

INCLUDING A "TOURISM MODULE" IN HOUSEHOLD INCOME/EXPENDITURE SURVEYS: WTO PROPOSAL

World Tourism Organization ¹

Abstract: The present note is a request for cooperation submitted by the WTO to the ILO with regard to its statistical activities in relation to Household Income/Expenditure Surveys (HI/ES) and the Consumer Price Index (CPI) System. The WTO's proposal to the ILO has a basic objective: to study the viability of including a "tourism module" to this type of surveys, in order to obtain, in the medium term, a set of comparable estimates of the importance of domestic and outbound tourism in different countries.

Index

Introduction
Measurement of tourism expenditure
Working materials provided by the WTO

¹ This text corresponds to the note submitted in November 2002 to the Bureau of Statistics of the International Labour Office (ILO) by WTO's Statistics Department.

INTRODUCTION

The present note is a request for cooperation submitted by the WTO to the ILO with regard to its statistical activities in relation to Household Income/Expenditure Surveys (HI/ES) and the Consumer Price Index (CPI) System.

This request is based on the new guidelines approved by the United Nations Statistical Commission in 2000 regarding the new international standard for the measurement of the economic impacts of tourism: the Tourism Satellite Account (TSA).² In particular, this new international recommendation contains much more rigorous definitions of domestic and outbound tourism as well as of the components of tourism expenditure associated with these two forms of tourism, compared to the earlier recommendation.³

The WTO considers the Household Income/Expenditure Surveys (HI/ES) to be an ideal instrument for estimating such expenditure based on two main reasons: first, because of the solidity of this instrument of statistical observation, primarily designed and used to measure the consumer expenditure of resident populations; and secondly, due to its widespread use in different countries.

The WTO's proposal to the ILO has a basic objective: to study the viability of including a "tourism module" to this type of surveys, in order to obtain, in the medium term, a set of comparable estimates of the importance of domestic and outbound tourism in different countries.

The opinion of the ILO would have a special relevance for both the National Tourism Administration and the National Statistical Office of a given country to study the most reasonable and feasible option to measure tourism expenditure associated with domestic tourism.

MEASUREMENT OF TOURISM EXPENDITURE

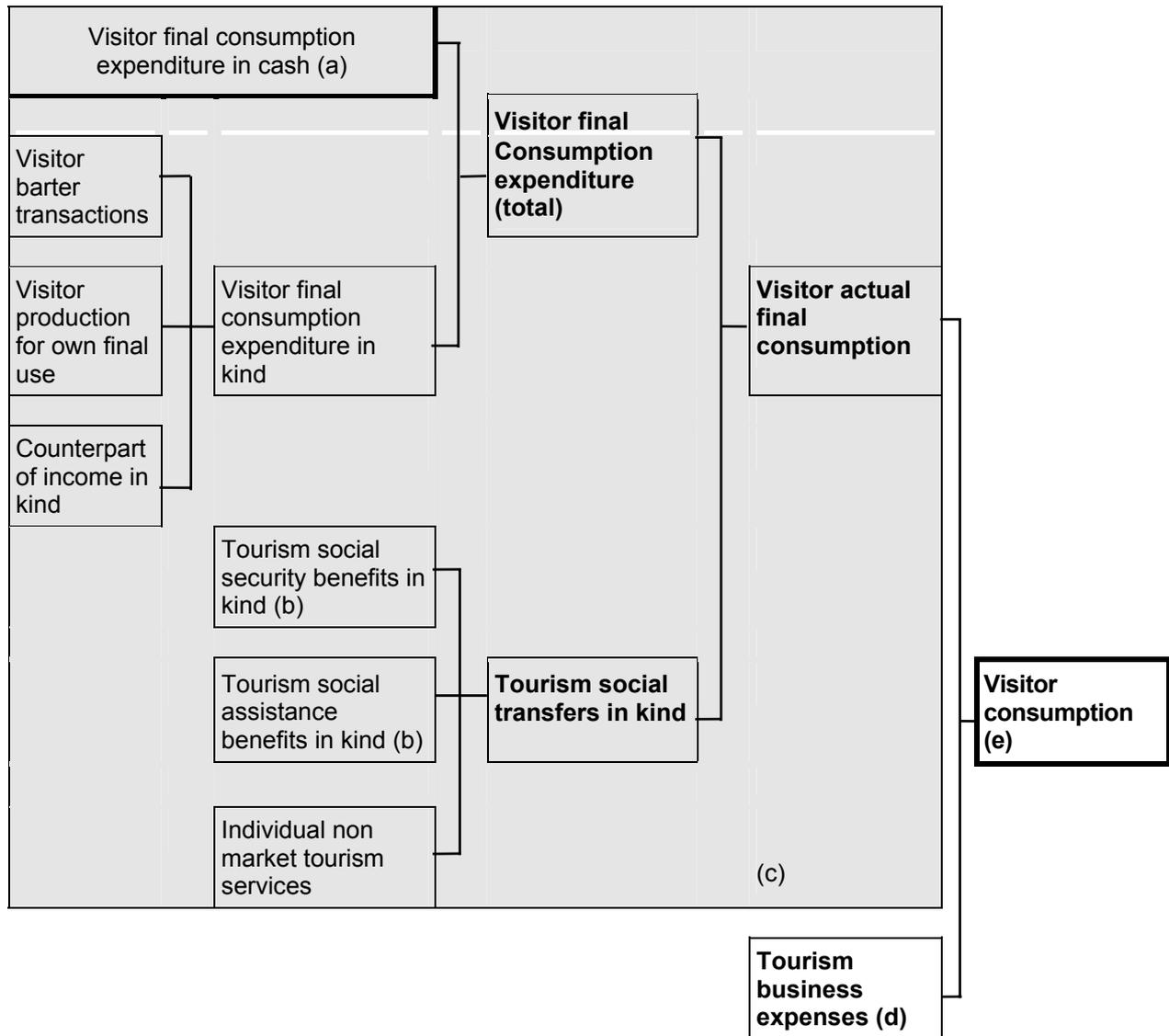
The conceptual framework for the quantification of the economic impacts of tourism is built on the concept of "visitors" (a subset of "travellers") and on the corresponding consumption of goods and services for trips that can be classified as being for tourism purposes.⁴ The TSA document indicates the different components of visitor consumption regardless of the reference group (resident or non-resident visitors –either tourist or same day visitors-) and the place where such consumption takes place (within or outside the economic territory of the country of reference).

² United Nations, World Tourism Organization, Organisation for Economic Cooperation and Development and Commission of the European Communities (Eurostat) (2001). *Tourism Satellite Account: Recommended Methodological Framework*. United Nations, New York

³ United Nations, (1994). *Recommendations on Tourism Statistics*. United Nations, New York

⁴ According to the text of the first set of International Recommendations on tourism statistics, tourism trips can be for any of the following purposes: leisure, recreation and holidays; visiting friends and relatives; business and professional; health treatment; religion/pilgrimages and other purposes.

Components of visitor consumption



- (a) This always represents the most important component of total consumption of or on behalf of visitors. It covers what is usually meant by "visitor expenditure", but the 1993 SNA obliges the use of more precisely defined terms. The term "in cash" does not necessarily mean a disbursement of "cash" but refers to all visitor final consumption expenditure that is not in kind.
- (b) The term "tourism" refers to transfers for tourism purposes addressed to potential visitors.
- (c) The area in grey represents the part of total consumption of or on behalf of visitors that corresponds strictly to the transposition of the 1993 SNA concept of household actual final consumption to visitors (both residents and non-residents).
- (d) Including expenditure on transport and accommodation of employees on business trips and expenditure made by business, government and NPISH on behalf of guests outside their usual environment.
- (e) Visitor consumption refers to total consumption of or on behalf of visitors and could, consequently, also be termed as "visitor demand".

The analysis of tourism must distinguish the relationships between visitors and the place visited. From a macroeconomic perspective and for the country as a whole, the tourism behaviour of the resident population (with regard to trips both within and outside the economic territory of reference) is characterized in tourism statistics as domestic or outbound tourism, respectively.⁵

The recently approved second set of international recommendations regarding tourism statistics⁶ has underlined that it is necessary to quantify domestic tourism in order to quantify the economic impacts of tourism: when countries began developing TSA implementations, a country such as Spain, one of the leading countries in terms of tourism, has been able to estimate that this type of tourism is bigger in terms of associated expenditure, than the more than 75.8 million arrivals of non-resident visitors recorded in 2001.⁷

In fact, Tourism Satellite Account (TSA) has been the beginning of a process for reviewing and revising the System of Tourism Statistics (STS). The main issue to be considered is whether these statistics are capable of supplying the data needed for the measurement of the aggregates of the TSA or in more general terms, the measurement of tourism economic impacts using the conceptual framework of the TSA.

Regarding the measurement of expenditure associated with domestic and outbound tourism, an initial issue would be to decide whether or not there is an alternative to using the household survey as an ideal way to estimate this variable. From the experience we have been accumulating, it would seem to be beyond all doubt that with regard to expenditure associated with domestic tourism, there is indeed no other alternative. However, in the case of outbound tourism, it can be argued that it should be possible to compare and contrast estimates via household surveys with others obtained through statistical operations at border-crossings for the group of resident visitors returning to their country of residence.⁸

Another aspect to consider is the degree to which the outbound tourism data in countries with powerful Household Income/Expenditure Surveys (HI/ES) or even household surveys designed as true instruments for observing tourism (as is the case in the European Union, where, moreover, they are largely harmonized in all countries), can be used as an estimate of the corresponding inbound tourism flow for a given country of reference. That is, whether intraregional flows in the European Union (to cite one possible example) can be estimated with sufficient accuracy based on the corresponding flows of outbound tourism estimated in the respective harmonized surveys in each of the member countries.

⁵ This distinction is important because, throughout this document, no mention is made of inbound tourism (that is, the tourism of non-resident visitors within the economic territory of the country of reference), since the population studied by Household Income/Expenditure Surveys consists of the residents of a country.

⁶ United Nations, World Tourism Organization, Organisation for Economic Cooperation and Development and Commission of the European Communities (Eurostat) (2001). *Tourism Satellite Account: Recommended Methodological Framework*. United Nations, New York.

⁷ Save for certain exceptions, it is a fact that the greater the tourism power of a country (measured in terms of the number of residents who travel abroad for tourism purposes), the greater the weight of domestic tourism.

⁸ Whether the questionnaire on expenditure during a traveller's stay is administered at the border crossing itself or once the traveller is back in his usual residence is another issue that we mention only in passing.

These two issues are not the only ones, but they are certainly important enough to be mentioned as elements to consider when designing statistical instruments aimed at capturing with the desired accuracy these flows and expenditures in the case of outbound tourism. Obviously, the list can be extended: one example is the quantitative size of these flows (whether in physical and/or monetary terms), which can, by themselves, make it unadvisable to develop any type of observation mechanism to complement household surveys.

With regard to domestic tourism, it would seem that each of our experiences as of the present time corresponds more or less to one of the following scenarios:

- surveys specifically designed to estimate tourism expenditure (Ecuador and India);
- surveys specifically designed to analyse the tourism behaviour of the resident population and include certain questions on tourism expenditure (European Union countries);
- design of sub-samples to estimate tourism expenditure in HI/ES (Switzerland);
- inclusion of certain questions on tourism expenditure in HI/ES (Colombia and Spain).

As for the "specific" surveys, their sample design should necessarily be very similar (if not identical) to that of Household Budget or Labour Force Surveys. As is well known, this type of household surveys are complex and costly, and so it is reasonable to think that only a very limited number of countries would be able to maintain continuous operations of this nature. The more usual case would be for a country that carries out an initial specific survey, to find the appropriate indicators in order to periodically update the main aggregates obtained from the initial exercise.

Whether for this reason or for the more obvious one that in many countries it would not even be possible to obtain the funding for a "specific" survey, the WTO is proposing that the ILO study the viability of including a "tourism module" in the Household Income/Expenditure Surveys as the most reasonable alternative for the vast majority of countries.

WORKING MATERIALS PROVIDED BY THE WTO

Over the past year and a half, we have carried out a number of initiatives in relation to the above mentioned proposal:

- first, we have collaborated in a research project aimed at establishing the proposal's rationality and usefulness for analysis purposes from the perspective of both estimating expenditure, and using tourism price indices obtained through the re-weighting of basic indices obtained using the Consumer Price Index system.

- secondly, different types of initiatives have been carried out in the Workshops held so far to promote the development of the System of Tourism Statistics, from the perspective of the Tourism Satellite Account (TSA).

With regard to the above-mentioned research project, papers by Mr. Juan M. Pérez Mira, a professor from the Economic Analysis Department of the Universidad de Valencia, Spain ⁹. The Statistics Department of the WTO decided to collaborate in this project as it seemed to be an opportunity to ponder whether it would be advisable to revise certain basic components of the General System of Statistics (such as the HI/ES and the CPI) as a result of the new information requirements demanded by the development of the Tourism Satellite Account.

The first paper analyses the potential of the information supplied by HI/ESs in the framework of the TSA, concluding that the emergence of the TSA has called into being a new factor that to date has gone virtually unexplored in the system of national statistics, namely, the territorial or geographic component. Indeed, the very definition of a visitor is based on that geographic component, in that a consumer will or will not behave like a visitor depending on the venue where consumption takes place. ¹⁰

The “usual environment” marks the difference, and though it is obviously a complex issue to clearly draw up the boundaries for the ordinary environment in all cases and in all type of countries, it is equally clear that whatever it may be, we are talking about a geographic area and that, in consequence, the geographic component is fundamental to the process of building the TSA.

A second basic conclusion reached in that study was that the information compiled in the HI/ESs offers a high potential for the process of TSA development.

The object of the second paper was to establish to what extent price indices based on information provided by the HI/ESs, that is, CPIs, are valid in the framework of the TSA. In other words, to look at the possibility of using CPIs in the context of the Account and examine possible bias that needs to be curtailed when they are used in that context.

As mentioned in 3.1, over the past year and a half, certain initiatives have also been carried out as part of the different Workshops organized by the WTO: for example, aside from compiling case studies (some of which have been mentioned in 2.8), progress has been made in the identification of certain specific issues related to the use of this type of surveys for tourism analysis purposes.

In particular, we believe that it would be interesting to work towards the definition of a Research Agenda on the “peculiarities” arising from the use of household surveys for tourism (insofar as it constitutes a separate domain of statistical observation) in terms of design as well as execution and analysis. Some examples are:

⁹ Both papers “Household Budget Surveys as a Means of Measuring Visitor Expenditure” and “Price Indices and Tourism Consumption in the Framework of the Tourism Satellite Account (TSA)”, have been published by the WTO in the Enzo Paci Papers on Measuring the Economic Significance of Tourism (vol.1 and vol.2 of 2001 and 2002, respectively).

¹⁰ Inside or outside the usual environment.

- HI/ESs record the expenditure incurred by the residents in a specific administrative area (region, province, city) by products but do not take account of the precise location where this expenditure actually takes place; without determining such information it will be impossible to distinguish tourism consumption from other types of consumption;¹¹
- a related issue refers to the establishment of the precise boundaries of the "usual environment" (that is to say, defining the operationalization of this basic concept in tourism statistics);
- apart from that, and in relation with the sample unit it should also be noted that although consumption surveys contain information relative to the number of household members, for identifying the visitor it is not only necessary to identify where have been made the expenditure (inside or outside the usual environment) but it is required also additional information to single out the household members who have been qualified as visitors in the period of reference;
- the correct identification of the geographic area in which the expenditure have actually taken place is also a crucial information to determine the amount of consumption expenditure of those resident visitors travelling abroad before departure or after their return; this component should be included in the domestic tourism estimates;
- for domestic tourism, HI/ESs could be adapted to allow a better treatment of second homes for tourism purposes, and the frequently trips to them made by the household members, one of the keys in many cases for understanding the real magnitude of this form of tourism;
- the term "household" is not suitable for the analysis of tourism: the "tourist group" is more appropriate and should be defined;
- the list of products to be used should allow the correspondence between the list of characteristic and connected tourism products proposed in the TSA official document and the Classification of Individual Consumption by Purpose (COICOP);
- tourism is not in all countries homogenous enough; in those cases, some type of correcting factors could be seen as adequate for upgrading the results related with tourism activity as measured in HI/ES;

¹¹ The continuous HI/ES carried out by Spain's Instituto Nacional de Estadística includes the concept "territory of purchase", which is referred to in the following instructions for filling out the questionnaire: "If the person responding to this questionnaire purchased a good or service while on an overnight or same-day trip, you must also include in this column whether the purchase was made within the country or abroad, whether the purchase was made within or outside the European Union, and whether the trip was for business purposes or for another purpose (family, holidays, etc.). For example, if the person bought an umbrella in London during a business trip, note down 'umbrella purchased abroad and within the European Union during business trip' in the item column. However, expenses during business trips that are paid for by the company should not be noted down."

- experience show that the estimate of some components presents special difficulties. For instance, obtaining complete information on expenditures for business trips from private households (which are, mostly, employed by a company that pays part of these expenditures);
- etc.

The document submitted to the Bureau of Statistics of the International Labour Office (ILO) included not only the contribution of Prof. Juan Manuel Pérez Mira but also the following material:

- Domestic Tourism Expenditure Survey Questionnaire (India)
- Travel Behaviour of People Living in Switzerland in 1998 – Travel Module of the Household Income and Consumption Survey for 1998 (HIC98) – Methodology and Principal Results (Switzerland)
- Tourism Module Incorporated in Household Budget Surveys (Colombia)