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# **The Impact of Foreign Participation in Outdoor Tourism Activities on Job Creation**

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*Abstract*—We test whether foreign tourists in outdoor activities have contributed to job creation in Northern Portugal in 2006-2014. This is the very first study in Portugal that focus on the impact of foreign participation in outdoor activities on job creation, being innovative in this regard. Based on data from 4 sources, we employ OLS to regress the employment changes on the number of new firms, turnover, the share of foreigners in outdoor tourism activities, and on labour productivity. Results indicate a negative but not statistically significant impact. This result may imply that the higher foreign participation in outdoor tourism activities the lesser the number of employees in those firms. However, since results are non-significant they suggest the need of further empirical investigation.

## 1. Introduction

Tourism is among the world's largest job generators. Its share of world employment is greater than that for motor-vehicles and chemicals manufacturing industries combined, across every region of the world. This happens for two reasons. First, many economic activities are related directly, indirectly and induced from tourism. Second, being a labour-intensive industry requiring quick training, it provides jobs for less skilled and or more vulnerable population, such as youth, women, and migrant workers (Hezarjaribi, 2011). In this regard, Riveros and Blanco (2003) noticed that job generation may not be the objective of every tourism activities but it is certainly one of the main results. For example, in 2012, the World Travel and Tourism Council estimated that international tourist arrivals worldwide exceeded 1 billion, contributing to generate 1 in 11 jobs worldwide; and Gössling et al., (2016) reports that the Svensk Turism AB (2011) target additional 100,000 employees for 2020.

Thus, tourism activities allow countries to use their comparative advantages in natural and cultural resources and are a key driver of economic growth via export and tax revenues, infrastructure development and job creation (Mihalič, 2002; Mbaiwa, 2011; UNWTO, 2013; Cárdenas-García et al., 2013). In this context, outdoor tourism is being increasingly used worldwide as a mechanism of maintenance of biological diversity and natural and cultural heritage.

The impact of Tourism and tourists is clearly unevenly scattered. Major concerns include negative social and environmental impacts associated to rapid tourism development in some locations, although the economic and employment benefits of tourism are often believed to be positive (Page & Hall, 2014)

Researchers have attempted to understand the spatial, temporal, economic, political, social and environmental variation that occurs at several international, regional and local scales. While the Asia-Pacific region has been the fastest growing area for international travel since the 1980s; developed regions, such as Europe, still dominate international tourist arrivals.

In Portugal, several municipalities invest in onerous campaigns to attract foreigners and are committed to the internationalization of tourist activities with a view to obtaining positive effects for their local economies. But from the point of view of job creation, do these costs payoff? Thus, we test whether foreign tourists in outdoor activities have contributed to job creation in Northern Portugal in 2006-2014. Based on data from 4 sources, we employ OLS to regress the employment changes on the number of new firms, turnover, the share of foreigners in outdoor tourism activities, and on labour productivity. Results indicate a negative but not statistically significant impact

In what follows, section 2 reviews the literature; section 3 describes the strategic Plan for Outdoor Tourism in Northern Portugal; section 4 describes data and methodology; section 5 analyses the results and finally section 6 concludes.

## 2. Literature Review

In a context of high unemployment, encouraging the development of tourism activities is crucial, given its important role in job creation. In 2012, the sector provided 120 million direct jobs and another 125 million indirect jobs in related industries; and, in 2017, it accounted for 313 million jobs, or 9.9% of total employment, a number that could rise to one in ten jobs by 2022 (Blanke & Chiesa, 2013; World Travel & Tourism Council, 2018).

The dynamics of outdoor activities is related to tourism developments and seasonality (Guo et al., 2010; Wood et al., 2013).

Many studies that assess outdoor recreation concentrate on specific environments such as urban areas (Kasich, 2015; Larondelle & Haase, 2013), agricultural landscapes (Reed et al., 2014; Van Berkel & Verburg, 2014), forests (Baerenklau et al., 2010; Verlicˇ et al., 2015), or protected areas (Larsen et al., 2008; Schägner et al., 2016); other analyse outdoor recreation across different landscapes or at large spatial scales (Helfenstein & Kienast, 2014; Paracchini et al., 2014; Weyland & Laterra, 2014).

Most authors that focus on the recreational potential use proxy-based methods (Grêt-Regamey et al., 2015; Helfenstein & Kienast, 2014; Paracchini et al., 2014) or survey-based approaches (De Valck et al., 2016; Plieninger et al., 2013).

The fewer studies focus the demand for outdoor recreation, use economic valuation techniques such as willingness-to-pay (Nielsen et al., 2007; Rosenberger et al., 2012) or the travel cost method (Fleming & Cook, 2008); while others use participatory approaches (Beeco et al., 2014; Zoderer et al., 2016) and expert based approaches (Paracchini et al., 2014).

Wondowossen et al. (2014) report that in 2012, tourism has created 1,085,500 direct jobs in Ethiopia, which represent 4.3% of all job opportunities; and generated 2,699,000 jobs (10.6%) from tourism supply chain directly and indirectly to the total employment opportunities. Yahya (2016) state that in 2019 the tourism sector is targeted to contribute to create jobs in areas of tourism many as 13 million people, the target of foreign tourist arrivals (foreigners) as many as 20 million foreign tourists and domestic tourist movements (domestics) of 275 million. Finally, Antara & Sumarniasih, (2017) concluded that tourism in Bali created job opportunities for 1.4% of labour force (57,311 people) in 2010-2014.

Studies on tourism focus both on the negative and positive impacts on local communities (Muresan et al, 2016). For example, Eraqi (2007) finds that in in Egypt positive impacts are reflected in job creation, investments and national income, while negative impacts are related to inflation. In a research conducted in Arizona, McGehee and Andereck (2004) concluded that support for tourism development is highly dependent on perceived potential benefits to the members of local community. Job-creation/entrepreneurship and Foreign currency income for the country are considered as the most important opportunities (Niavand et al, 2014). Also, a study conducted by Ramseook-

Munhurrun & Naidoo (2011) for Mauritius, concluded that there is a positive economic impact of tourism on job creation and improvement in quality of life.

The results of de Oliveira et al. (2014) allow to conclude that the southern part of the state presented unfavourable outcomes regarding job creation on the farms that practiced rural tourism. The authors noticed that the number of jobs created by the tourism activities is relatively low: dividing the total number of jobs created by the number of firms, the result is less than 3.4 fixed-term jobs and 3.0 temporary jobs per firm, indicating that tourism activities are operated by small firms. This result is in agreement with findings by other authors, particularly Page and Hall (2014).

### **3. Tourism in Northern Portugal**

We need to contextualize tourism policies in order to understand the current actions and the current planning and management model.

The 2014-2020 tourism evaluation strategy recommends the use of ICTs and the establishment of new forms of cooperation aimed at the internationalization and diversification of markets. In addition, it focuses on promoting the competitiveness and internationalization of companies and on the sustainability of resources with a view to promoting local-based economic and social development. Moreover, in the strengthening of the competitiveness and internationalization of firms, the priorities of Investment are: re-qualification and innovation of firms; development of innovative economic activities in the areas of tourism and events of interest to tourism; fostering the development of new ideas and new tourism businesses; enhancing the access to ICT and improving the strategic skills of SMEs; and certification of quality and energy efficiency.

Green spaces close to high-populated urban agglomerations represent important locations for outdoor recreation activities for many residents (Langmeyer et al., 2015). Participants of nature-based tourism are attracted to mountain regions with their wilderness, wildlife, appealing landscapes and opportunities for outdoor activities like hiking, mountain biking, climbing, or skiing (Pickering and Barros, 2013; Richens & Hull, 2016).

Regarding tourism, Northern Portugal is a hilly region that comprises 4 destinations: Porto; Minho; Trás-os-Montes and Douro, a rather a heterogeneous landscape. Indeed, with six most prominent rivers (*Minho, Lima, Neiva, Cávado, Ave* and *Douro*), waterfalls and vineyards, this region has 4 mountains: Serra do Gerês, Peneda, Marão and Soajo. Some of these mountains form natural parks, like Peneda-Gerês, Montesinho and Alvão. Moreover, the region incorporates four World Heritage Sites: Porto and Guimarães historical Centers, the Alto Douro Wine Region and the Pre-historic Rock-Art Sites in the Côa Valley.

Figure 1 shows the North by NUTs III regions. Within the scope of the National Strategic Plan of Tourism, the Douro was considered as a priority tourist pole. In

the framework of the Regional Tourism Agenda, the Douro Region was also considered a priority area for regional tourism development.



The strategic objectives involve the implementation of Integrated Tourism Development Programs:

- i) Programs at NUTs II regions level, related to regional tourism promotion or qualification and training of human resources in the area of Tourism;
- (ii) Programs focusing on territories with exceptional aptitude and vocation for tourism (e.g., Douro);
- (iii) Action Programs focused on the priority tourist products of the Northern Region.

Table 1 shows the Strategic matrix integrated in the Plan for Tourism in Northern Portugal, which identifies the levels of priority (x).

Table 1. Strategic Matrix of the Plan for Outdoor Tourism in Northern Portugal

Tourism	Porto	Minho	Douro	Trás-os-Montes
Nature		XX	XX	XX
Nautical	XX	X	XX	X
Historical-cultural	XX	XX	XX	XX
Golf	X	X	X	X

Notes. Priority: x high; xx very high. Source: Commission for Coordination and Regional Development of the North (CCDR-N)

Table 1 shows that, with the exception of golf practice in all destinations and nautical sports in Minho and Trás-os-Montes, it is given a very-high priority to most of activities

According to Tourism of Portugal, the Northern region was the third destination with the highest internationalization in 2016, which shows the increasing importance of international markets for the sustainability of economic operations. The effort of local authorities with a medium-run strategy conditioned by tourism sustainability is reflected in the fact that the region was the second most sought after destination for residents and Spanish tourists, with market share of 25% and 26%, respectively.

#### 4. Data and Methodology

##### *Data*

We collected data from several sources: Quadros do Pessoal, national registry of tourist animation agents (RNAAT), The National Statistical Office (INE) and from the Integrated Business Accounts System (IBAS) from the Portuguese Central Bank. data at 3-digit NACE (rev.2) includes the sectors of passenger rail transport, interurban (49.1), inland passenger water transport (50.3), inland freight water transport (50.4), holiday and other short-stay accommodation (55.2), travel agency and tour operator activities (79.1) and amusement and recreation activities (93.2). Table 2 shows data description and sources

Table 2. Variables and data sources

Variable	Description	Data source
L	labour	Quadros do Pessoal
NUM	Number of new registrations of companies engaged in outdoor activities	RNAAT
TURN	Turnover	IBAS
%FOREIGN	Share of foreign tourists	INE
PROD	Labour productivity	Constructed as TURN/LAB

##### *Methodology*

We employ an OLS estimator to regress the following equation

$$dL = \beta_1 NUM + \beta_2 TURN + \beta_3 \%FOREIGN + \beta_4 PROD + \varepsilon_t \quad (1)$$

Where t denotes time, and  $\varepsilon_t$  is the error term.

### *Expected sign of variables*

*Number of firms.* The higher the number of firms the higher the absolute number of employees, we therefore, expect a positive sign for  $\beta_1$

*Turnover.* The higher the turnover, the most likely the firm will grow and need to hire more employees. We expect a positive sign for  $\beta_2$ .

*Share of foreign participants.* Because turnover is constant whether participants are nationals or foreigners, we do not know how this variable will impact (if any) on the number of employees. Thus, the sign for  $\beta_3$  is undetermined.

*Labour productivity.* The higher the labour productivity, the lesser need for additional employees, we therefore, expect a negative sign for  $\beta_4$ .

## **5. Results and Discussion**

Table 4 shows the regression results. The coefficients for turnover and labour productivity are statistically significant at 95% level.

Table 4. Results from the OLS

Dependent variable: L			
Independent variables	Coefficient	t-statistic	p value
NUM	-3.978	-1.14	0.32
TURN	0.000*	3.29	0.03
%FOREIGN	-6.871	-1.03	0.36
PROD	-0.004*	-3.15	0.04
R <sup>2</sup>	0.83		
Test statistic	Value	df	p value
F-statistic	4.76	4	0.08

Notes. \* p<0.05, \*\* p<0.01, \*\*\* p<0.001

However the value is nil for turnover and close to zero in the case of labour productivity. The number of firms and foreign participation in outdoor tourism activities show negative coefficients implying that the higher the number of firms and foreign participation the lower the variation in the number of employees. Although non-significant, these results are consistent with the studies of de Oliveira Santos et al. (2014) and Page and Hall (2014). The lack of statistically significant results may point to the need of further empirical investigation to corroborate the sign of the coefficient for foreign participation.



## 6. Conclusion

Tourism is the paramount source of income and employment opportunities for most countries in the world. As a result, it has increasingly become the centre of attention for many governments that seek to implement policies designed to create appropriate conditions for the development of tourism in order to reap economic benefits for the country. At the local level, tourism planning is decisive and, due to the singularities of each place and region, strategic management ensures better results when carried out with knowledge of the local reality and the region in which it is inserted. In this regard, the internationalization of the cluster of outdoor tourism has been identified among policy makers as constituting a privileged way to scale their different actors, as well as to promote the sustainability of this business, ensuring that it is not limited to attracting national tourists. This can be sought in three ways: Carrying out international activities in the territory; Participation in activities / events abroad; Integration in networks and international associations. Common dissemination practices include competitions abroad and participation in tourism fairs, namely through integration in representations of Tourism of Portugal, and participation in transnational projects for the allocation of community funds, such as the *Interreg project*, or integration in networks and associations.

Nevertheless, from the stand point of job creation, our results do not support such onerous activities. Because they are found to be non-significant, further empirical research is needed to support these negative results. In any case, evidence suggests that public financial resources should be channelled to other priority areas should the goal of increasing employment in outdoor tourism activities is maintained.

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