



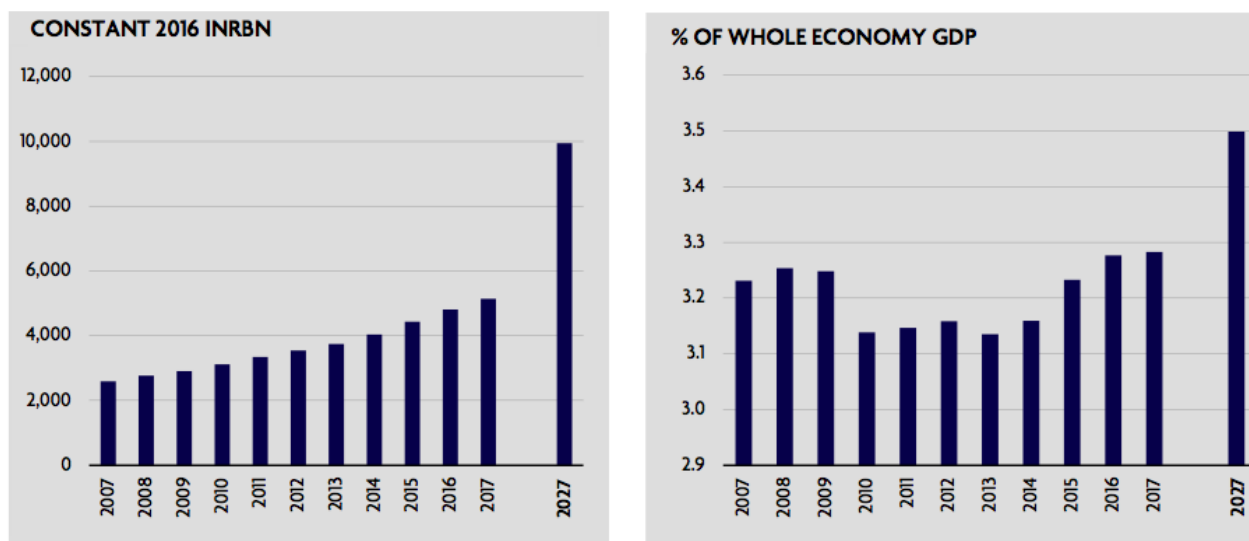
Centre for Economic Policy Research
Working Paper on
Employment trend in travel & tourism sector

Employment always have been an important issue whenever it comes to India. Being an important economic variable, employment pertains to each and every sector. Since independence the employment trend in almost every sector underwent a drastic change. Where some sectors showed limited change in employability, on the other hand some sectors showed remarkable change in their employment status. Travel & tourism is one such sector, that has gained so much popularity in last few years.

Travel & Tourism sector has emerged as one of the key drivers of growth among the various sectors of Indian economy. Considering the rich cultural and historical heritage of India, tourism in India has a significant potential. This is the reason that this sector is gaining so much popularity among so many sectors as an employment generator.

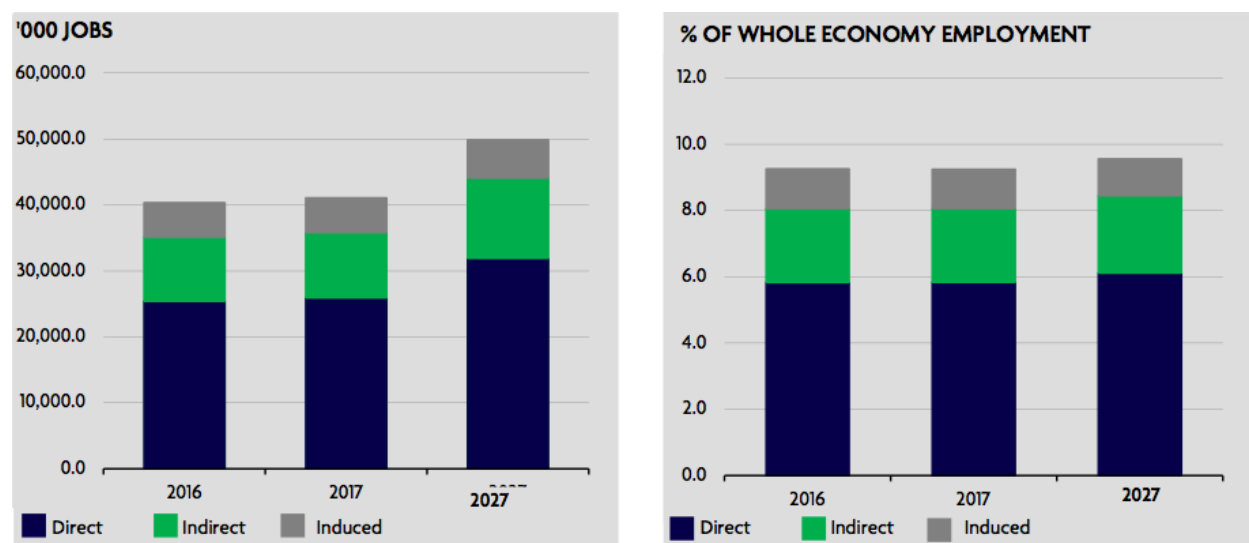
According to a report of World Travel & Tourism Council, India's Travel & Tourism sector ranked 7th in the world in terms of its total contribution to country's GDP. The total contribution of Travel & Tourism to GDP was INR 14,018.5 bn, accruing to 9.6% of GDP in 2016. If we will see the figures of direct contribution of Travel & Tourism sector to GDP in 2016, we will see that 3.3% of GDP accrues to this sector. They forecasted a rise by 6.8% per annum in direct contribution of Travel & Tourism sector to GDP from 2017-2027 i.e., to INR 9,948.5 bn in 2027 from INR 4,809.8 bn in 2016. The same has been depicted by the figure given below.

FIGURE 1: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO GDP



GDP alone only depicts the half picture of this sector. The real picture is depicted by the change in the status of employment in this sector. Since 2014, when NDA government took charge over India, the employment factor in Travel & Tourism sector has shown only an upward trend by employing more and more each passing year. The total contribution made by Travel & Tourism sector to employment (that includes wider effects of investment, supply chain and induced income impacts) was 40,343,000 jobs in 2016 accruing for 9.3% of total employment. World Travel & Tourism sector has forecasted this share to increase to 9.6% of total employment by 2027. The same has been depicted in the figure given below.

FIGURE 2: TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT

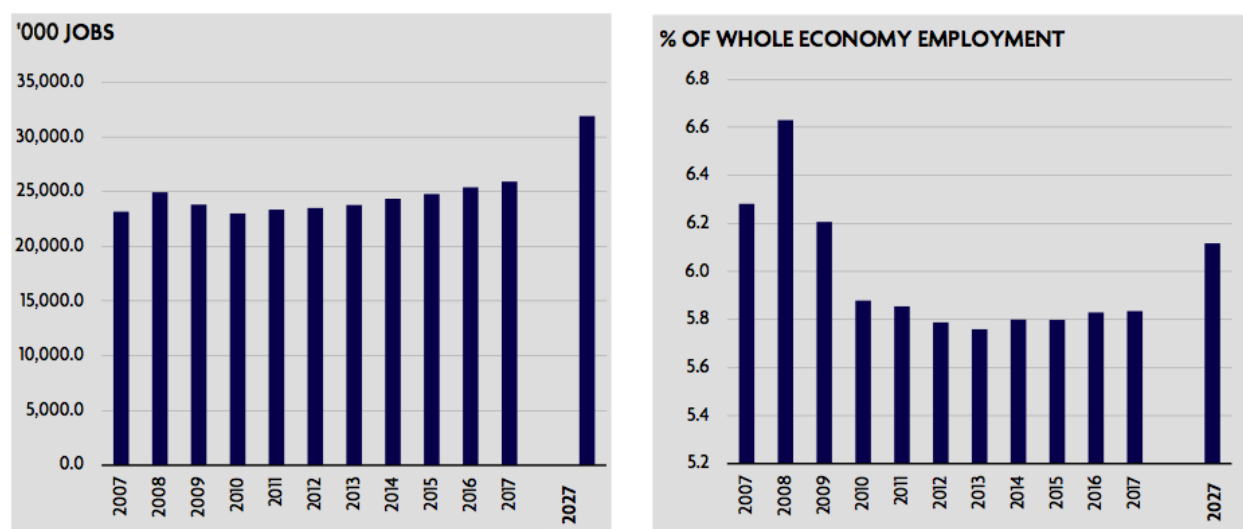


SOURCE: WORLD TRAVEL & TOURISM COUNCIL

It can be seen from the figure that apart from direct contribution of this sector to employment, it has also induced employment in relative sectors as well. But to see only the impact of Travel & Tourism to employment, we need to see its direct contribution.

According to the report of World Travel & Tourism council, the Travel & Tourism sector directly generated 25,394,500 jobs in 2016 accruing to 5.8% of total employment. This included employment by hotels, travel agents, airlines and other passenger transport services. Apart from this it also included the activities of the restaurant and leisure industries supported directly by tourists. World Travel & Tourism Council also forecasted 31,910,000 jobs directly supported by this sector by 2027. The same has been depicted in the figure given below.

FIGURE 3: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT



SOURCE: WORLD TRAVEL & TOURISM COUNCIL

It can be seen from the figure that the number of jobs has been increasing in this sector since 2011. But the percent share of this sector to whole economy employment has shown an increasing trend since 2014 only showing a positive response to the policies so adopted by the NDA government in this sector.

WORLD RANKING (OUT OF 185 COUNTRIES):

Looking at domestic figures only will not depict the true picture of this sector. With the growing foreign trade, it's important to make Travel & tourism sector competitive worldwide. In last few years, Travel & Tourism sector has gained much popularity worldwide both in generating GDP and generating employment. World Travel & Tourism Council, in their report "Travel & Tourism Economic Impact 2017 India" has shown the relative status of Travel & Tourism sector of India for the year 2016 in generating employment. Following points depict the exact ranking of India among 185 countries for generating employment for the year 2016:

- Absolute contribution to employment: India scores 2nd rank in this list.
- Relative contribution to employment: India scores 94th rank in this list.
- Forecasted growth for the period 2017-2027: India scores 109th rank in this list with a growth rate of 2% per annum.

INITIATIVES UNDERTAKEN IN TRAVEL & TOURISM SECTOR UNDER MODI GOVERNMENT:

A lot of initiatives have been undertaken in this sector since 2014 in order to enhance its productivity and the employment level it supports. In order to achieve that goal, it's important to target tourists not only nationally but internationally as well. So, to attract tourists both domestically and internationally following are some of the major initiatives adopted by Modi government:

- **100% FDI policy:** 100% FDI has been permitted in this sector through automatic route for all construction development projects such as construction of hotels and resorts, recreational facilities, city and regional level infrastructure.
- **E-Visas:** E-tourist visa scheme was launched in November 2014 for nationals of 43 countries. It was later renamed as e-visa in November 2016 with three sub-categories i.e., 'e-Tourist Visa', 'e-Business Visa' and 'e-Medical Visa'. By January 2017, 161 countries were covered under this scheme. As a result, around 10.8 lakh tourists arrived on e-tourist visa in 2016 compared to 4.45 lakh in 2015.
- **Swadesh Darshan:** Swadesh Darshan scheme was launched on March 09, 2015 for the development of theme based tourist circuits to cater to both mass and niche tourism. Thirteen theme tourist circuits and five pan India mega circuits have been identified under this scheme.
- **Web Based Public Delivery System:** A web-based public delivery system has been set up by the government for recognizing travel trade service providers and for the classification of hotels in order to ease the process of filing applications by travel trade service providers seeking recognition from the ministry.
- **PRASAD:** The national mission for Pilgrimage Rejuvenation and Spiritual Augmentation Drive scheme was launched on March 09, 2015 by the Ministry of Tourism in order for development and beautification of pilgrimage sites.

GROWTH IN TOURISTS FOOTFALLS:

With these initiatives coming up since Modi government came into power, an increasing trend has been noticed in the average tourist footfalls. Around 10.8 lakh tourists arrived on e-Tourist Visa in 2016 compared to 4.45 lakh in 2015. On an average 142.5% increase has been noticed in foreign

tourist arrivals on e-visa in a year. A growth of 15.2% was witnessed in Foreign Exchange Earnings (FEEs) in FY 2016-17 as compared to the FY 2015-16. Moreover, during January-December, 2016, 88.9 lakh Foreign Tourist Arrivals was witnessed i.e., a growth of 10.7% was witnessed as there were only 80.27 lakh Foreign tourist arrivals in the same period i.e., January-December, 2015.

If we will look at somewhat closer picture by looking at state wise data, we can see that some of the states were visited most by both domestic and foreign tourists. In order to have a clear picture top 10 states visited by both domestic and foreign tourists in 2016 has been tabulated below. One thing that can be seen clearly from the table 1 is that Tamil Nadu is the most visited place both by domestic and foreign tourists in 2016. Apart from that, Uttar Pradesh, Maharashtra, Karnataka, West Bengal and Rajasthan are few more states that scores places in both the top ten lists.

TABLE 1: TOP 10 STATES VISITED BY DOMESTIC & FOREIGN TOURISTS IN 2016

TOP FOREIGN TOURIST DESTINATIONS		TOP DOMESTIC TOURIST DESTINATIONS	
STATE	%	STATE	%
Tamil Nadu	20	Tamil Nadu	23.3
Maharashtra	19	Uttar Pradesh	14.3
Uttar Pradesh	13.3	Andhra Pradesh	8.5
Delhi	10.2	Karnataka	8.4
West Bengal	6.4	Maharashtra	7.2
Rajasthan	6.4	Telangana	6.6
Kerala	4.2	Madhya Pradesh	5.4

Bihar	3.9	West Bengal	5.0
Karnataka	2.9	Gujarat	2.5
Goa	2.4	Rajasthan	2.5

SOURCE: MINISTRY OF TOURISM

A COMPARISON WORLDWIDE

As said earlier, looking at the figures of Indian tourism sector will not be beneficial. In order to find out the loopholes and to take corrective measures to fill it, it's important for us to compare these figures worldwide. In order to find out where India actually stands among other countries an attempt has been made in this section to compare its level in all perspectives with the 3 top most countries. According to Travel & Tourism Competitiveness Index 2017, Spain with a score of 5.43, France with a score of 5.32 and Germany with a score of 5.28 accrue 1st, 2nd and 3rd respectively. Where these 3 countries managed to secure the same top most positions since 2015, India too managed to step upward from 52nd rank in 2015 to 40th rank in 2017. A comparison has been made for different zones with these three countries. The zones where India performed better or at par with these three economies has been tabulated below.

TABLE 2: ZONES WHERE INDIA IS DOING WELL

COUNTRIES	PRICE COMPETITIVENESS	BUSINESS ENVIRONMENT	NATURAL RESOURCES
SPAIN	4.5	4.4	4.9

FRANCE	4.1	4.7	4.8
GERMANY	4.2	5.3	4.0
INDIA	5.8	4.3	4.4

SOURCE: THE TRAVEL & TOURISM COMPETITIVENESS REPORT 2017

It can be easily seen from the table 2 that India has performed better than all the three countries in terms of price competitiveness. Moreover, it scored 10th rank among 136 nations in this parameter. Apart from this, India is at somewhat same level with these three nations in terms of Business environment & Natural resources (24th position among 136 nations).

But this only depicts half-truth of Travel & Tourism sector. The rest is explained by the zones where India is still lacking far behind when compared to these countries. In order to make India compatible with these countries, it's important for it to work on these parameters. Some of the main parameters where India still need to work upon are shown in the table below.

TABLE 3: ZONES WHERE INDIA NEED TO WORK ON

COUNTRIES	ENVIRONME- NTAL SUSTAINABI- LITY	TOURIST SERVICE INFRASTRU- CTURE	AIR TRANSPORT INFRASTRU- CTURE	SAFETY & SECURITY	HEALTH & HYGIENE
SPAIN	4.6	6.7	5.0	6.2	6.3

FRANCE	4.8	5.7	4.9	5.4	6.5
GERMANY	5.2	6.0	4.9	5.6	6.9
INDIA	3.1	2.7	3.9	4.1	4.4

SOURCE: THE TRAVEL & TOURISM COMPETITIVENESS REPORT 2017

It can be easily observed from the table above that in comparison with these top three nations, India is lacking far behind. In case of Environmental sustainability & Tourist Service Infrastructure, India scores very low ranking i.e., 134th & 110th respectively among 136 nations. The same can be seen from the table where the other three nations have a far better score as compared to India.

In the area of Health & Hygiene, though India is improving since last few years but, still remain inadequate in comparison to other countries scoring a rank of 104th. Similarly, in Safety & Security (114th), India lacks way behind and needs a lot of improvement. That is the reason this much disparity is clearly visible when we compare scores of each parameter with the 3 top most countries. So, in order to have a strong Travel & Tourism sector, it's important for our country to become competitive globally and that can be only achieved when it will out excel in each single parameter.

CONCLUSION:

Travel & Tourism sector is one of the main key driver of growth of Indian economy. Employment been an important issue of every developing country, has been mostly supported by this sector. In last few years, this sector has out excelled both in generating GDP and generating employment when compared to other major sectors of our economy. But, still after this much progress, it still lacks behind when compared to outer world. It still owes a lot of capacity to generate further employment opportunities and that can only be achieved when it will attract as much tourists both

domestically and internationally. Although a move has been already made in this direction by launching so many initiatives in last 2-3 years, with a proper pace it will soon rank at a better place globally by out excelling in all of the parameters.

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