

Investments and employment in tourism in the Republic of Serbia

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Abstract: Investments in tourism are crucial for the development of both tourism and other activities that are directly or indirectly related to it. Despite the immense potential of tourism, the insufficient development of infrastructure appears as one of the reasons that diminishes the role of tourism in Serbian economy. It is therefore of great importance to invest in infrastructure development in tourism. The subject of this paper is to compare Serbia with the countries in the region of Western Balkan and with several other European countries (Germany, France, Italy, Austria, and the Netherlands) in terms of the level of capital investments and employment in tourism. The insight into the amounts of investments will show the position and perspective of Serbia in relation to the countries in region and Europe. By adopting the measures of investment policy in tourism and associated incentives, Serbia will create the climate that will increase the amount of capital investments in tourism, which will have a multiplier effect on employment and also the entire economy.

Keywords: tourism, employment, investments, Republic of Serbia

JEL classification: Z30, Z32

Investicije i zaposlenost u turizmu u Republici Srbiji

Sažetak: Investicije u turizmu su ključne ne samo za njegov razvoj, već i za razvoj svih delatnosti koje su kako direktno, tako i indirektno povezane sa turizmom. Uprkos ogromnom potencijalu turizma, nedovoljan razvoj infrastrukture se pojavljuje kao jedan od razloga koji umanjuju ulogu turizma u srpskoj privredi. Stoga je od velike važnosti ulagati u razvoj infrastrukture u turizmu. Predmet ovog rada je poređenje Srbije sa zemljama u regionu Zapadnog Balkana i sa nekoliko drugih evropskih zemalja (Nemačka, Francuska, Italija, Austrija i Holandija) u pogledu nivoa kapitalnih investicija i zaposlenosti u turizmu. Uvid u iznose investicija će pokazati poziciju i perspektivu Srbije u odnosu na zemlje u regionu i Evropi. Usvajanjem mera investicione politike u turizmu i pratećim podsticajima, Srbija će stvoriti klimu koja će povećati iznos kapitalnih investicija u turizmu, što će imati multiplikativni efekat na zaposlenost, ali i na celokupnu privredu.

Ključne reči: turizam, zaposlenost, investicije, Republika Srbija

JEL klasifikacija: Z30, Z32

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1. Introduction

The tertiary sector in developed countries is an important generator of GDP creation and, as such, it has been the subject of frequent research aimed at its improvement, which will result in multiplier effects on all spheres of both economic and social life. Tourism is one of the key activities of the tertiary sector. According to [Ubavić \(2015\)](#), at the end of the 20th century and the beginning of the 21st, tourism became one of the most massive global phenomenon which, at the same time, offered a great development opportunity for underdeveloped and developing countries.

However, if one takes Western European countries as a benchmark and the reference point to be reached, will see that the situation is very difficult. Being a country of turbulent events, both at the end of 20th and at the beginning of the 21st century, as well as suffering the effects of the global financial crisis, Serbia clearly did not have enough time, will and, above all, financial resources to focus the attention to such issues. Tourism has long been marginalised due to the lack of roads or infrastructure, insufficient accommodation capacities, and the poor quality and out-of-date accommodation facilities. Inadequate marketing activity resulting in the lack of information provided to potential tourists is just one of the links in the chain of insufficient exploitation of tourism potentials.

From the point of view of an average Serbian resident faced with the issue of unemployment and consequent lack of finances, the question arises as to whether the underdevelopment of tourism is really the issue that deserves such an importance. The answer is an unequivocal yes. The reason is simple and most efficiently described through the Win-Win situation, where tourism development directly and indirectly affects many macroeconomic indicators. The impact of tourism on GDP, employment, investment and other macroeconomic indicators has been discussed and proved many times. This paper will provide the insight into where the Republic of Serbia is today, where it was in the past and, most importantly, where it will be in the future and highlight the measures that will be taken to improve the situation related to the employment in tourism.

2. Tourism globally: its position and situation

Tourism has positioned itself as the world's fourth export industry, right after chemistry, fuel and food ([Ohlan, 2017](#)). According to [Nawaz & Hassan \(2016\)](#), "Tourism has long been considered as a way of enhancing understanding and peace among nations". Over the past decades, the focus of the intense research has been the relationship between tourism consumption and economic growth for both developed countries and those in developing ([Chou, 2013](#)). [Onetiu & Predonu \(2013\)](#) point to the fact that tourism encourages communication and the exchange of ideas and information, broadens cultural horizons, raises the level of education and increases the rate of employment. According to [Vetrakova \(2000\)](#), the importance of tourism is so great that it even managed to solve the problem of unemployment caused by changes in the economic structure, on the one hand, and the global financial crisis, on the other.

Direct employment in tourism implies positions in those establishments which imply direct contact with tourists, e.g. hotels, restaurants, travel agencies, various forms of transport, i.e. the places where tourists' needs can be responded to in a direct way. Accordingly, there are establishments that indirectly meet the needs of tourists. Those would include book-keeping agencies, construction companies, various craft shops that provide products for the tourism market, etc. In other words, these are the professions which a tourist does not have direct contact with; still, they make a necessary part of the chain of meeting tourists' needs. There is a two-way relationship between economic growth and tourism. Understanding the causal

relationship between tourism development and economic growth is of enormous significance and its defining is the basis of relevant policy decision making. (Seghir et al., 2014). Tourism development generates employment in both direct and indirect institutions whose products or services are of crucial importance. For example, the development of construction companies enables civil engineering development which absorbs a share of the unemployed and, at least partially, resolves the problem of unemployment. This mechanism of (inter)dependence and connection between different economic sectors is obvious and clearly points out the importance of tourism development.

Naturally, apart from the classification into direct and indirect employment, a distinction can be made between the qualifications and gender structure of tourism workers. When it comes to this issue, the importance of the development of this branch of economy may be crucial, given that today a large number of unemployed workers are unqualified or semi-skilled. A large part of such workforce can be absorbed by tourism. The seasonal character of tourism and the possibility of seasonal employment is also something that should not be discarded. A gender employment structure is mentioned bearing in mind the fact that a large number of women are dominant in some tourism industry activities. The following table shows the total number of tourism workers worldwide.

Table 1: Employment in tourism in the period 2007-2018 (in millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
World	273.1	262.4	254.6	251.6	256.7	261.1	265.8	276.8	278.3	280.1	282.4	284.3

Source: [World Travel & Tourism Council, 2019](#)

Table 1 provides data related to employment in tourism at the world level given in millions for the period 2007-2018. As a starting point, 2007 was taken as a reference since this is the year preceding the global financial crisis. The number of employed tourism workers was slightly above 273 million, followed by the expected drop in 2008 for just a little under 11 million workers or, more precisely, by 10.7%. This downward trend continued for the next 2 years, ending in 2010, when the minimum number of workers was recorded at 251.6 million, which is 21.5 million less than in 2007. Roughly speaking, the global financial crisis led to job loss for more than 20 million workers worldwide. The policies of countries had to adapt to the newly created situation and the measures undertaken in the forthcoming years were struggling to overcome this situation for a long period of time. The situation significantly changed in the period 2011-2018, when the number of workers in tourism increased from 251.6 million to 284.3 million or, in other words, for 32.7 million work places. The significance and consequences of the global financial crisis is well illustrated by the fact that it took 7 years to reach and slightly overtake the 2007 number of employees - 273.6 million workers in this industry in the pre-crisis year vs. 276.8 million in 2014.

Table 2 gives an insight into the number of employees in tourism. In order to compare the situation on a global level, it is impossible to compare absolute values by countries as they would not provide an insight into the real situation having in mind the variability in the country's population. For this reason, for the purpose of easier comparison, the relative values are used, i.e. the percentage share of the number of tourism workers in relation to the total number of workers.

Table 2: The share of tourism employment in the overall employment (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Great Britain	10.4	10.2	10.0	10.5	10.3	10.4	12.7	12.8	12.8	13.1	13.3
Austria	13.7	14	13.7	13.1	13.3	13.3	14.5	14.5	14.7	14.6	14.9
Germany	4.6	4.5	4.8	4.7	4.7	4.7	11.7	12.0	12.3	12.3	12.8
France	9.7	9.5	9.4	9.5	9.5	9.4	9.9	10.1	10.2	10.2	10.4
Spain	15.8	15.8	15.5	15.9	15.8	15.7	15.0	14.8	14.6	14.7	14.6
Italy	10.6	10.2	10.1	10.1	10.2	10.2	11.4	11.5	11.6	11.7	11.9
Serbia	1.83	1.56	1.6	1.68	1.75	1.73	1.72	1.82	1.84	1.86	1.9
World	9.7	9.5	9.2	9.3	9.4	9.5	9.4	9.4	9.5	9.5	9.7

Source: [World Travel & Tourism Council, 2019](#)

The observation period is 2008 to 2018. In the observed period of time on a global level, this share hit the bottom of 9.2% in 2010 as the result of a two-year fall due to the 2008 global financial crisis. After the period of slight fluctuations, the highest value of 9.7% was reached in 2018, which equals the value recorded in 2008. The table provides the data in the European countries with a notable relation in tourism share in the total employment. Namely, observed for 2018 only, it can be noticed (with the exception of Serbia that will be discussed in part 3 of the paper) that this share ranges from 10.4% in France to up to 14.9% in Austria. The apparent difference between most countries is reflected in only a few percentage points and is above the world average. Comparing the starting and the final years of the observed period, without making comparisons on individual year basis, it becomes clear that the share grew except for Spain. The largest percentage growth was recorded in Germany, from 4.6% in 2008 to 12.8% in 2018. This boom was first recorded in 2014, when the percentage share of employment in tourism increased by as much as 7%, i.e. from 4.7% in 2013 to 11.7% in 2014.

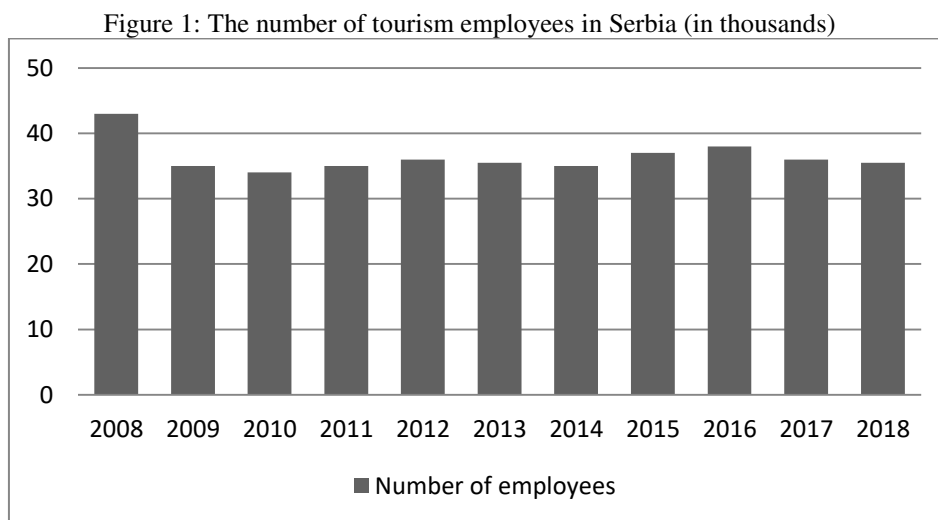
3. Tourism in Serbia: current state and perspectives

The Republic of Serbia, undoubtedly, has an excellent basis for the development of tourism ([Pantić, 2016](#)). The exceptional geographical position, due to which Serbia is a part of the most important traffic routes, its natural beauties, and a moderate continental climate provide all the necessary preconditions for focusing attention to tourism in the future. However, unless followed by attractiveness, accessibility and tourist services, the comparative advantages of a destination are of no practical significance ([Dobrivojević et al., 2017](#)). Since the development of transport infrastructure defines tourism development, special attention must be paid to its renewal, having in mind both keeping it up to date and connecting tourist sites in an efficient way.

Quality in tourism and hospitality means the consistent delivery of products and services to clients in accordance with the expected standards. One of the key challenges that managers face today is service quality assurance, which is one of the basic conditions for achieving business goals in the global tourism market ([Redžić, 2018](#)).

Since tourism is a complex economic activity, the competitiveness of tourist destinations is the result of many factors. In addition to the factors specific to tourism, the competitiveness of tourist destinations is also conditioned by a whole range of factors that affect tourism service providers ([Ubavić, 2015](#)). According to [Štetić \(2006\)](#), the creation of a tourist offer nowadays significantly differs from those made during the last decades of the 20th century. Tourism development leads to new directions in the development of this industry and different approaches to tourism activity.

Concerning the employment in tourism in the Republic of Serbia, Figure 1 shows that the maximum number of employees was in 2008 when it amounted to slightly less than 42 thousand. After this year, up to date, such a level of employment has not been achieved. Namely, not a single year in the observed period recorded 40 thousand employees; instead, the number of the employed in the period 2009-2018 was rather at the average of 35 thousand.

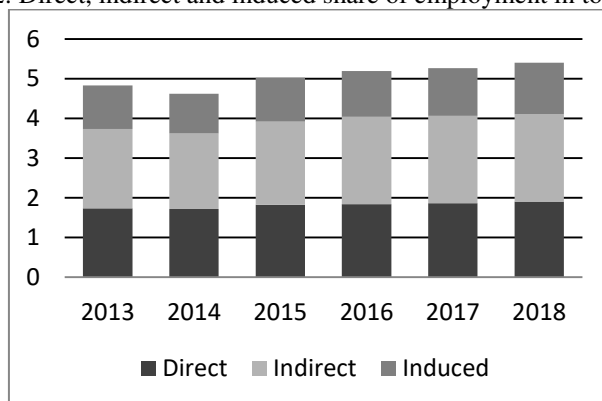


Source: [World Travel & Tourism Council, 2019](#)

Absolute values of the number of employees do not provide much information on the significance of this figure in the overall structure of employment. Therefore, relative values are used instead for a more detailed analysis. Varying from 1.56% recorded in 2009 to the maximum of 1.9% recorded in 2018, the percentage share in Serbia is at a significantly lower level than the world average, with even more dramatic contrast compared to the other observed countries. It is obvious that, regardless of some smaller fluctuations, the situation did not change structurally during the given period. The encouraging fact is that since 2014 this share was steadily increasing and it can be concluded that in the observed period it increased by 0.18 percentage points.

Table 2 showed only the employment in those facilities that are directly related to tourism consumption, i.e. in those facilities where tourists can directly meet their needs, as discussed in the introductory part of the paper. In addition to direct employment, the analysis must also include indirect and induced ones in order to consider their overall effect on employment. Figure 2 provides an insight into the three categories. Namely, it is noticeable that indirect employment in tourism is slightly higher than the direct one in the observed five-year period, i.e. from 2013 to 2018.

Figure 2: Direct, indirect and induced share of employment in tourism (%)

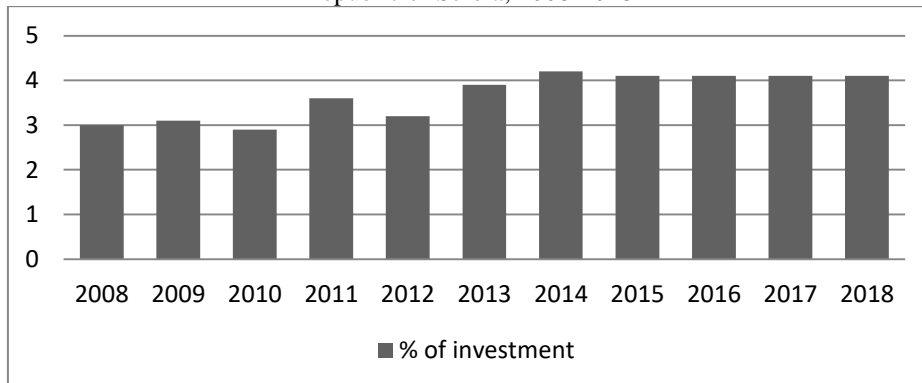


Source: [World Travel & Tourism Council, 2019](#)

If observed cumulatively in the given period, direct, indirect and induced employment began to increase slightly since 2014, and, in the last four years, they were constantly at above 5%. The only drop was recorded in 2014 when, compared to 2013, it was about 4.5%.

The following figure shows the percentage of investments in the tourism industry in total amount of investments. Investments are the subject of consideration because of their priority in the process of building the necessary infrastructure which will change the status of a certain locality from being only potential tourist destination to becoming an attractive one.

Figure 3: Percentage share of investment in tourism in total amount of investments in the Republic of Serbia, 2008-2018



Source: [World Travel & Tourism Council, 2019](#)

The observed ten-year period shows a range from 2.9% of total investments realised in 2010, up to the maximum of 4.2% in 2014. Comparing the first and the last observed year, the 1.1% growth of the overall investment is noticeable, which is insufficient. So we agree with [\(Zečević & Pindžo, 2016\)](#) that is necessary to redirect a part of the budget spending to funding infrastructure as a prerequisite for faster tourism development and, furthermore, to investing in its promotion, education, development of small and medium-sized enterprises in order to increase the employment and contribution of tourism to the overall economic development of a country. In addition to the increased state investment activities, it is crucial not only to increase capital investments, but also to direct it towards those activities that can, either directly or indirectly, contribute to the necessary infrastructure as an indispensable condition for tourism development. [\(Tomjanski, 2015\)](#). Its development will generate new employment, reduce unemployment and attract additional capital.

The following table gives an overview of the amount of capital investments in tourism in the countries of Western Balkan.

Table 3: Capital investment in tourism in the countries of Western Balkan in the period 2008-2018 (in € mill.)

	Bosnia	Bulgaria	Croatia	N. Macedonia	Slovenia	Montenegro	Serbia
2008	148,632	1.489,234	1.750,166	50,324	823,652	414,743	360,532
2009	128,028	1.324,035	1.261,937	50,125	638,953	221,356	291,342
2010	133,805	1.270,716	983,750	51,021	644,624	222,234	224,659
2011	123,477	1.282,608	944,252	52,247	703,821	183,452	263,781
2012	113,251	1.277,109	915,998	53,659	703,253	186,538	241,132
2013	106,553	1.379,601	912,223	55,425	702,192	201,426	251,532
2014	127,874	1.413,922	900,004	61,358	700,438	211,358	241,834
2015	127,823	1.308,084	943,820	72,426	691,562	247,623	256,825
2016	157,171	1.424,613	993,894	81,521	634,651	311,538	258,149
2017	163,358	1.577,536	1.049,505	90,325	693,724	374,273	293,415
2018	176,191	1.577,635	1.088,264	90,437	711,815	397,642	315,986

Source: [World Travel & Tourism Council, 2019](#)

Table 3 gives an insight into the amounts of capital investments in tourism in Serbia and the surrounding countries. There is a noticeable decline in investment activity after 2008 as a result of the global economic crisis in all observed countries. Only Bosnia and Herzegovina, Bulgaria and North Macedonia managed to exceed the 2008 figures. Bulgaria and Croatia were those that invested most in the tourism sector, regardless of the fact that there was a significant drop in investments since the beginning of the observed period. There immediately followed Slovenia, while North Macedonia was far below others in terms of the investment activities in tourism. Investment activity in Serbia was significantly higher in relation to both North Macedonia and Bosnia and Herzegovina. Despite the obvious fact that the level of investment activity from 2008 was not reached, it was steadily rising since 2014, though at a lower level compared to Bulgaria, Croatia, Slovenia and Montenegro. It would be important to make a comparison with the developed countries and their investment activities, the data on which is given in the following table.

Table 4: Capital investment in tourism in European countries, 2008-2018 (in € bill.)

	Germany	France	Spain	Austria	Italy	Netherlands
2008	24,132	22,652	19,324	2,813	17,174	4,234
2009	19,356	26,351	19,672	3,352	11,816	3,415
2010	26,142	27,912	16,826	3,216	12,902	3,381
2011	24,826	38,654	14,735	2,942	10,414	2,871
2012	25,714	31,925	14,316	3,561	11,359	3,384
2013	21,368	37,357	13,628	3,589	9,123	5,218
2014	22,346	36,915	13,631	3,214	7,932	3,764
2015	24,782	30,419	14,856	2,913	9,241	3,684
2016	23,935	33,872	17,128	3,271	9,871	4,192
2017	25,014	35,134	17,838	3,491	10,149	4,253
2018	26,198	36,815	18,692	3,698	10,436	4,396

Source: [World Travel & Tourism Council, 2019](#)

Table 4 gives an insight into the amounts of capital investments in the tourism sector in some of the developed European countries in billions of euros. According to the amount of capital investments, Germany and France stand out. There immediately follow Spain and Italy,

while the amounts of capital investment in Austria and the Netherlands are significantly below the abovementioned countries. Only France manages to significantly increase its investment activity compared to 2008, while in the case of Italy it significantly decreases. However, it should be borne in mind that the amounts are expressed in billions of euros, which makes an obvious difference compared to the countries given in Table 3. Thus, it can be concluded that Serbia is well below the developed economies in Europe and even lags behind the amounts of capital investments in relation to some countries in the near surroundings. Next table shows percentage share of capital investment in tourism in total amount of investments in European countries and in the countries of Western Balkan in period 2011-2018.

Table 5: Percentage share of capital investment in tourism in total amount of investments in European countries and in the countries of Western Balkan, 2011-2018

	2011	2012	2013	2014	2015	2016	2017	2018
Germany	4,1	4,2	3,5	3,6	4,0	3,7	3,6	3,7
France	8,0	6,3	7,5	7,2	6,1	6,8	6,9	7,0
Spain	6,3	6,7	6,6	6,3	6,7	7,7	7,8	7,8
Italy	3,0	3,6	3,1	2,7	3,2	3,4	3,3	3,3
Netherlands	2,0	2,6	4,3	3,1	2,6	2,7	2,7	2,7
Austria	3,6	4,6	4,4	4,2	3,6	4,0	4,1	4,2
Slovenia	9,0	9,7	9,5	9,3	9,2	9,1	9,2	9,3
Croatia	10,3	10,3	10,2	10,2	10,7	10,9	10,8	10,8
Bosnia	4,6	4,4	4,2	4,7	5,0	5,1	5,2	5,3
Bulgaria	6,1	6,1	6,3	6,8	7,2	7,1	7,3	7,2
N. Macedonia	1,8	1,9	2,1	2,2	2,3	2,4	2,4	2,5
Montenegro	23,2	25,3	27,1	30,8	32,7	33,6	35,5	36,4
Serbia	3,6	3,2	3,9	4,3	4,2	4,2	4,2	4,1

Source: [World Travel & Tourism Council, 2019](#)

It is noticeable that N. Macedonia and Netherland are the only countries with less percentage share of capital investment in tourism in total amount of investments then Serbia. Serbia has similar percentage share as Italy but in total amount of investments Italy has a significantly higher amount. Montenegro is at the first place after Croatia in percentage share of capital investments. In 2012, in Serbia, only 3.2% of investments were invested in tourism. Last years that percentage is higher and stable at the level of 4.2%.

Therefore, if capital investment is taken as a necessary resource for the progress and growth of an economy, especially for the countries in transition, it is clear that Serbia must increase their amount. What should be taken as a bare necessity in the upcoming period is primarily the increase in the share of domestic investments in tourism and the creation of an even more favourable climate for the inflow of foreign capital into this industry. The growth of investments in tourism, through hotel construction, and the growth of investments in transport infrastructure create favourable conditions for employment rate growth in this sector. Such a growth should be fostered at least to the global average of about 10%, as shown in Table 2, since the share of employment at a level which is constantly less than 2% can be described as very low. With such conditions, tourism does not affect the generation of GDP as much as it should, which is necessary, if there are strives to follow the world trends and conditions which they set forward. This necessity will bring about significant positive consequences in the years to come.

4. Conclusion

The significance of tourism development in contemporary society is not a need, but more a necessity. Tourism has a Win-Win effect on one economy, since its development also stimulates the development of other fields of economy, which consequently increases the employment rate. The country should use the policy measures to accelerate tourism development through investments, both domestic and foreign. In Serbia, there is an extremely small share of employees in the tourism sector both in absolute and relative terms comparing with European countries. The share of investments in tourism in total investments is also at the low lever. This makes the circumstances in Serbia behind the world trends and figures, but it certainly should not be a barrier to future progress. It is positive matter that Serbia is a very attractive location for investments. Therefore, additional measures and incentives have to attract foreign capital in those activities which are directly or indirectly related to tourism. This opens the possibility for creating new work places, consequently leading to unemployment reduction. Tendencies were positive in the past years, and, in future, they are certainly going to be even more so.

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