector studies within the employment scenarios focus on three key areas of sectoral analysis:

- Understanding what drives demand;
- Understanding how demand is translated into job creation; and

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<sup>1</sup> Respectively, the Accelerated and Shared Growth Initiative - South Africa, the Customised Sector Programme, the Integrated Manufacturing Strategy and the Micro-Economic Reform Strategy.

- Understanding cross-economy effect, or how a sector contributes to the economy as a whole (for example by considering linkages, output multipliers<sup>2</sup>, employment multipliers<sup>3</sup> and macroeconomic effects). The ultimate aim of this work stream is to input these sectoral findings into the EGDI model and hence improve the depth and sophistication of the scenarios generated.

The sector studies undertaken within the EGDI process are highly focused on employment, limited in scope and resources, and are not intended to be complete sector analyses. Rather they are designed to identify key principles and messages regarding the job-creating potential of a specific sector and aim to catalyse thinking in relation to these issues as part of a rolling insight into how, and where, employment opportunities can be created within the South African economy.

To date two studies have been identified: one representing a reality-check study (tourism) and the other a potential contributory sector study (the discard economy). Preliminary findings from the tourism sector study are offered in this brief document. It is the intention to begin the 'discard economy' study next.

## 2 The tourism sector

### 2.1 Introduction

Tourism can perhaps be described as one of the world's most attractive and appealing economic sectors. This attraction is particularly heightened in developing nations where this *single* sector offers potential solutions to a broad spectrum of economic challenges. The appeal of tourism is multi-faceted and in SA this attraction includes:

- The potential to create substantial employment in absolute terms, and the potential to create jobs at a faster rate than is possible on average in the manufacturing sector.
- The characteristic of the sector as an export sector which earns foreign exchange but is consumed domestically, leading to potentially high output and employment multipliers.
- The sector's potential to support transformation, given the lower entry barriers to small, medium and micro-sized enterprises (SMMEs) in this sector than in the manufacturing sector.
- The broad geographic spread of tourism activity.

The allure of the intrinsic characteristics of the tourism sector has played a large role in the prioritisation of the sector by South Africa's policy-makers. However, this prioritisation is not only based on wishful thinking but on the phenomenal

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<sup>2</sup> An output multiplier defines the output generated in all sectors of the economy per monetary unit (for example, rand) of direct output change in the specific industry.

<sup>3</sup> The employment multiplier defines the number of jobs generated in all sectors of the economy per direct job change in a specific industry.

<sup>4</sup> The discard economy is usually referred to simply as recycling, but in this study a broader scope will be considered using a matrix of a variety of products (K equipment, plastic, glass, white goods, building materials, etc.) and a variety of utilisation options (reutilisation, remanufacture, recycling, reconditioning, refurbishment, up/down grading, disassembly, etc.).

performance of the sector immediately after the 1994 election. Dizzy with the performance of the sector after the elections, tourism expectations have been set very high.

SA Tourism argues that immediately after the elections, everyone was convinced that SA tourism was on an upward swing "that required relatively little effort to sustain" (SAT 2002, p.7). By 2002, however, SA Tourism cautioned that "the critical issue that SA's tourism role players need to come to grips with is that which ever way we look at the numbers, the honeymoon of the 'democracy dividend' is over...and we need to start working in fundamentally different ways to put us on a new track towards new and sustainable growth" (SAT 2002, p.7-8).

**Table 1 - Expectations matrix<sup>5</sup>**

Organisation	Economic growth	Employment growth
World Travel and Tourism Council (2006)	Tourism industry to grow from 3.3% of GDP to 3.8% by 2016. Tourism economy to grow from 8.2% of GDP to 9.3% of GDP by 2016.	Tourism employment to grow from 485,000 in 2006 to 665,000 in 2016. Tourism economy employment to grow from 1,083,000 in 2006 to 1,500,000 in 2016.
Customised Sector Programme (DTI)	By 2014 SA will attract 10-million foreign tourists and 80-million domestic tourists. By 2014 tourism will generate R75-billion forex per annum and R3bn new investment.	
DEAT (2006 budget speech)	R100-billion contribution within 5 years. 8.5-million foreign arrivals	500,000 new jobs

The main purpose of this paper is to see if South African tourism players have indeed started to work in a fundamentally different way. Given these activities, the paper examines how realistic the expectations of policy-makers are regarding the tourism sector in general, and specifically expectations related to job creation and employment. The study findings presented in this paper are based on a full study which followed the approach explained in the first section of this paper. This approach aims to understand the demand for South African tourism, how increased demand is translated into jobs within enterprises on the ground and finally to understand the impact of the growth of the tourism sector on the broader economy.

## 2.2 Qualifications and limitations of the study

As with any sectoral analysis, the credibility, accuracy and level of insight achieved depend on the quality of the data and information available. This is a particular challenge in analysing tourism from an economic perspective, as tourism does not

<sup>5</sup> Expectations are noted exactly as they appear in the cited documents. Terminology is often incomparable as there is a failure to distinguish between the tourism industry and the tourism economy and their different employment targets, as well as different GDP calculations. These issues are examined in the full tourism document.



exist as a sector described by the Standard Industrial Classification (SIC) System. The problem is exacerbated by disputed definitions of exactly what a tourism sector should and should not include, as well as an intrinsic problem that certain tourism products and services can be consumed by either tourists or residents.

This problem is in the process of being addressed with the creation of a Tourism Satellite Account for South Africa, but until its publication (targeted for 2007), analysis of the tourist sector is constrained by minimal reliable data, data that has to date focused on providing inputs for promotional and marketing analyses rather than economic analyses, and inappropriate reliance on simulated data<sup>6</sup>.

### 2.3 Understanding the demand for SA tourism

Demand for South African tourism is highly heterogeneous, both in terms of sources of demand (leisure, business, MICE<sup>7</sup>, shopping and medical tourism) as well as origins of demand (local, African, sub-Saharan African, European, Asian, etc.). It therefore precludes the use of a single demand function for tourism. A minimum of four demand functions are necessary, although the explanatory power and strategic value of a further disaggregated approach would be beneficial. The four high-level demand functions are:

- D foreign leisure tourism =  $f$  (P tourism products/services, P substitutes, income, tastes)
- D business tourism =  $f$  (level of business activity in country of origin, level of business activity in host country, trade relations between countries, political and historic ties between host country and country of origin, regulatory framework, perceptions)
- D MICE tourism =  $f$  (facilities, reputation for service, travel distances for attendees, promotional qualities, image of venue, price, value for money, weather, additional activities)
- D domestic tourism =  $f$  (P tourism products/services, income, school holidays, family dispersal)

The study focuses on the demand for foreign leisure tourism, as leisure tourism accounts for 95% of all tourism, is *the* market which generates the highest tourist receipts, is most central within SA Tourism's Strategy and is the lynch pin in meeting policy-makers' expectations. While domestic tourism is also an important element of SA Tourism's strategy<sup>8</sup>, the lack of data pertaining to this market segment limited the analysis undertaken.

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<sup>6</sup> We are referring here specifically to the World Travel and Tourism Council (WTTC) data which is the only 'complete' dataset for SA tourism at present and is hence the most commonly cited data source. The value of the data is disputable, based on a series of reservations that include that: the data is the result of a model simulation, the assumptions of the model are not transparent, the model is based on the Canadian and Australian tourism sectors which may not be comparable to the South African sector and the nature of the organisation as a lobbying body.

<sup>7</sup> Meetings, incentives, conference and exhibition tourism.

<sup>8</sup> Specifically in the crucial role it can play in potentially smoothing out the high seasonality of foreign arrivals.

**Four key findings** were made regarding the demand for South African tourism by foreign travelers, and it is believed that this behaviour could influence the success of tourism in meeting the goals attributed to it.

The **first finding** is that foreign leisure tourism is much less responsive to changes in income than might be commonly believed. The evidence shows that, depending on the country, foreign GDP growth, changes in GDP per capita and changes in real gross national income per capita in various countries of origin of tourists are not highly significant in determining the number of arrivals to South Africa.

The **second finding** is that the price of travel to South Africa (that is, the price of an airline ticket) *is* an important determinant of demand. Analysis shows that the high absolute price of airline tickets to South Africa, as well as the comparable prices of other long-haul tickets, negatively impact the number of foreign arrivals. This suggests that until competition and access with respect to airlift<sup>9</sup> is addressed, the growth of foreign tourism demand will be constrained.

The **third finding** is that exchange rates may impact considerably on the job creation potential of the tourism sector, but not for reasons originally anticipated. Variations in the exchange rate do not influence the number of arrivals of foreign tourists visiting South Africa. However, exchange rates *do* influence the composition of arrivals and the spending patterns of tourists once they have arrived. There are two types of effects that an exchange rate appreciation can have on the extent to which the domestic economy is stimulated:

- The number of foreign package tourists visiting South Africa decreases, and the number of independent travellers increases. A greater proportion of the independent travellers' spend goes to South African businesses than is the case with package tourists.
- The amount spent by foreign tourists to South Africa when they get here diminishes. That is, they do come, but then they spend less when they see the price of local goods and services. This diminishes the potential domestic linkages and employment arising from tourism.

The role of the exchange rate in terms of tourism receipts and the composition of these receipts is, however, highly significant, not only with respect to the value of the sector, but especially the sector's ability to absorb labour. The data shows that while the exchange rate does not strongly influence whether a foreign independent traveller comes to South Africa or not, the exchange rate does significantly impact how much the tourist spends while in South Africa and the types of goods and services which that tourist consumes.

The data suggests that tourists do not adjust their foreign currency travel budgets or the composition of their budget allocation in the face of a depreciation or appreciation, but that they trade up within their budget allocation. This phenomenon of trading up is crucial with respect to job creation – trading up is undertaken to increase utility (value), which is provided by increased service levels that are linked to higher employment levels per customer.

Three definite patterns are visible:

- With respect to accommodation it is seen that usage of four- and five-star hotels and up-market non-hotel accommodation increases substantially in the face of a depreciation and decreases substantially when the rand appreciates.

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<sup>9</sup> The act of transporting people or cargo from point to point using aircraft.

- With respect to shopping activity, retail consumption receipts increase when the rand depreciates. Conversely, this is the second-largest component of tourism spending that contracts when the rand is stronger.
- The purchase of meals and beverages by a foreign traveller is the most sensitive of the three categories of expenditure to changes in the exchange rate. It appears to be the category of consumption which carries the greatest proportion of accommodation of changes in the exchange rate.

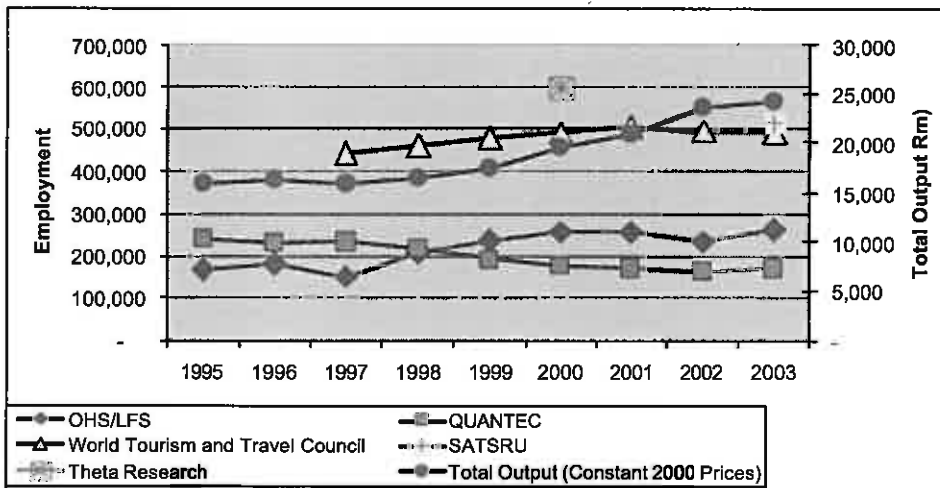
These trends are not uniform across countries but reflect an overall trend.

The **final finding** in terms of demand for South African tourism relates to tastes and tourism resources. Firstly, being a long haul destination, it is surprising that South Africa has high repeater rates. Second, tourists believe that South Africa does have an appropriate tourism resource base, as evidenced by a strong match between tourist expectations on arrival and satisfaction ratings on departure. The only concerning aspect of demand and tastes is that South Africa is seen as a warm weather destination – underscored by the high levels of seasonality. This high level of seasonality has an influence on the ability of the sector to increase capacity and maintain acceptable rates of return.

## 2.4 Translating demand into job creation

The analysis of employment creation in tourism is hampered by particularly poor employment data which brings both the starting level of employment as well as the rate of growth of tourism employment into question. Figure 1 depicts all existing data sets related to tourism employment available at present.

**Figure 1 - Employment trends**



Source: Altman, M, Gostner, K, Tregenna, F, Lee, D & Van Heijden, T, 2005b. Review of employment and remuneration trends for selected sectors in the South African economy. Report prepared for the Policy Co-ordination and Advisory Services, Office of the Presidency, Pretoria, April.

Note: OHS/LFS, Quantec and total output represent only SIC 64; WTTC, SATRU and Theta data are for all employment in the travel and tourism industry.

The above data shows substantial variations, as is expected. Absolute employment numbers in 2003 range from the high suggested by SA Tourism of 512,000 to a low estimated by Quantec of 168,000. The observed growth trends similarly show divergent rates and directions of change, yet the overall finding of the Review of Employment submitted to the President's Office was that between 15,000 and 20,000 new jobs a year were created over the past five years.

Turning to future growth projections and expectations, the most pervasive and important statistic is a ratio that posits that one new job is created for every 12 tourists visiting South Africa. The ratio was calculated by the Monitor Company for SA Tourism's Global Competitiveness Report (SAT 2004, p.18). The ratio compares poorly to more well-established destinations such as Australia, Thailand and the US which are achieving the creation of a new job for every six to nine tourist arrivals (SAT 2004, p.18). This would suggest that, in principle, opportunities exist for more rapid job creation in the local industry. However, the analysis of actual employment performance over the past several years raises some serious issues about the realism of the 12:1 expectation. Some of these issues are statistical and technical in nature while some may be systemic, based on the nature of the local industry. The findings below are based on the following table.

**Table 2 - Ratio of arrivals to jobs created**

Arrivals to jobs created ratio				Arrivals to jobs created ratio (lagged)			
	Increase in arrivals	LFS	Ratio		Increase in arrivals	LFS actual employment	Ratio
1998-1999	160,000	28,792	5.56	1998-1999	160,000	28,792	
1999-2000	-19,000	21,244	-0.89	1999-2000	-19,000	21,244	7.53
2000-2001	-8,500	-3,418	2.49	2000-2001	-8,500	-3,418	5.56
2001-2002	643,000	-22,590	-28.46	2001-2002	643,000	-22,590	0.38
2002-2003	75,000	31,639	2.37	2002-2003	75,000	31,639	20.32
Total change	850,500	55,667	15.28	Total change	850,500	55,667	
	Increase in arrivals	WTTC	Ratio		Increase in arrivals	WTTC	Ratio
1998-1999	160,000	20,000	8.00	1998-1999	160,000	20,000	
1999-2000	-19,000	10,000	-1.90	1999-2000	-19,000	10,000	16.00
2000-2001	-8,500	15,000	-0.57	2000-2001	-8,500	15,000	-1.27
2001-2002	643,000	-10,000	-64.30	2001-2002	643,000	-10,000	0.85
2002-2003	75,000	-3,259	-23.01	2002-2003	75,000	-3,259	-197.30
Total change	850,500	31,741	26.79	Total change	850,500	31,741	
	Increase in arrivals	Quantec	Ratio		Increase in arrivals	Quantec	Ratio
1998-1999	160,000	-26,179	-6.11	1998-1999	160,000	-26,179	
1999-2000	-19,000	-12,324	1.54	1999-2000	-19,000	-12,324	-12.98
2000-2001	-8,500	-9,850	0.86	2000-2001	-8,500	-9,850	1.93
2001-2002	643,000	-5,843	-110.05	2001-2002	643,000	-5,843	1.45
2002-2003	75,000	6,263	11.98	2002-2003	75,000	6,263	102.67
Total change	850,500	-47,933	-17.74	Total change	850,500	-47,933	

Source: Author's own calculations

The **first key finding** which raises concern is that the direct relationship between increased arrivals and increased employment in tourism is not strongly supported by the data using a year-on-year approach. Even when employment decisions are lagged by a year to allow tourism enterprises time to adjust to changes in demand, the directional relationship is not as strongly visible as would be expected. This could be explained by an increasing trend to outsource, limited information flows and strategic employment decision-making, or a high level of casual and part-time employment.

The **second key finding** – also an issue of great concern – is that from 1998 to 2003 on a year-by-year and a lagged basis, the data analysis returned a ratio higher than 12 to 1. This was expected in relation to employment gauges based on SIC 64, but not with respect to the WITC data. The most reasonable explanation for this disparity is probably probably the inclusion of foreign tourists that 'visit friends and relatives' (VFR) and land arrival tourists consuming fewer traditional tourism services and products than their overseas counterparts. Irrespective of this technical issue, actual trends based on the best available employment data suggest that it takes more than 12 tourists to create a job in the tourism sector.

The **third key finding** is that the tourism industry sheds jobs more readily in the face of decreased demand than it creates jobs when faced with increased demand. This may be a characteristic of service industries in general where increased demand can be accommodated without an increase in employment if service levels are allowed to fall. It has been suggested that one of the reasons why South Africa's tourist-to-job-creation ratio is higher than competing countries is due to the fact that South African enterprises let service levels fall in order to maintain profit margins.

The **fourth important finding** in relation to demand and employment relates to the different labour intensities of different tourism products and services. For example, a high-end game lodge may operate at a ratio of one staff member per every two guests, whereas a three-star hotel would normally operate at a 30-to-1 ratio. The composition of foreign arrivals and the exchange rate will therefore have a substantial impact on the job creation potential of the tourism sector.

The **final finding** in relation to employment creation is that tourism does not, contrary to popular belief, offer a particularly robust environment for the creation of unskilled labour across the board. Using SIC data for the transport, retail and catering and accommodation sectors – which make up the core of the tourism industry – it appears that, on average, unskilled and semi-skilled workers make up only 10% of employment. 50% of employment is of skilled workers and 40% are highly skilled workers<sup>10</sup>. The Tourism, Hospitality and Sport Education and Training Authority (THETA) suggest that while these percentages may be correct for the industry as a whole, the hospitality sector (restaurants and accommodation) has a significantly higher percentage of unskilled and semi-skilled workers than the industry average (50%), while travel services have a significantly higher percentage of highly skilled workers and very few unskilled workers (7%) (THETA, 2000).

## **2.5 Tourism and the broader economy**

Much has been made of tourism's contribution to South Africa's GDP, both in absolute and percentage terms. The analysis undertaken in this study shows that in 2003, domestic tourism accounted for 1.8% of nominal GDP, while narrowly defined

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<sup>10</sup> Categorisation as per the 2003 SAM, used so that the figures can be analysed within the EGD model being developed by Prof R. Davies.

international tourism contributed 3.3% to nominal GDP. If a broader definition of international tourism is used (including shuttle trade and capital expenditure) then international tourism contributed 4.2% to nominal GDP. This suggests that the magnitude of the tourism industry may be slightly larger than is generally thought. In terms of growth rate, the industry has on average grown at 2.6% per annum using the narrow definition and 3.3% per annum using the broader definition, over the past five years, a figure which is lower than that reported in other sources. The key finding here is that while tourism is growing, SA Tourism's warning that the democracy dividend is spent and that future growth will require hard work and working in different ways is proving prophetic and suggests that more needs to be done to meet growth expectations.

In terms of the broader tourism economy, the study did not undertake a detailed analysis of the linkages and multipliers related to tourism<sup>11</sup> due to concerns regarding the credibility of the results in the absence of a tourism satellite account. Using supply use tables and the 2003 Social Accounting Matrix (SAM)<sup>12</sup>, an indicative picture was formed, suggesting that tourism consumption accounts for 5.6% of the transport sector's output, 52% of the catering and accommodation sector's output and approximately 3.5% of retail and wholesale activity. The key inputs purchased by these sectors are business services, communications services, motor vehicles, petrol, printing and paper products, and food, beverages and agricultural products. Hence, growth in the tourism industry will have an impact on these input sectors specifically, although other sectors will also benefit. Using WTTC data as well as some limited local data, an output multiplier of approximately 2 was found. This figure appears to be lower than expected. One of the reasons for the lower output multiplier is the fact that the tourism industry as a whole is entering a period of consolidation after a substantial ramp-up between 1997 and 2000. Future expansion of infrastructure would increase the multiplier substantially.

In terms of employment multipliers, the WTTC data suggests a high employment multiplier of 2.25 jobs being created in the broader economy for each additional job created in the tourism industry. This result appears high, given a relatively low output multiplier as well as international benchmarks which generally fall below one, such as Australia (0.7) and Thailand (0.2) (SAT 2004).

Finally, in term of the balance of payments, tourism is an important foreign exchange earner and ranks as the second-largest earner after semi- and precious stones, precious metals and jewelry, and ahead of export earnings generated from mineral products, base metals, vehicles, machinery and chemical products (Rogerson 2004). The tourism industry is characterised by relatively low imports. The low levels of foreign ownership of the industry suggest that leakages are not a major concern for the local economy at present, contrary to the reality of many tourism sectors in developing countries. Nevertheless three cautions are raised.

First, tourism exports are consumed within South Africa, hence any negative conditions in the local environment or perceptions related to these conditions can have a substantial effect on demand. In addition, the tourism sector is highly susceptible to exogenous shocks (9/11, tsunamis, SARS) – as such the potential

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<sup>11</sup> The original intent to undertake a substantial analysis was tempered by meetings with the task team members of the tourism satellite account working group who believed that even with the supply use tables, no credible estimates could be constructed.

<sup>12</sup> A Social Accounting Matrix represents flows of all economic transactions that take place within an economy (regional or national). It is a statistical representation of the economic and social structure of a country.

volatility of tourism and its ability to generate foreign earnings must be balanced and economic diversification must continue to be pursued<sup>13</sup>.

The second caution relates to the increased probability of increased leakages if tourism marketing is focused on only two or three key target markets, so that FDI from these markets enters the local industry with the view to servicing their nationals<sup>14</sup>.

The final caution relates to growing the tourism sector such that it produces a Dutch disease<sup>15</sup> effect. There is little academic consensus with respect to this manifestation, and given the size of the South African economy, it appears unlikely that tourism demand will affect the terms of trade. However, it is a worthwhile caution to bear in mind.

## **2.6 Are South Africa's expectations of the tourism sector realistic?**

Returning to the expectations matrix in Table 1 which this paper sought to test, the following opinions are presented, given the analysis conducted.

- A foreign arrivals target of 8.5-million appears to be realistic, but the higher target of 10-million cannot be substantiated based on current performance and the existing airlift regime. Servicing this higher level of demand will require capacity expansion of which airlift capacity may be the constraining factor.
- Current and future GDP contribution targets of 3% to 4%, R100-billion and foreign exchange targets of R75bn for the tourism industry appear to be realistic if not a little bit conservative. No view can be substantiated concerning the size of the tourism economy.
- Employment targets appear to be optimistic and expectations cannot be reconciled with historic or current performance. Assuming that the South African targets are based on the tourism economy and not the tourism industry, the analysis conducted in this report suggests an over-estimation of potentially 25%, even if the foreign arrivals target is reached.

In the face of these findings, two strategic issues emerge regarding the way forward:

- If the foreign arrivals target is to be reached, sustained additional tourism resources will need to be put into service. Key capacity issues to be addressed will be airlift capacity and accommodation. Neither capacity issue can be easily addressed in the absence of a strategy to address the very high seasonality of demand for South African leisure tourism. As such, while the foreign leisure market is the central to the tourism sector; the growth of this market may be dependant on the growth of

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<sup>13</sup> This point is made in response to those policy-makers who target a substantially increased contribution of the tourism sector to national GDP.

<sup>14</sup> This phenomenon has been seen in Australia with respect to their Japanese tourists as well as in India with respect to their British tourist trade. In both cases increased FDI from Japanese and British hotel chains have led to substantially increased leakages.

<sup>15</sup> Dutch disease refers to the deindustrialisation of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports. This can also happen when certain sectors are promoted in a disproportionate way, crowding out other developments.

other tourism market segments (MICE, domestic, shopping tourism) which may reduce seasonality and hence allow capacity expansion at an acceptable rate of return.

- If the analysis conducted is correct, and if policy-makers seek to maximise the job-creating potential of tourism specifically as it applies to unskilled and semi-skilled workers, then the area of focus within the industry must be accommodation and restaurant/bar activity. A portfolio mix of high-spend travelers and a rand value which supports trading up and increased demand for services with high employee-to-customer ratios will maximize this type of job creation.

### **3 Conclusion**

The allure of a strong tourism sector for South Africa is substantial. The current performance of the sector is strong when gauged against other priority sectors identified by government and government support for the sector, as seen by budgetary allocations to SA Tourism, DEAT and the DTP's CSP, as well as the co-ordinated efforts of the SARB, SAT, Treasury and StatsSA to develop a tourism satellite account all bodes well for the future. Expectations related to the sector's activity levels' contribution to the economy appear to be realistic; however, in the crucial matter of job creation, and particularly employment opportunities for unskilled and semi-skilled workers, it appears as though expectations may not be easily met.

The SA Tourism Global Competitiveness study makes it clear that the sector has the potential to grow, as well as the potential to extract additional value from the existing tourist base. As such the sector's contribution towards future employment scenarios is positive. The contribution of the sector to future growth and employment creation could be optimised if the cost of airline tickets to South Africa could be decreased, if the composition of foreign tourists is skewed towards high-budget tourists with increases in other tourism markets expanded to reduce sectoral seasonality, and if trading up – especially in accommodation and food and beverage consumption – can be supported by exchange rate policy.



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