

# The Role of Tourism in the Development of Employment in Istria

Jasmina Gržinić, Aljoša Vitasović, University Jurja Dobrile in Pula

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**ABSTRACT** - *In comparison to other Mediterranean countries, the Croatian tourist sector is of greatest importance to the economy in general, and to exports in particular. However, analyses have shown that in spite of its successes, Croatian tourism has not yet reached the level of activity it had before the war. Good results can be seen in a significant growth of income from tourism, a decrease in the unit-based cost of labor, a growth of productivity and employment and a gross added value in the activity of hotels and restaurants. The problems in Croatian tourism are mainly to be found in insufficient investments in hotels and restaurants, a marked seasonality, insufficient occupancy of capacities, negative business results, overpriced products and services connected to tourism in comparison with the competition (Italy, Austria, Greece, Czech Republic, Hungary, Italy and Switzerland). This paper is trying to present the state of employment in tourism in Croatia and Istria in the after-war period and research some concrete measures undertaken to educate the personnel.*

## 1. Introduction

According to the World Travel and Tourism Council, the tourism industry is the biggest industry in the terms of investment, employment and GDP. Tourism is significant export product and employment generator. The characteristics of employment and the effects of tourism development vary according to the type of tourist activity, some types of tourism being more labour-intensive than others. (Ratz, T. & L. Puczko: 1998).

Tourism economies have remarkable differences with respect to the economy as a whole. Tourism significantly contributes to the Republic of Croatia's economic growth. The needs of employment position in the hotel and catering business is directly connected with the seasonality character of the Croatian tourism destination. The paper analyze the difference in the tourism labor market of the economy highly specialized in tourism.

The division of the analysis of tourism in different fields can cause the abandonment of some relevant areas. (Kinnard & Hill: 1994). Most of the existing research deals with a higher labor instability, less remunerations, and occupational segregation. (Breathnach et al: 1994), (Purcell: 1997). The most commonly used definition is the following: "Tourism is the temporary movement of persons to destinations outside their normal home and workplace for leisure, business and other purposes, the activities undertaken during the stay and the facilities created to cater for the needs of tourists." (WTO, 1989). "The Travel and Tourism industry is defined by the economic activities (personal, investment, government, business and net export) associated with travel as measured by the wide variety of current and capital expenditures made by or for the benefit of a traveller before, during and after a trip" (WTTC, 1995).

Under a social point of view, higher standards of living may be observed, as well as an increase of employment opportunities and productivity. (Santos, C. & Almeida, A: 2004). It is necessary to encourage the tourism industry to always strive for a better education of staff in tourism industry. Most of the existing research deals with a higher labor instability, less remunerations, and occupational segregation. (Breathnach et al: 1994), (Purcell: 1997).

In Croatia every region must be focused on the development of the tourism offerings which will have the greatest influence on the on employment. However, economic analysis in the tourism

system must embrace those forces which protect life, as well as the traditional supply-demand equation which focuses on maximizing profit to the shareholder. (Reid, D.G.: 2003).

Most services provided to the tourists have to be delivered at the time and place at which they are produced (Hansen & Jensen: 1996). In this analysis authors tried to consider the fact that financial resources are required to generate employment. The same vary with the size of hotel companies, the types of working skills, the economic development of the destination region as Croatian Istria, etc.

## 2. The Role of Tourism in the Development of Employment

After the right to life and freedom, the right to work has become the basic principle of human interrelationship in the modern world, contained in all the relevant international declarations, conventions and systems of government. Besides, work is at the base of the philosophy and general culture of modern humanity, which makes it not only a right but also an obligation, so much that it is today identified with a strict rule of life – man lives by his work.

Tourism and national employment policy are in complete correlation in the world. It is the same on both the emitting and receptive tourist poles in the world. Otherwise, such an important tourist logistics would not exist. It is clearly visible, whether we observe Germany (where the annual unemployment rate is about 8% of the fit for work population), as a predominantly emitting tourist power employing 1.800.000 people in tourism (data from 1995), or Italy (where the north-western part of the country has an unemployment rate around 8-10% and more than 20% in the south), where around 2.000.000 people is employed in the receptive sphere of tourism.

According to the Croatian Employment Office, in September 2006 there were 50.000 unemployed in the sector of tourism and catering. On the other hand, the Croatian trend does not enter in the developing countries. The importance of tourism in the overall economy of Croatia is still smaller than in other Mediterranean countries, while salaries in that activity are 15 to 20% lower than the national average<sup>14</sup>.

*Table 1 - Seasonal employment in tourism and catering (in 000)*

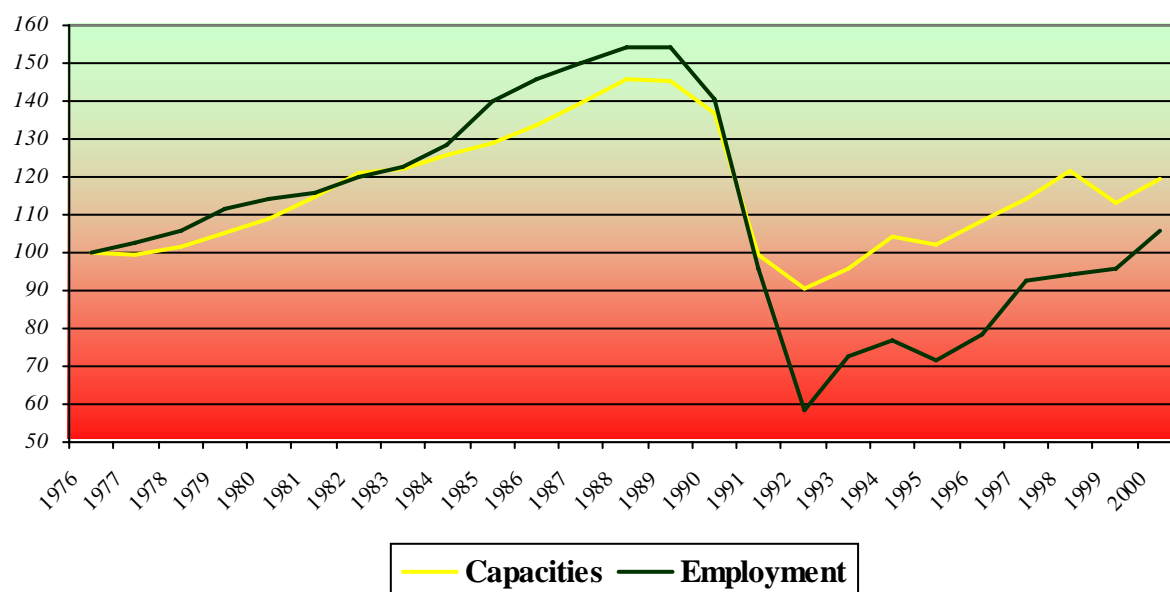
2005 month	No. of employed in Croatia	Employed in tourism and catering	Ratio of tourism and catering in the total employment (%)
I	1.317	70	5,3
II	1.332	71	5,3
III	1.333	72	5,4
IV	1.341	74	5,5
V	1.354	80	5,9
VI	1.368	88	6,4
VII	1.379	93	6,7
VIII	1.381	94	6,8

Source: Central Bureau of Statistics

Under direct employment, we mean work inside a structure of a direct tourist activity, like catering, travel agencies, transport, trade and national tourist administration. Indirect employment comprises all those economic activities which service the direct tourist activities like the production of food, catering equipment and other consumer goods in tourism. Realistically, it is very difficult to track these activities statistically. Not only because of a non standardized statistics but also because of problems around original data.

<sup>14</sup> Vizek, M. i Lj. Lončar (2007), Tourism in Croatia, study, Economic Institute in Zagreb.

Graph 1 - Development trends of accommodation capacities (beds) and employment in hospitality in the Republic of Croatia from 1976 to 2000 in % (1976 = 100)



Source: Processing of data made available by the Croatian Tourist Yearbook and the Croatian Employment Office.

It is especially problematic in the developing countries where there are countless activities revolving around tourism, (un)officially tolerated in order to employ as many people as possible.

In the developing countries the role of tourism in employment is even more visible. Not (always) because of the low cost for a workplace but most of all because of security and advantage in placement – sale of tourist services requiring only a limited knowledge for their “production”, in relation to technologically even more modest material products made in conditions of a low level technological progress, which cannot be placed on the international market.

Table 2 - Indicators in the Croatian tourist sector

	2006.	2007.	2008.	2011.
Net salary (in kn)	4602	4858	5128	6032
Employed	86.000	88.000	90.000	96.700

The tourist and hospitality activity has a huge seasonal fluctuation of workforce. There are significant differences in the regional analysis of unemployment in Croatia. Croatian tourism points out the issues of those employed in the tourist sector, before all the underpayment of workers, a lack of educational programs but also the import of workforce which additionally lowers the price of an already underpaid work.

In December 2005 the average unemployment rate on the national level was 17,1%, lower in eight regions and higher than the national average in thirteen regions (Croatian Employment Office, 2006). Young people do not want to get an education in the tourist occupations because of low salaries and seasonal work of only four to five months. In the Region of Istria there are virtually no foreign workers in tourism. A reason for a possible entrance of foreigners is the building of new capacities but also scarce interests of young people for occupations in tourism.<sup>15</sup>

15 Vermezović Ivanović, M., Interview with Palma F., «Neće u turizam», Glas Istre, 03.04.2007.

Table 3 - Seasonal employment in hospitality and tourism

Most wanted occupations in 2006	People employed	Share in the structure (%)
Salespeople*	1.807	12
Waiters	1.688	11
Chambermaids	1.584	11
Cooks	1.272	9
Workers in kitchen	968	7
Cleaning	951	6
Assistant cooks	598	4
Hotel-tourist employee	537	4
Assistant waiter	388	3
Receptionist	201	1
Laundry women	201	1
Other occupations	4.634	31
<b>Total</b>	<b>14.949</b>	<b>100</b>

\*Increased need for work in commercial activities in the tourist season

Source: Croatian Employment Office

### 3. Employment vs. Unemployment in Croatia

A regional analysis of unemployment in Croatia shows considerable differences. In December 2005 the average unemployment rate on the national level was 17,1%, lower in eight regions and higher than the national average in thirteen regions (Croatian Employment Office, 2006). The lowest rate was in the City of Zagreb (7,8%) and the Region of Istria (8,0%), while the highest rate of unemployment was recorded in the Region Vukovarsko-Srijemska (32,1%).

Compared to the previous year the rate of unemployment was lowered in 12 regions, the most in the Region Sibensko-Kninska (2,6%), Vukovarsko-Srijemska (1,9%) and the Region of Zadar (1,9%). At the same time, the rate increased in only two regions, Bjelovarsko-Bilogorska (0,5%) and Viroviticko-podravaska (0,1%) (Croatian Employment Office, 2006).<sup>16</sup>

The employed are people who have been permanently or temporarily employed by an employer, regardless of working hours and the property of the legal person.<sup>17</sup> In the Republic of Croatia, the Region of Istria makes for 5% of the total area, 4% of population, 5% of employed people, 2% of unemployed and 7% of the gross domestic product. According to the branch in Pula of the Croatian Employment Office, the unemployment trend in the Region of Istria is going down – to a lesser extent as a consequence of changes in the unemployment observation methodology, and mainly as a result of positive economic trends. Characteristics of increased seasonal employment are especially evident. Unemployment is the highest in January and the lowest in August. Table 1. shows the structure of unemployment in the Region of Istria on March 31, 2005. We can see that the majority is employed in the processing industry with 20,90%, followed by trade and services with 18,27%, hotels and restaurants are on third place with 11,55%. Construction is on fourth place with 9%, real estate sale, rental and business services are fifth with 6,47%. The Region of Istria has a lower employment in activities like education; public administration, defence; compulsory social security; transport, storage, communications; health insurance and social welfare; pother social activities and services; financial mediation; power, gas and water supply; agriculture, hunting and forestry. The lowest employment is recorded in activities like fishing, mining and others. The dif-

<sup>16</sup> Dragičević, M. i A. Obadić, (2006), Regional clusters and new employment in Croatia, University in Zagreb.

<sup>17</sup> www.dzs.hr

ference between the processing industry, which has a leading position for employment in the Region of Istria, and mining, which has the lowest employment, is 20,60%.

Table 5 represents the active population in the Republic of Croatia according to administrative sources and sex for July and August 2006. In August 2006 the number of people employed with legal persons in Croatia was 1.138.175, of which 514.785 were women. Compared to July 2006 the number of people employed with legal persons and the ration of women employed grew by 0,1%.

Table 4 - Employment structure in the Region of Istria (on March 31, 2005)

ACTIVITY	EMPLOYED			Share in %
	Legal persons	Crafts and similar profess.	Total	
Agriculture, hunting and forestry	747	207	954	1,20
Fishing	103	661	764	0,96
Mining	220	20	240	0,30
Processing industry	14.332	2.218	16.550	20,90
Power, gas and water supply	1.559	-	1.559	1,97
Construction	4.110	3.022	7.132	9,00
Trade and services	10.644	3.827	14.471	18,27
Hotels and restaurants	5.319	3.831	9.150	11,55
Transport, storage and communications	3.070	1.261	4.331	5,47
Financial mediation	1.742	210	1.952	2,46
Real estate sale, rental and business services	3.754	1.367	5.121	6,47
Public administration and defence, compulsory social security	4.573	1	4.574	5,78
Education	4.647	8	4.655	5,88
Health insurance and social welfare	2.916	786	3.702	4,67
Other social activities and services	2.547	819	3.366	4,25
Other	-	681	681	0,86
Total	60.283	18.919	79.202	100

Source: Statement of the National Bureau of Statistics no. 9.2.2/1 dated May 9, 2005.

Table 5 - Active population of the Republic of Croatia according to administrative sources and sex

	July 2006		August 2006		Indices Aug 2006 / Jul 2006.	
	Total	women	total	women	total	women
Active population	1 726 268	823 673	1 727 241	823 841	100,1	100,0
Total of employed	1 455 515	659 936	1 456 190	659 745	100,0	100,0
Employed with legal persons <sup>1)</sup>	1 137 033	514 464	1 138 175	514 785	100,1	100,1
Employed in crafts and free professions <sup>2)</sup>	273 725	124 371	273 553	124 051	99,9	99,7
Ensured in agriculture <sup>2)</sup>	44 757	21 101	44 462	20 909	99,3	99,1
Unemployed <sup>3)</sup>	270 753	163 737	271 051	164 096	100,1	100,2
Registered unemployment rate, % <sup>4)</sup>	15,7	19,9	15,7	19,9		

Source: [www.dzs.hr](http://www.dzs.hr)

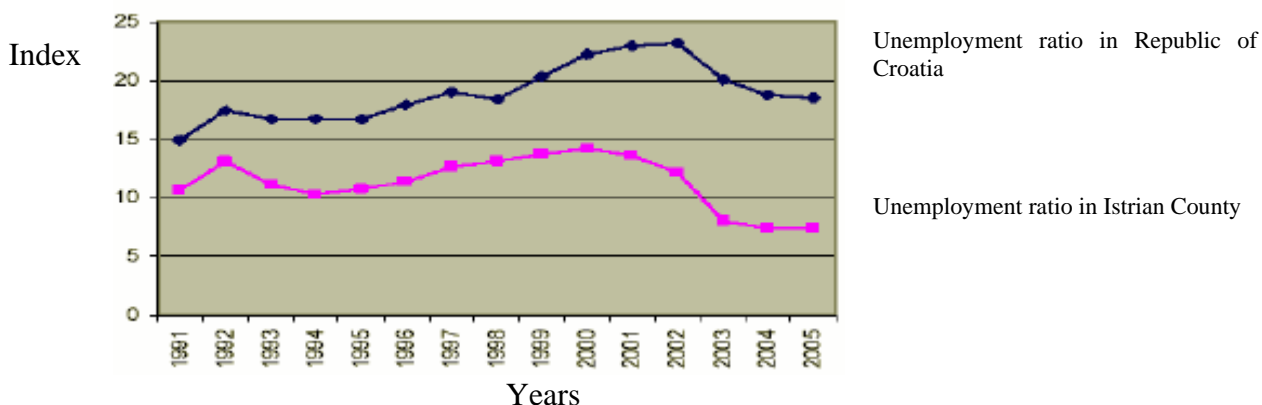
The total number of the employed and the number of employed women in August 2006 remained the same compared to the previous month. The number of employed in crafts and free professions recorded a decrease by 0.1% and the number of women by 0.3%. The number of ensured people employed in agriculture is generally decreasing by 0.7%, and 0.9% for women.

The registered unemployment rate in August 2006 was 15,7%, 19,9% for women. The highest unemployment in 2005 was in February when 330.000 unemployed people were registered, while the highest unemployment in 2006 was in January when 315.000 unemployed people were registered. The lowest unemployment is registered during the tourist season, in particular in August 2005. when the number of unemployed people was 290.000. In 2006 the lowest unemployment was registered in July with the number of 270.000.

The number of the unemployed in August 2006 has grown by 0.1%, while the number of unemployed women has grown by 0.2% compared to July 2006. Towards the end of September 2006 the Croatian Employment Office registered 279.017 unemployed people, precisely 7.966 people or 2,9% more than the previous month, and 15.293 people or 5.2% less than the same month in 2005. September saw a greater number of people becoming unemployed (27.096 people) than the number of those becoming employed (19.130 people), which resulted in a monthly increase of the recorded number of unemployed people. It is a usual phenomenon this time of year because of people who were working during the tourist season and also because of new people recorded after they graduate and apply to the Employment Office in order to get a job. According to age, the largest portion of recorded unemployment is held by people over 50 (25,4%), while the share of young people aged 15 to 24 is 20,0%.

According to various activities, most people are employed in the processing industry (2.565 or 23,1% of the total number of employed), commercial activities (2.253 or 20,3%) and education (2.070 or 18,6%), while according to the regions the number of people employed was the highest in the City of Zagreb (1.720 or 15,5%), followed by the regions Osjecko-Baranjska (1.101 or 9,9%) and Splitsko-Dalmatinska (1.091 or 9,8%).

Graph 2 - Unemployment ratio in Republic of Croatia and in Istrian County for period 1991.- 2005.



Source: Region of Istria, Department for Economy, 2006.

Prevailing in the unemployment records are people with three-year secondary education, i.e. schools for skilled or highly skilled workers, with a share of 36,0% in September 2006. People with a four-year secondary education and grammar schools follow with 26,0%, and people with only elementary school are last with 23,9%. The smallest number of the unemployed is among those

with a higher education or a professional degree (3,2%) and a university degree, academy degree, MA or PhD (4,1%).<sup>18</sup>

Seasonal employment in tourism has again had a significant impact of regional employment in Croatia, as has already been pointed out in this paper. Considering individual regions the most seasonal workers were employed as follows: Splitsko-dalmatinska (2791 or 18,2%), Istria (1996 or 13,0%), Dubrovačko-neretvanska (1784 or 11,6%), Primorsko-goranska (1574 or 10,3%), Šibensko-kninska (1141 or 7,4%) and Zadarska region (941 or 16,1%) (Croatian Employment Office, 2006)<sup>19</sup>.

If we disregard (or ignore) the fact that the owners - foreign investors in national tourist economy know exactly what to do and that is return the invested capital as soon as possible, we can also expect some positive byproducts. For example, there may be a balancing between domestic and foreign (European) prices of new or rebuilt accommodation units (beds) since they will refuse to pay for the unproductivity of our work at our prices. On the other hand, we can expect a positive change concerning the protection of prices of our national tourist offer, raising them by obtaining a parity of price and quality of our products with the quality of the country of origin of the capital, thus reaching prices dominant on the international tourist demand market.

#### **4. The Role of Tourism in the Development of Employment in Istria**

The decrease of the share of tourist economy in the overall employment in Istria points to the fact that tourism suffered more than other sectors of economy during the years of crisis in the last decade (Graph 2). Therefore, the role of tourism in regional employment has become questionable due to a trend of decrease in the number of employees in large hotel enterprises. The situation is that more serious since the growth of unemployment is extenuated by the growth of investments.

In the current conditions, tourism in Istria cannot keep its function of economic development for the area without a conflict of interests between the two parties. One party, the tourist economy, is defending itself with the "free market", while the other, the regional and local self-administration, tries to do the same with the available interventionist mechanism set in motion to sustain tourism in the function of a general development of Istria. The balance of interests of the two parties can be reached only through stability and clear zoning plans and communal infrastructure. This way the market interests, which are as usual without limits, would be reduced to stable and clear long-term plans of the economic development of Istria, finding room for the development of the so-called "green tourism".

The region needs to go into the sphere of regional economic policy which has to develop rural regions in Istria so that tourism becomes a complementary activity to be used in order to sell its surplus of production.

##### **4.1. Education programs**

"Man – the key to success" is a national program organized by the Head Office of the Croatian Tourist Association directed towards raising the level of hospitality and creating a climate of welcome to the destination. The aim of the program is to support a hospitable and friendly attitude to tourists, raise the service quality through education, increase the level of satisfaction of tourists, make them come back and promote the destination by word of mouth, thus spreading a positive image. What is considered of extreme importance for workers in tourism is the understanding of

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18 [www.hzz.hr](http://www.hzz.hr)

19 Dragičević, M. and A. Obadić, (2006), Regional clusters and new employment in Croatia, University in Zagreb.

modern trends and new products in European tourism. An increase in the number and quality of tourist services is planned through a program of education of the local population.

On the other hand, the rural tourism of Istria, through the consortium of rural tourism "Ruralis", has aims to create educational processes in order to improve the hospitality and tourist services in rural tourism, and precisely with<sup>20</sup>:

- compulsory education for owners and future owners of rural tourist households
- education of educators
- formation of a system of trainers of rural tourism
- start of educational processes in educational institutions (vocational schools, higher education) in order to preserve and revitalize the traditional building heritage and an appropriate construction of new structures in the rural areas and carry out other programs and projects. With that in mind, the Office for Cultural Tourism of the Croatian Tourist Association will organize educative seminars for cultural tourism in 2008, with the aim to support and raise the standard of interpretation and quality of such programs. All these programs are an incentive to the development of employment in tourism and are intensely worked on in Croatia, before all, in order to create a positive business environment.

## 5. Conclusion

It is the aim of the European Union to obtain a balanced regional development. In that sense the Union supports the creation of Regional Operative Plans whose aim is to prepare Croatia for the acceptance and successful usage of structural funds when it becomes member of the European Union. Clusters enable the realization of a wide range of local development goals, creation of new work places, new skills and generally positive gains in the development of welfare on a national level. The Istrian Region is the only region where the activity of hotels and restaurants has continually recorded a net profit since 2000. The key of Istrian success is in a controlled growth of expenditure, a maintaining of employment and a realization of higher profits by using mainly existing resources.

The future activities of other Croatian regions have to be directed towards the education of employees in tourism in order to raise the level of joint creation of new tourist programs and offer.

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