

# Understanding the Supply Side of Tourism

## Value, Employment and Characteristics of Tourism Industries

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### 1. Introduction

Compared to many other industries, it can be difficult to answer questions about the structure of the tourism sector – the number of businesses it supports, the number of people employed, the characteristics of this employment and so on. This is because the business statistics available do not treat “tourism” as a single entity, and instead, the businesses and employees that make up the sector are distributed across a range of other industry sectors, such as transport, culture, or food and drink.

The Tourism Intelligence Unit (TIU) within the Office for National Statistics (ONS) have recently published the [Supply Side of Tourism Report](#), in which the various sources of business and employment data are analysed to draw conclusions about the size and structure of the tourism sector in the UK.

This paper summarises the most important findings from the TIU report.

### 2. What Are the Tourism Industries?

In order to understand the size and characteristics of tourism businesses and employment, we first need to decide which types of businesses should be classified as belonging to the tourism sector. To do this, the TIU used the International Recommendations on Tourism Statistics (IRTS), developed by Eurostat, OECD and the UN World Tourism Organisation to determine which types of businesses to include and which to exclude. More detail about the precise definitions used can be found in the full report.

### 3. What are the Tourism Industries Worth?

The UK’s National Accounts measure the gross output (broadly - total sales) and gross value added or GVA (broadly - total sales less the costs of production) for all industries in the UK.

By using this data from the National Accounts, together with data from the ONS Annual Business Survey, the TIU have been able to make an estimate of the output and GVA of industries in the tourism sector.

This analysis shows that in 2009, businesses in the tourism sector together had a total output (turnover) of £159 billion, or 6.1% of the national total, with GVA (contribution to the economy) of £68 billion, or 5.4% of the national total. Both output and GVA fell back between 2008 and 2009, as the economic downturn impacted spending on business and leisure travel.

**Table 1: Gross Output and GVA in the Tourism Industries 2008 – 2009 £millions**

Tourism Industries	2008		2009	
	Gross output 2008	GVA 2008	Gross output 2009	GVA 2009
Accommodation for visitors	18,558	7,281	18,455	7,575
Food and beverage serving activities	59,526	29,391	56,527	27,653
Railway Passenger transport	8,299	3,163	8,570	3,380
Road Passenger Transport	4,381	2,317	3,897	2,492
Water Passenger Transport	5,064	2,238	5,136	2,162
Air passenger transport	17,667	7,158	16,160	5,990
Transport Equipment Rental	6,102	3,947	5,711	3,889
Travel agencies and other reservation services	16,577	2,913	14,793	3,016
Cultural activities	11,099	5,260	7,670	2,412
Sport and recreation activities	18,564	8,619	19,244	8,269
Conference activities	2,153	997	2,995	1,150
<b>Total</b>	<b>167,667</b>	<b>73,103</b>	<b>159,156</b>	<b>67,988</b>
<b>Tourism Industries Share of UK Economy</b>	<b>6.4%</b>	<b>5.7%</b>	<b>6.1%</b>	<b>5.4%</b>

Source: ONS Annual Business Survey

#### **What is the difference between these figures and the tourism spending figures from other surveys?**

Tourism spending in the UK is recorded through three separate surveys – the GB Tourism Survey, measuring domestic overnight tourism, the GB Day Visits Survey, and the International Passenger Survey, measuring inbound tourism. Together, these three surveys show that tourists spent £93 billion in the UK last year, considerably lower than the £159 billion gross output of tourism industries reported in the table above.

The reason for the difference between the two figures is that the gross output and GVA figures in Table 1 refer to all businesses in each of the sectors considered to be tourism, without differentiating between those that serve tourists, and those that serve the local population. For example, a restaurant in Cornwall may owe almost 100% of its turnover to tourism, while a restaurant in Manchester may cater equally for local residents (non-tourism) and business visitors (tourism). In the above analysis, the total turnover of both restaurants would be counted, and no attempt has been made at this point to calculate what proportion of this is derived from “true” tourism expenditure.

To understand more about the link between the tourism supply (this data) and demand (tourist expenditure measured in the three surveys), and how the two can be reconciled to calculate the contribution of tourism to the UK economy, please refer to the TIU’s [Tourism Satellite Account](#).

#### **4. How Many People Work in Tourism?**

It is possible to estimate the number of people working in the tourism sector, using the ONS Annual Population Survey. Like the analysis above, this reflects the number of people working in each of the industry sectors that make up tourism, but again does not attempt to identify which jobs are supported by tourism in its true sense, and which serve a more local audience.

Tables 2.1 and 2.2 below indicate that 2.663 million people are employed in tourism industries in the UK. Over 40% of these jobs (1.1 million) are in food & beverage serving activities, with 13% (336,000) in the accommodation sector, 19% (497,000) in passenger transport and 26% (692,000) in cultural, sporting, recreational and meeting activities.

The analysis also makes clear the importance of second jobs to the sector. Overall, the tourism industries account for 9% of all UK jobs, but they generate 17% of all UK second jobs.

**Table 2.1: UK Employment by Tourism Industry (2009) – ‘000s of Jobs**

	<b>Main Job Employment (000's)</b>	<b>Second Job Employment (000's)</b>	<b>Main &amp; Second Job Employment (000's)</b>
Accommodation for visitors	319	17	336
Food & beverage serving activities	1,049	89	1,138
Passenger transport & travel	485	12	497
Cultural, sporting, recreational & meeting activities	615	77	692
<b>Tourism Activities</b>	<b>2,468</b>	<b>195</b>	<b>2,663</b>
Non-Tourism Activities	26,152	931	27,083
<b>All Activities</b>	<b>28,621</b>	<b>1,126</b>	<b>29,746</b>

**Table 2.2: UK Employment by Tourism Industry (2009) – Percentages**

	<b>Main Job Employment</b>	<b>Second Job Employment</b>	<b>Main &amp; Second Job Employment</b>
<b>% of Tourism Jobs by Industry</b>			
Accommodation for visitors	13%	9%	13%
Food & beverage serving activities	43%	46%	43%
Passenger transport & travel	20%	6%	19%
Cultural, sporting, recreational & meeting activities	25%	39%	26%
<b>% of All Jobs</b>			
<b>Tourism Activities</b>	<b>9%</b>	<b>17%</b>	<b>9%</b>
Non-Tourism Activities	91%	83%	91%
<b>All Activities</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

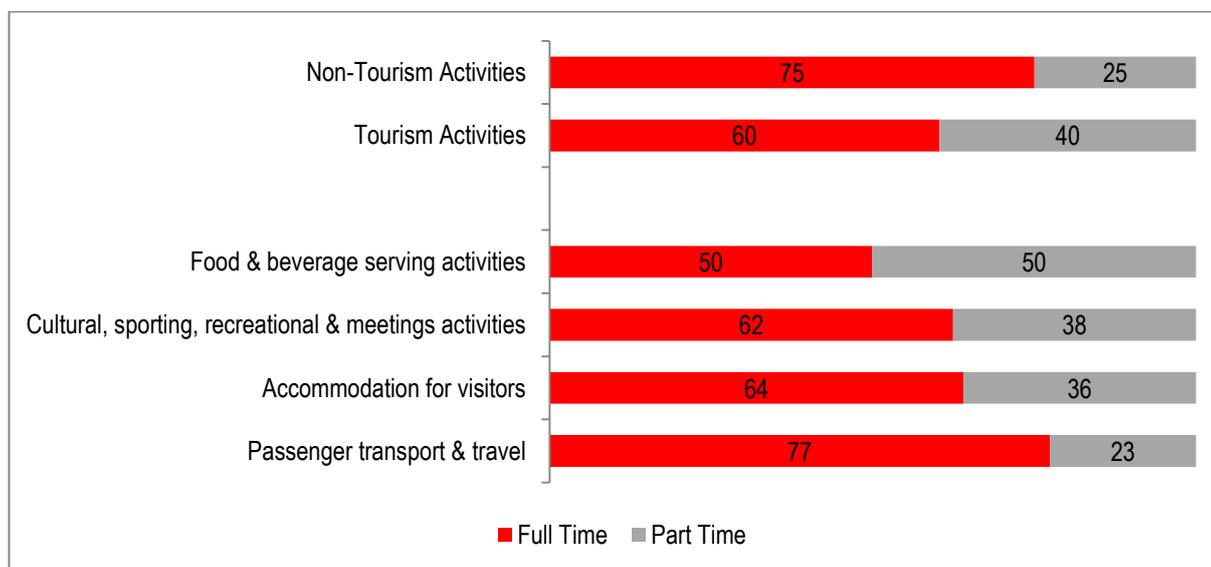
Source: Annual Population Survey

## 5. What Are the Characteristics of Tourism Employment?

### 5.1 Part Time vs. Full Time

Compared to other sectors of the economy, tourism jobs are more likely to be part time than jobs in other industries, with 40% of main jobs on a part time basis. The rate of part time employment is particularly high in the food & beverage serving sector.

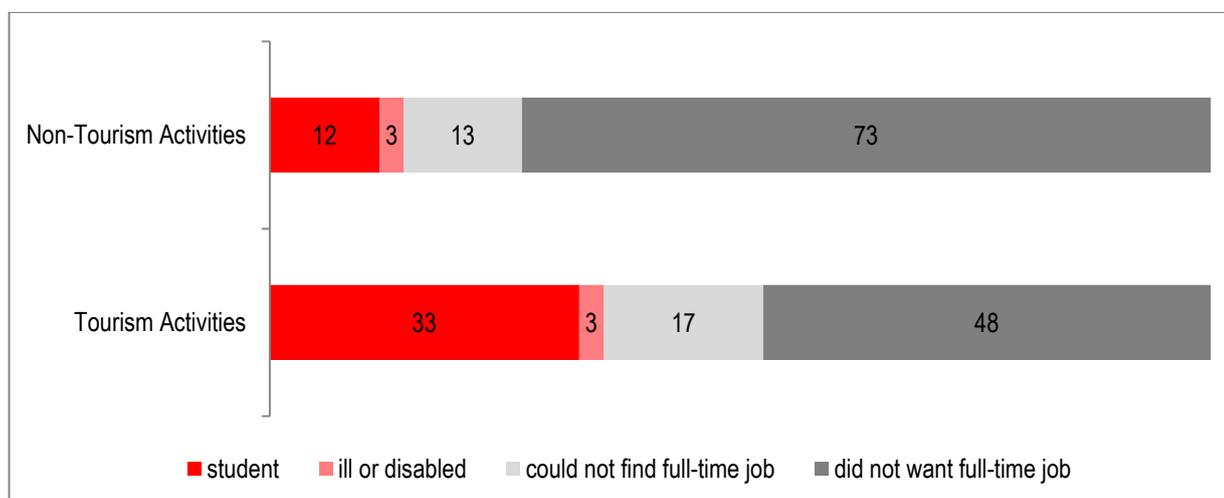
**Chart 1: Part Time Employment in Tourism in the UK, 2009 (Main Job - Percentages)**



Source: Annual Population Survey

Those working part time in tourism are much more likely to be students, and but also somewhat more likely to say that they could not find a full-time job compared to part time workers in other industries.

**Chart 2: Reasons for Part Time Working 2009 (Percentages)**



Source: Annual Population Survey

## 5.2 Self-Employment

One in five of those working in tourism are self-employed, a higher rate than in other sectors, and this rises to almost two in five in the passenger transport and travel agency sector.

**Chart 3: Tourism Employment in the UK by Employee /Self-Employed Status, 2009 (Percentages)**

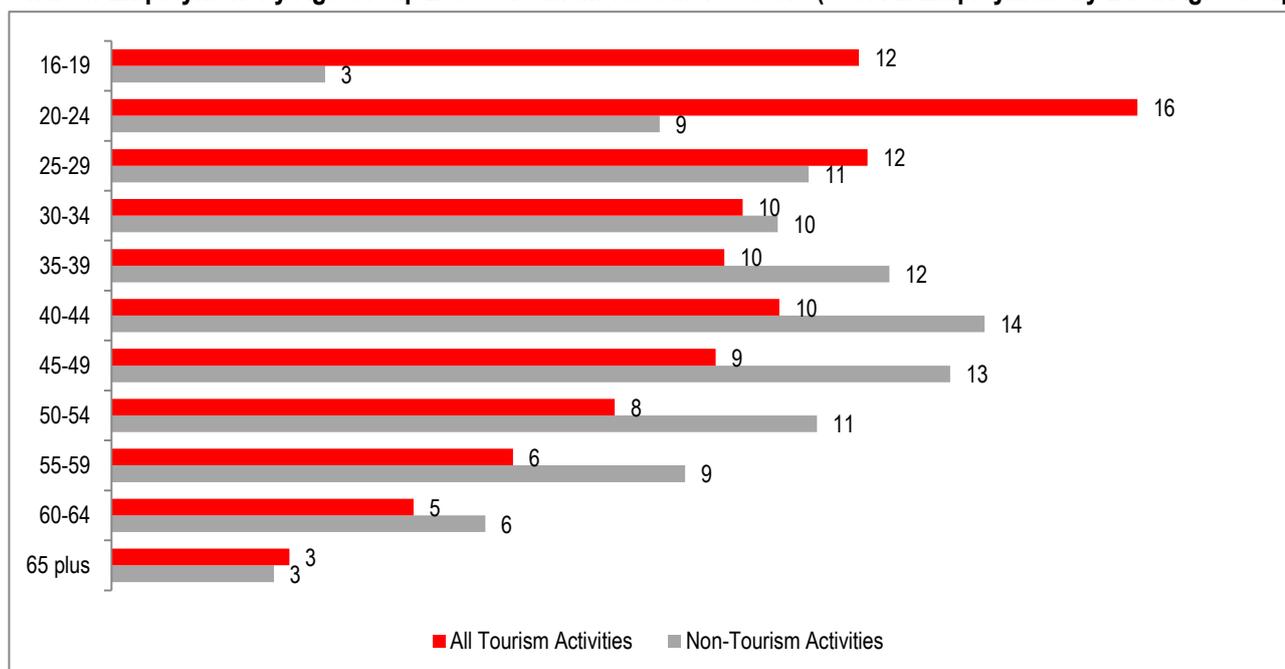


Source: Annual Population Survey

## 5.3 Employment in Different Age Groups

The tourism workforce has an extremely young profile, with over a quarter of jobs carried out by the under 25 age group, also reflected in the high number of part-time student workers. This contrasts with just 12% of jobs carried out by under 25's across all other industries.

**Chart 4: Employment by Age Group 2009 – Tourism vs. Other Sectors (% of All Employment by Each Age Group)**



Source: Annual Population Survey

## 5.4 Seasonality of Tourism Employment

Not surprisingly, employment in tourism industries is seasonal in nature, with job numbers peaking in the summer months, and dropping back in the first quarter of the year – very different to the much flatter trend across the rest of the economy. It is also of note that after two years of decline, tourism employment showed strong recovery through much of last year and into this year, ahead of trends in the wider economy.

**Chart 4: Workforce Jobs Q1 2008 – Q1 2012 – Tourism & Non-Tourism Industries (Indexed with Q1 2008 = 100)**



Source: Annual Population Survey, Business Register and Employment Survey

## 6. How Many Tourism Businesses Are There?

This seemingly straightforward question is actually a difficult one to answer because many tourism businesses are small, lifestyle businesses, and so are not always recorded in available statistics. Information about business numbers and characteristics can be taken from two data sources:

**The Inter Departmental Business Register (IDBR):** this is a record of all VAT and PAYE registered businesses in the UK. Although it is a complete record of all such businesses, representing 98% of the turnover of all UK industry, its limitation is that it only includes businesses with a turnover above the VAT threshold (in 2012, £77,000) which means that many of the smallest tourism businesses are excluded.

**Business Population Estimates for the UK** (provided by BIS - the Department for Business Innovation and Skills.) This uses self-assessment data from HMRC and the ONS Labour Force Survey to make estimates of unregistered businesses, but as it is not a complete record in the same way as the IDBR, there is inevitably some inaccuracy due to sampling variation.

It is difficult to make a direct comparison between the two surveys, but in general terms:

- the IDBR can be considered the best indicator of trends over time (because it is a complete census of those businesses accounting for the majority of turnover)
- the BIS estimates are a good tool for understanding the structure of the sector by business size

*Note: All the following analyses measure the number of individual tourism business units – in other words, a hotel chain with 20 different hotels would be counted in these tables as 20 businesses (=business units)*

## 6.1 Trends since 2009

In total, there were almost 250,000 VAT/PAYE registered business units in the UK in 2011, accounting for almost one in ten of all businesses in the country.

Between 2009 and 2011, there was a 6.2% reduction in the number of tourism businesses – a greater decline than that seen in other industries (-3.3%).

The steepest declines were in road passenger services, but also travel agencies and air transport, two sectors that are particularly dependent on overseas travel, which saw reduced volumes over that period.

In contrast, the number of accommodation businesses was unchanged, perhaps because an increase in domestic holiday-taking helped offset lower levels of inbound and business travel activity, while there was actually an increase in the number of exhibition and conference organisations over the period.

**Table 3: Number of Local Units in VAT and/or PAYE Based Enterprises in the UK 2009-2011**

	UK 2009	UK 2011	% change
Accommodation services for visitors	19,310	19,255	-0.3
Food and beverage serving services	156,580	143,805	-8.2
Railway passenger transport services	945	935	-1.1
Road passenger transport services	11,415	10,205	-10.6
Water passenger transport services	830	805	-3.0
Air passenger transport services	1,025	955	-6.8
Transport equipment rental services	4,345	4,120	-5.2
Travel agencies & other reservation services	11,565	10,470	-9.5
Cultural activities	32,305	31,115	-3.7
Sport and recreation activities	24,255	24,215	-0.2
Exhibitions & Conferences etc.	3,150	3,345	6.2
<b>TOTAL - Tourism Industries</b>	<b>265,725</b>	<b>249,225</b>	<b>-6.2</b>
<b>TOTAL - All Industries</b>	<b>2,634,790</b>	<b>2,547,840</b>	<b>-3.3</b>

Source: IDBR, 2011

## 6.2 Structure by Number of Employees

An analysis of those tourism businesses with employees makes clear that the majority of tourism organisations are relatively small in size, with 81% employing less than 10 staff members.

As would be expected, there are differences in profile by business type, with hotels more likely to employ higher staff numbers, while other types of accommodation businesses tend to be smaller in profile. Passenger air and rail transport businesses too are more likely than other business types to employ 10 or more staff.

**Table 4: Business Size in Tourism Industries – Numbers of Business Units by Size in the UK (2011)**

	<b>All Employers</b>	<b>1 - 9 employees</b>	<b>10 - 49 employees</b>	<b>50 - 249 employees</b>	<b>250+ employees</b>
Passenger rail transport, interurban	55	20	10	10	15
Other passenger land transport	7930	6105	1530	215	80
Sea and coastal passenger water transport	275	210	50	10	5
Inland passenger water transport	100	85	10	5	0
Inland freight water transport	45	40	5	0	0
Passenger air transport	290	160	70	40	20
Hotels and similar accommodation	8895	4760	3045	975	115
Holiday and other short-stay accommodation	2095	1845	190	45	15
Camping grounds, recreational vehicle parks and trailer parks	1300	1015	230	50	5
Other accommodation	345	300	40	5	0
Restaurants and mobile food service activities	59925	51150	7830	785	160
Event catering and other food service activities	5740	4735	790	150	65
Beverage serving activities	33140	26780	5950	360	50
Renting and leasing of motor vehicles	1870	1475	320	55	20
Travel agency and tour operator activities	3530	2730	635	135	30
Other reservation service and related activities	435	335	80	20	0
Organisation of conventions and trade shows	1460	1165	245	45	5
Creative, arts and entertainment activities	7820	7160	565	80	15
Libraries, archives, museums and other cultural activities	705	485	150	65	5
Gambling and betting activities	1285	880	280	95	30
Sports activities	9165	7110	1575	360	120
Amusement and recreation activities	2840	2185	555	85	15
<b>Total – All Tourism Industries</b>	<b>149245</b>	<b>120730</b>	<b>24155</b>	<b>3590</b>	<b>770</b>

Source: Department of Business, Innovation & Skills

**Table 5: Business Size in Tourism Industries – % of Business Units by Size Within Each Industry Group (2011)**

	<b>1 - 9 employees</b>	<b>10 - 49 employees</b>	<b>50 - 249 employees</b>	<b>250+ employees</b>
Passenger rail transport, interurban	36%	18%	18%	27%
Other passenger land transport	77%	19%	3%	1%
Sea and coastal passenger water transport	76%	18%	4%	2%
Inland passenger water transport	85%	10%	5%	0%
Inland freight water transport	89%	11%	0%	0%
Passenger air transport	55%	24%	14%	7%
Hotels and similar accommodation	54%	34%	11%	1%
Holiday and other short-stay accommodation	88%	9%	2%	1%
Camping grounds, recreational vehicle parks and trailer parks	78%	18%	4%	0%
Other accommodation	87%	12%	1%	0%
Restaurants and mobile food service activities	85%	13%	1%	0%
Event catering and other food service activities	82%	14%	3%	1%
Beverage serving activities	81%	18%	1%	0%
Renting and leasing of motor vehicles	79%	17%	3%	1%
Travel agency and tour operator activities	77%	18%	4%	1%
Other reservation service and related activities	77%	18%	5%	0%
Organisation of conventions and trade shows	80%	17%	3%	0%
Creative, arts and entertainment activities	92%	7%	1%	0%
Libraries, archives, museums and other cultural activities	69%	21%	9%	1%
Gambling and betting activities	68%	22%	7%	2%
Sports activities	78%	17%	4%	1%
Amusement and recreation activities	77%	20%	3%	1%
<b>Total – All Tourism Industries</b>	<b>81%</b>	<b>16%</b>	<b>2%</b>	<b>1%</b>

Source: Department of Business, Innovation & Skills

### 6.3 Structure by Number of Employees and Turnover

While SMEs (Small and Medium Enterprises) account for the majority of tourism businesses, they account for a relatively small, but by no means insignificant, share of turnover and total employment.

Table 6, below, illustrates this point, providing more detail about business structures specifically within the accommodation sector.

This shows that while fewer than 2% of accommodation businesses have more than 100 staff, they account for over half of all jobs and all turnover in the sector. In contrast, 51% of accommodation businesses have no employees i.e. the business owner is effectively the only staff member, accounting for 4.9% of total tourism employment and 3.9% of turnover. While this may sound negligible, if we apply these percentages to the totals for tourism employment and output highlighted earlier in this paper, this would mean some 16,000 jobs and over £700 million in turnover in the accommodation sector alone – a vital contribution to the visitor economy.

**Table 6: Accommodation Sector – Number of Business Units, Employment and Turnover by Size of Business (2011)**

	<b>Business Units</b>	<b>Employees</b>	<b>Turnover</b>		<b>Business Units</b>	<b>Employees</b>	<b>Turnover</b>
	<b>Number</b>	<b>thousands</b>	<b>£ millions</b>		<b>%</b>	<b>%</b>	<b>%</b>
<b>All enterprises</b>	<b>25,750</b>	<b>389</b>	<b>18,863</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
All employers	12,635	370	18,126		49.1	95.1	96.1
With no employees	13,115	19	737		50.9	4.9	3.9
1	1,645	4	388		6.4	1.0	2.1
2-4	3,950	14	920		15.3	3.6	4.9
5-9	2,330	17	985		9.0	4.4	5.2
10-19	1,820	26	1,284		7.1	6.7	6.8
20-49	1,680	53	2,289		6.5	13.6	12.1
50-99	740	51	2,241		2.9	13.1	11.9
100-199	295	40	1,972		1.1	10.3	10.5
200-249	45	10	594		0.2	2.6	3.1
250-499	75	26	1,284		0.3	6.7	6.8
500 or more	55	127	6,169		0.2	32.6	32.7

Source: Department of Business, Innovation & Skills

*How to read this table: In the accommodation sector, there are 25,750 business units. 13,115 (50.9% of the total) have no employees, and 12,635 (49.1% of the total) employ at least one member of staff.*

## 7. In Conclusion

It can be difficult to measure the supply side of tourism, as the businesses that make up the industry and the people employed in it are categorised across a range of different sectors in standard official statistical sources. The work carried out by the TIU in extracting this data and bringing it together to paint a picture of the whole sector is an important step forward in understanding the size and value of the visitor economy.

### **Note: The Tourism Intelligence Unit**

The full range of outputs from the Tourism Intelligence Unit can be accessed on their [home page](#) within the website of the Office for National Statistics, and via the [ONS section](#) within the VisitEngland website.