



## Tourism participation and expenditure by Spanish households: The effects of the economic crisis and unemployment



Joaquín Alegre<sup>a</sup>, Sara Mateo<sup>b</sup>, Llorenç Pou<sup>a,\*</sup>

<sup>a</sup> Department of Applied Economics, University of the Balearic Islands, 07122 Palma de Mallorca, Balears, Spain

<sup>b</sup> Institut d'Estadística de les Illes Balears, 07001, Spain

### H I G H L I G H T S

- This paper examines household tourism participation decisions and tourism expenditure across the business cycle (2006–2010).
- By estimating a Heckman model, the stability of the tourism consumption model across the business cycle is tested.
- This paper also extends literature on tourism demand by analysing the effect of unemployment and the risk of a job loss.
- The results show that unemployment and a higher risk of a job loss lower significantly tourism participation and expenditure.
- The unconditional income elasticity on tourism expenditure takes a value well above one, while the conditional one is 0.69.

### A R T I C L E I N F O

#### Article history:

Received 20 March 2012

Accepted 5 April 2013

#### Keywords:

Tourism expenditure  
Tourism participation  
Tourism demand  
Economic crisis  
Unemployment  
Heckman model

### A B S T R A C T

This paper examines household tourism participation decisions and tourism expenditure across the business cycle. Microdata is used from the Spanish Household Budget Survey for the years 2006–2010, facilitating an analysis of the consequences of the economic crisis and unemployment on tourism consumption decisions by households. By estimating a Heckman model, the effects of households' socio-economic determinants on participation and expenditure decisions can be identified. Taking the year 2008 (the beginning of the crisis) as a reference, the stability of the tourism expenditure model is tested, identifying variables whose effects alter in times of crisis. One important aspect of the study is how household unemployment affects tourism participation and expenditure decisions. The effect of unemployment takes into account whether it is the main breadwinner, his or her spouse, or another member of the household who is unemployed. Concentrating on those households whose main breadwinner was employed at the time, an analysis is also made of how job insecurity affects tourism consumption decisions. From the results, the unemployment variables can be seen to have a significant explanatory power, suggesting that unemployment information does help to explain the evolution of tourism expenditure across the business cycle.

© 2013 Elsevier Ltd. All rights reserved.

### 1. Introduction

The current economic crisis, which affects most advanced countries, has led to a drop in their gross domestic product and, in many cases, to a sharp rise in unemployment (IMF, 2011). Tourism has also been hit by the crisis, with the biggest drop being noticed in outbound tourism from developed countries (OECD, 2010; WTO, 2011).

From an economic perspective, one of the most extensively analysed topics in tourism research is the relationship between

income and tourism demand, both at a macroeconomic and microeconomic level (Crouch, 1994; Li, Song, & Witt, 2005; Marcussen, 2011; Song & Li, 2008; Wang & Davidson, 2010). However, the relationship between tourism demand and consumers' labour force status has not been given the same attention. One objective of this paper is to analyse how household members' labour force status can affect their demand for tourism. Generally speaking, the effects of unemployment on consumption are broader than the impact of a drop in current income that goes with a job loss. For instance, economic literature indicates that a job loss not only affects current income, but it can also affect future income too (Arulampalam, 2001; Dynarski & Sheffrin, 1987; Kuhn, 2002). Furthermore, consumer responses to unemployment differ, depending on the type of good under consideration (Browning &

\* Corresponding author. Tel.: +34 971172826.

E-mail addresses: [joaquin.alegre@uib.es](mailto:joaquin.alegre@uib.es), [joaquin.alegre.m@gmail.com](mailto:joaquin.alegre.m@gmail.com) (J. Alegre), [smateo@ibestat.caib.es](mailto:smateo@ibestat.caib.es) (S. Mateo), [llorens.pou@uib.es](mailto:llorens.pou@uib.es) (L. Pou).

Crossley, 2009). Consumers tend to put off buying smaller durables, allowing stocks of such goods to depreciate more slowly so as to ensure continued consumption of non-durables. In this sense, scarcely any attention has been lent to consumer responses to tourism expenditure when faced with a job loss.

The effect of unemployment is not just limited to analyses of the reactions of workers who lose their jobs. Numerous articles can be found on the subject of how employed workers react to a general rise in unemployment. Different authors (Benito, 2006; Carroll, Dynan, & Krane, 2003; Dunn, 1998; Guariglia, 2001; Guariglia & Kim, 2004; Lusardi, 1997; Stephens, 2004) demonstrate how the increased likelihood of a job loss affects consumer decisions, particularly in the form of a precautionary drop in spending.

This paper is intended to contribute to a better understanding of tourism demand by analysing labour market effects on expenditure decisions at a microeconomic level.<sup>1</sup> Firstly, it explores whether being unemployed affects the tourism participation decision and, if a decision is made to participate in tourism, whether it affects the level of expenditure. Taking household units as a reference at all times, a distinction is made between the impact of the main breadwinner being unemployed and, if applicable, his or her spouse or other household members being out of work. Secondly, the paper also examines to what extent increased job insecurity affects tourism participation and expenditure decisions. This is particularly relevant in the context of an economic crisis, when households may not be directly affected by job losses, but they might regard themselves as being faced with possible unemployment.

Taking an empirical perspective, this article analyses spending decisions on tourism by Spanish households.<sup>2</sup> For this purpose, two datasets were used, both drawn up by the Spanish National Institute for Statistics (INE, in Spanish) and both representative of the Spanish population. The main dataset was the Spanish Household Budget Survey (the EPF, in Spanish). The EPF offers detailed information on all household expenditure (including spending on tourism), the households' income, socio-demographic characteristics and labour-related information concerning the different household members. Spanish household data is particularly interesting because the Spanish unemployment rate is very high and it has grown substantially as a result of the current economic crisis (OECD, 2011). Additionally, the unemployment rate and its evolution have affected household members in a very uneven way.<sup>3</sup> As for the chosen time span of the EPF, the period from 2006 to 2010 was taken. This covers a two-year period of economic growth (2006–2007) and a three-year recession period (2008–2010). In this way, the effects of different explanatory variables on tourism demand could be studied across the business cycle.

<sup>1</sup> Tourism expenditure reflects the major component of the overall economic impact of travel. However, other dimensions of tourism demand are also worth noting, such as visitor numbers and overnight stays (Marcussen, 2011). Unfortunately, expenditure was the only available information on tourism demand in our dataset.

<sup>2</sup> The percentage of the Spanish population that takes at least one holiday for 4 nights or more is lower than that of the UE-27: 38.6% versus 46.0% in 2006, although the length of stay is similar, 9.9 days. As for their chosen holiday destinations, 86.1% of trips by Spanish households are domestic holidays (European Commission, 2009). See Alegre and Pou (2004), Nicolau and Mas (2005a,b, 2009) and Alegre et al. (2009) for analyses of tourism demand by Spanish households using micro data.

<sup>3</sup> In fact, the unemployment rate in Spain in 2010 was 20.1%, the highest of all the OECD countries, which had a mean rate of 8.6%. It is also the country that has felt the effects of the economic crisis the most, since in 2006 it had an unemployment rate of 8.5%, while the OECD mean was 6.2%. As regard household members, there was an unemployment rate of 6.1% for family breadwinners in 2006, 8.7% for spouses, and 14.1% for other household members from the working population. In 2010, the corresponding figures for the same groups were 16.6%, 16.7% and 31.4%, respectively.

The second dataset that was used is the Spanish Labour Force Survey. This survey contains labour force information about Spanish household members and their transition from one labour force situation to another. This dataset was used to estimate the likelihood of the main breadwinner losing his or her job. This probability (calculated across a one-year horizon) can be interpreted as an unemployment risk indicator. The probability predictions were then imputed to main breadwinners from households in the EPF, using data common to both datasets. By including this information in the expenditure model, an analysis could be made of the effect of greater or lesser job insecurity on the part of the main breadwinner on tourism participation and expenditure decisions.

The remaining paper is structured as follows. The second section contains a review of economic literature on tourism spending and more general literature on the impact of unemployment on household consumption. The third section describes the datasets that were used and presents some descriptive analyses. The fourth section goes on to present the estimation method that was chosen, while the fifth comments on our model specification. The sixth section comments on the main results that were obtained. The paper ends by outlining the main conclusions and implications of the study.

## 2. Literature review

An abundance of literature on tourism demand can be found that estimates the microeconomic determinants of tourism expenditure. Among other criteria, a distinction can be made between studies that analyse expenditure at specific tourist destinations and others that regard tourism expenditure as a general item in the family budget (Marcussen, 2011; Wang & Davidson, 2010).

Microeconomic literature that analyses data for individuals or households from issuing markets either uses specific surveys on tourist behaviour or structural ones drawn up for other purposes. Among the first group, mention can be made of studies by Mergoupis and Steuer (2003), Toivonen (2004) and Eugenio-Martín and Campos-Soria (2011), using data drawn from EU Eurobarometers; Fleisher and Pizam (2002), using an *ad hoc* sample of Israeli senior citizens; and Nicolau and Mas (2005a, b, 2009), with a specific survey on Spaniards' behaviour when faced with a holiday, conducted by the Spanish Sociological Research Centre. In contrast, most studies that have opted for structural surveys have used household budget surveys, such as Van Soest and Kooreman (1987) and Melenberg and Van Soest (1996), with data from the Consumer Expenditure Survey for the Netherlands; Hagemann (1981), Cai, Hong, and Morrison (1995), Cai (1998, 1999), Weagley and Huh (2004) and Jang and Ham (2009), with data drawn from the US Consumer Expenditure Survey (CES); Davies and Mangan (1992), with data from the British Family Expenditure Survey; Alegre and Pou (2004) and Alegre, Mateo, and Pou, (2009), with Spanish data from the Continuous Household Budget Survey (ECPF); and Zanin and Marra (2012), with data drawn from the Italian Survey on Household Income and Wealth. One of the main advantages of microdata from household budget surveys is the fact that an analysis can be made of the behaviour of households engaging in tourism expenditure and those that do not. This last segment currently represents a high percentage of the population (around one third of EU citizens according to European Commission (2009)), and it must be explicitly taken into account since it constitutes one of the main sources of heterogeneity in consumer behaviour.

As for the determinants of tourism participation and the level of tourism expenditure, the results highlight the explanatory capacity of current income, as might be expected. In keeping with economic theory, a positive relationship can be observed between income and both the participation decision (Alegre et al., 2009; Alegre &

Download English Version:

<https://daneshyari.com/en/article/1012139>

Download Persian Version:

<https://daneshyari.com/article/1012139>

[Daneshyari.com](https://daneshyari.com)