



Poverty as an Obstacle for Travel: Domestic Tourism Activities in Spain

Volkan Altintas^{1*}, Demet Tuzunkan²

¹Woosong University, South Korea, ²Woosong College, South Korea. *Email: volkan_altintas@hotmail.com

ABSTRACT

In basic terms, income inequality, one of the economic inequalities that branch from social inequality, is used to define the income gap among individuals. Though a section of the population may benefit from overly high income, a larger section may continue to struggle with survival on very limited income. Income inequality impacts individual consumption and changes touristic product preferences, which have a high level of the elasticity of substitution. The numbers for income inequality based on the Gini coefficient have been attained from organization for economic co-operation and development data, and the changes in domestic tourism activities in years with ascending or descending income inequality have been attained from UNWTO data and interpreted within this framework. Spain has been chosen for a sample study for the attention it draws as a European Union country with high income inequality and high domestic tourism potential.

Keywords: Tourism, Spain, Poverty, Gini Coefficient, Inequality

JEL Classifications: D63, I32, L83, Z3

1. INTRODUCTION

Economic inequalities, viewed under the broader topic of social inequalities, are approached by economists in 3 major headers. These are income inequality, consumption inequality and wealth inequality (The Economist, 2014). Among them, income inequality is the one with the most cognizable and thorough data with extensive measurements from around the globe. In terms of consumption inequality, people's living standards are observed to be more in line with the products and services they consume, rather than the amount of money in their bank accounts. Thus, its measurement may yield relative results. On the other hand, wealth may possess a hereditary nature through family inheritance, and may also be lost easily due to consumption and/or natural disasters.

Economic inequalities in the world have been on a day to day rise since the 1980's (Özerkmen, 2004). Among the factors that have caused such a rise are changes in the structure of population, the ascent of already high income levels, the large gap between full time workers and industries, unemployment and low income (organization for economic co-operation and

development [OECD, 2008]), alongside with the terminable nature of certain areas of work and low levels of union membership (Keeley, 2015. p. 14).

Tourism must be approached as a locomotive sector for decreasing income inequality and abolishment of poverty on the individual level. However, for this and other positive effects to realize, social and economic costs need to be brought down to lowest possible levels. Economic trouble, property problems, regional employment, distribution of profit, social and environmental factors and dependence are among the costs that need to be minimized (Özkök, 2006. p. 91).

2. THE ROLE OF INCOME IN TOURISM DEMAND

Following minimization of costs, the positive economic results of tourism will only be meaningful with the participation of individuals in touristic activities. Without demand and touristic consumption, development of the region or the region's people is not possible. Touristic consumption has been defined by Olali (1969. p. 27) as the quantity of people who possess a desire to

purchase touristic products and services outside of their continued residences, in a given market, at a given price, for rational or irrational reasons; sufficient economic means and free time to realize this purchase. However, for this purchase and consumption to take place, a demand for this touristic product needs to have emerged first.

İçöz and Kozak (2005) have gathered together the factors effective on demand for tourism under four main headers, comprising of economic, social, political and psychological factors. These headers and their contents have been summarized in the Table 1.

For İçöz and Kozak, expendable income level lies within the scope of economic factors, and for Bahar (2004), tourism demand necessitates use of personal income. In other words, tourism demand is reliant on the income of individuals. However, the demand's income flexibility is tolerably high. The high quantity of maintainability opportunities in tourism demand and the influence of economic, social and political factors, bring in a very flexible quality to tourism demand preferences. Tourism demand is in competition with other luxury and cultural product and services within the economy. As substitutable prospects in areas other than tourism are ample, especially luxurious products and services can easily replace touristic products and services. In other words, an individual with low income may choose to purchase a refrigerator instead of going on vacation. Besides, the tourism demands of developed countries and developing countries may differ, suggesting that countries' level of development also influence tourism demand.

According to Ryan (2003. p. 39), destination countries' inflation and foreign currency levels, travel costs and economic depressions are also among the economic factors effecting tourism demand. Ardahaey (2011. p. 206) draws attention to the significance of income inequalities among economic factors and underlines that touristic products are mostly consumed by the wealthiest portion of the public. Literature reveals that other studies have identified individual income level's major preceding effect on tourism demand (Song and Witt, 2011; Querfelli, 2008; Uysal, 1998; Lim, 1997; Morley, 1992).

Table 1: Factors effecting tourism demand

Economic	Social	Political	Psychological
Prices	Population structure	International political attitudes	Trends
Level of expendable income level	Occupation		Religious beliefs
Distance	Education	Visa requirements	Advertisements
Tourism sector's under and over structure price profile	Family structure		Publicity
	Urban life		Prestige and bravado
	Free time		Yearning for life in nature

3. GINI COEFFICIENT AND INCOME INEQUALITY IN SPAIN

In its broadest definition, income inequality is unequal distribution of national income among individuals, groups and production factors. Common judgment states that higher the injustice in income distribution of a country is, higher the troubles in the country will be. It is reasoned that social problems such as psychological disorders, infant mortality and drug abuse rates move in connection with income inequality (Seven, 2015). Income inequality is calculated through different methods in literature. Pareto coefficient, inverted-U hypothesis, percentage ratio analysis, Lorenz curve and the Gini coefficient are among the widest known methods. The most employed among these is the Gini coefficient.

The Gini coefficient, used in calculating income inequality has been developed in the early 20th century by Italian economist and statistician Corrado Gini (Ekodialog). It has been derived from the Lorenz curve, used to exhibit the unequal distribution of income or wealth to the population.

If income is distributed evenly in a society (if everyone receives the same income), and inequality does not exist, the Gini coefficient becomes "0" and if all the income within the society is collected by a single individual, then the Gini coefficient equals "1" (Ortiz and Cummins, 2011). Therefore, as inequality decreases the value decreases, as inequality increases the value also increases.

According to Ceylan (2014), the factors effecting the Gini coefficient and therefore, income equity vary. For example, the society's family structure, population structure, education level, tax situation, finance sector or industrial structure and developmental indicators are among the factors that may stimulate income distribution in a country.

In order to calculate the income distribution and poverty statistics within OECD countries, the Gini coefficient has been used by way of a formula. Despite its disadvantages among other methods employed in measuring income inequality, the Gini coefficient meets four basic criteria that must be present in the measurement. These are symmetry, population-invariant, scale-invariant and transmission principle (Foster et al., 2013. p. 81). The calculations using OECD data include expendable income post-taxes.

As given in OECD, income inequality 2013 data's; Spain has ranked 9th from last with a Gini coefficient of 0.346 among OECD countries. As North European countries including Iceland, Norway and Denmark display a more equal distribution of income with coefficients close to "0," Spain's placement as another European country among the bottom countries is attention-grabbing.

According to OECD data, Spain ranks next to last, just before Estonia in EURO region. With this standing, it becomes evident that the gap between the wealthy and poor is wider in Spain than the other countries.

According to Table 2, Spain's income inequality trajectory has seen rises and drops in the past 10 years. Especially in 2013, a steep hike

from 2012's income inequality level is visible. Hamilos (2013), highlights that economically-speaking, Spain is Europe's most unequal country and states that approximately 3 million people in Spain live in extreme poverty. Included in Hamilos's research is also the fact uncovered by credit Suisse, which the wealthiest section of Spain has increased by 13%, reaching 402,000 people in 2011. Also stated is that Spain has the highest number of the working poor after Turkey and Chile and that income inequality has risen in 2014, despite Spanish economy's growth by 1.4% (Gonzalez, 2016).

Gradin (2015) locates the causes behind the high level of income inequality in Spain in the aftermath of the 2008 economic stagnation and crisis as the following rise in unemployment, the fall in educated workforce and the implemented tax regulations. Therefore, it may be deduced that there may indeed be restrictions on personal expenditures in Spain where the gap between wealth and poverty is so wide. After their essential expenditures, individuals decide on what to do with the remainder of their incomes themselves. How much of a priority does the demand for touristic products constitute in this sense? After all, for the need for vacation to become a demand, one has to have enough money (Bui and Jolliffe, 2011. p. 17). People decide whether to go on vacation or not, and what their vacation entails, based on their available budget.

4. STUDY OBJECTIVE AND METHODOLOGY

According to Eurostat 2014's data on domestic tourism, Spain has ranked second with 91.1% after Romania among European countries in terms of the highest level of domestic touristic activity. Among domestic tourists within Spain, 84.9% have preferred overnight lodging and 70.9% of tourism revenue has been from domestic tourism. In terms of domestic travel, Spain ranks top

among Southern European countries. Following Spain are Portugal (90%) and Greece (88.8%) (Eurostat Statistics, 2014).

Because of the significance of domestic tourism, this study has been conducted in order to examine the change in Spain's domestic tourism within the frame of the Gini coefficient. When income inequality among individuals rise or drop, touristic product preferences display change accordingly as well. UNWTO examines domestic tourism activity in five separate criteria: Based on overnight stays; purposes of travel; employed method of transportation; preference of organization and tour packages, and forms of accommodation. In this study, data for these preferences in Spain between 2011 and 2014 have been interpreted collectively and comparatively together with the Gini coefficient fluctuations within the same period. Through this, the study aims to create a perspective for touristic businesses and suppliers that can guide touristic product demands, manage and evaluate resources facing demand decrease due to income changes.

5. FINDINGS

Spain's Gini coefficients and domestic tourism preferences for 2011-2014 are listed together in Table 3. The most recent Gini coefficients supplied by OECD are from the year 2013. According to the supplied data, Spain's income inequality has dropped in 2012 from what it was in 2011 and yet has seen a rise again in 2013 from its 2012 value. In this context, it may be concluded that in 2013, the country's rich have gotten richer and the poor have gotten poorer.

When domestic tourism data gathered from UNWTO is considered, it can be determined that based on overnight stays, when income inequality dropped in 2012, thus indicating that the gap between the wealthy and the poor decreased, overnight stays increased and

Table 2: Income inequality in Spain based on the Gini coefficient (2004-2013)

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Spain	0.332	0.324	0.316	0.324	0.328	0.334	0.340	0.342	0.335	0.346

Source: OECD. Income Inequality. (Online) <https://data.oecd.org/inequality/income-inequality.htm>

Table 3: Income inequality in Spain and domestic tourism activity (2011-2014)

Spain	Areas of focus	2011	2012	2013	2014
UNWTO essential areas of focus	Inequalities based on the Gini coefficient	0.342	0.335	0.346	-
Based on overnight stays (1000 people)	Overnight lodgers	147.408	148.369	144.527	139.615
	Daily visitors	200.287	224.442	253.896	323.146
Purposes of travel (1000 people)	Personal reasons	133.648	137.080	135.382	132.206
	Vacation, rest, entertainment	79.849	78.495	74.999	75.754
	Business	13.760	11.289	9.146	7.409
	Other	53.799	58.585	60.383	56.452
Based on transportation (1000 people)	Air travel	9.535	8.325	7.130	6.821
	Sea travel	978	951	1.101	1.222
	Railway	7.124	6.692	7.256	6.770
	Land route	128.955	132.085	128.647	124.437
Based on organization form (1000 people)	Tour package	2.757	2.293	2.570	2.911
	Other than tour package	144.650	146.076	141.958	136.704
Based on accommodation (1000 people)	Hotels	45.825	43.026	42.569	44.683
	Other mercantile businesses	9.606	9.283	9.305	10.503

Source: OECD statistics income distribution and poverty (Spain); UNWTO, e-library, tourism statistics, domestic tourism. OECD: Organization for economic co-operation and development

that in 2013, when income inequality increased, overnight stays dropped. The number of day-trippers, tourists who do not stay overnight, rises each year and the rise happens in increasing rates. With this data, it is easy to effortlessly determine that as income inequality rises, overnight stays drop in number.

Based on purposes of travel, it can be observed that individuals' travels for personal reasons are in direct proportion with the increase and decrease in the Gini coefficient. In other words, tourists participate more in domestic tourism activity for purposes of health, sports, religion and visits when income gap reduces, and tend to participate less when income gap widens. Travels with business purposes decrease each year.

Based on data regarding methods of transportation, use of sea travel and railway appear to parallel the fluctuation of the Gini coefficient. As the Gini coefficient decreases, preferences of sea travel and railway decrease, but at times when the rich become richer, and the poor become poorer, demand for sea and rail travel increase. This situation may be interpreted in direct relation to the lower prices offered by sea and rail travel companies. The use of airway companies decreases each year, land travel is observed to be a more preferred option when income inequality drops and land travel companies are less preferred when income inequality increases.

A similar situation is observed in terms of tour packages. Tourists partaking in Spain's domestic tourism do not appear to prefer tour packages when income inequality drops but steer towards these packages at times of income inequality rise. Considering that tour packages are more economic in comparison to individually purchased lodging, transportation, dining and guide services, it is not surprising to see a preference for tour packages during periods of income inequality increase.

Based on methods of accommodation, non-hotel economic facilities such as guesthouses, motels and hostels are observed to be preferred in direct proportion to the fluctuation in the Gini coefficient. As income inequality increases, this type of accommodation is preferred more.

6. CONCLUSION

In this study, the effects of income inequality on Spain's domestic tourism activities have been examined. When data published by OECD and UNWTO were examined together, it was observed that income inequality influenced both the demand for and intermediaries of domestic tourism, alongside purposes of travel and overnight lodging in different ways. It was observed that as the Gini coefficient approached "1," meaning that the expendable income of the poor decreased, lodging in non-hotel facilities and travel by sea and railway increased. It was also attention-grabbing that as income inequality increased, overnight lodging in domestic tourism decreased and as income inequality decreased, overnight stays increased.

Spain has touristic resources and opportunities that can appeal to every kind of preference in every season. This is an

advantageous situation for domestic tourism activities. Even though foreign tourism activities and promotions are more supported by both tourism organizations and shopkeepers for purposes of incoming foreign exchange, at times of impending economic crisis, producers turn towards domestic tourists. The participation of the poor in touristic activities, and more people's travel and discovery of their own culture, despite the income gap, will progress a country further. For this reason, the main job falls on the shoulders and coordinated efforts of government bodies, banks, non-governmental organizations and tourism organizations. These institutions should regard domestic tourism not as an alternative but as a market open to development, and by conducting demand analysis, organize campaigns to guide the people towards discovering, learning and developing curiosity for their own culture or just resting and relaxing.

Planned work by airlines to provide discount tickets, hotels to offer early reservation discounts, idle facilities to offer favorable rates; all of which are essential initiatives to increase activities of the lower-middle income group, can also prove effective in providing citizens with vacationing habits. Travel agencies and tour operators also face important tasks such as establishing travel habits through tour packages and their development.

As a conclusion, it is important for future studies in this context that comparative data is attained and interpreted with the inclusion of foreign tourism activities. Apart from this, even though a short-term solution for Spain's OECD and EU ranking among the bottom few in terms of income inequality is hard to achieve, the necessity to keep the Gini coefficient under control is vital to close the rich-poor income gap in the long run.

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