

Informal Sector and Economic Development: Inclusiveness and Gender Equality through Tourism Sector in the case of Fiji



**Rukmani Gounder,
School of Economics and Finance
Massey University, Palmerston North, New Zealand**

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Introduction

- Why Tourism as an Export Sector is important?
 - Tourism-led growth
- Tourism – Growth Causality nexus:
 - TOURISM → ECONOMIC GROWTH
 - ECONOMIC GROWTH → TOURISM
 - TOURISM ↔ ECONOMIC GROWTH

Hypotheses:

- 1) Empirical examination of Tourism and economic growth linkages in Fiji
 - Contribution To and From in tourism-led economic growth (TLEG) and economic-driven tourism growth (EDTG).
- 2) Effects of Political Instability, Asian Financial Crisis, and Global Financial Crisis
- 3) Tourism-SDG linkages

Direct and total travel and tourism industry's contributions to GDP, 2017 and 2028

Activities	Fiji		
	2017	2028	
GDP: Direct contribution (%)	14.4	16.1	
GDP: Total contribution (%)	40.3	43.4	
Employment: Direct contribution (%)	13.0	16.5	
Employment: Total contribution (%)	36.5	43.7	
Visitor Export (%)	40.1	41.6	
Investment contribution (%)	24.3	22.7	

SDGs 8 – Tourism plays a crucial role in enhancing growth in Fiji

It is the largest foreign exchange earner for Island Economies (UNWTO, 2017).

It is a vital source of employment, entrepreneurial activities, and foreign exchange earnings in Fiji.

- Tourism industry is projected to dominate economic activities with high visitor arrivals (UNWTO, 2018).

It further provides impetus for growth in the transport and storage sector, and accommodation and food services sectors.

Tourism makes higher contributions in terms of investment in Fiji.

Data, Methodology and Models

Methodology: A generalised VAR-based spillover framework is applied to evaluate the causality between these two factors.

$$y_t = \sum_{i=1}^q B_i y_{t-1} + \varepsilon_t$$

- Granger causality: tourism-economic growth - magnitude and direction (contribution to and from) in tourism-led economic growth (TLEG) & economic-driven tourism growth (EDTG)
- Spillover Index Approach (Diebold & Yilmaz, 2012).

Estimate: Total, directional and net spillovers are estimated by the generalised forecast error variance decomposition of moving average representation of the VAR model.

(1) Total Spillover Index:

$$TS(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100$$

(2) Directional Spillover Index:

$$DS_{i \leftarrow j}(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100 \text{ and } DS_{i \rightarrow j}(H) = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{\sum_{i,j=1}^N \tilde{\theta}_{ij}(H)} \times 100 = \frac{\sum_{i,j=1, i \neq j}^N \tilde{\theta}_{ij}(H)}{N} \times 100$$

(3) Net Spillover Index:

$$NS_i(H) = DS_{i \rightarrow j}(H) - DS_{i \leftarrow j}(H)$$

NS is calculated from variable i to variable j and vice versa, to indicate whether tourism growth (or economic growth) is the net transmitter of spillovers in net terms.

Advent of major economic events: 1997 AFC and 2007-08 GFC. Rolling window spillovers estimates are used for a 48-month rolling windows and structural breaks in VAR equation are tested (Bai et al., 1998)

Granger Causality and Total Spillovers, Tourism & Economic Growth

Static Results

Granger Causality Results: Fiji

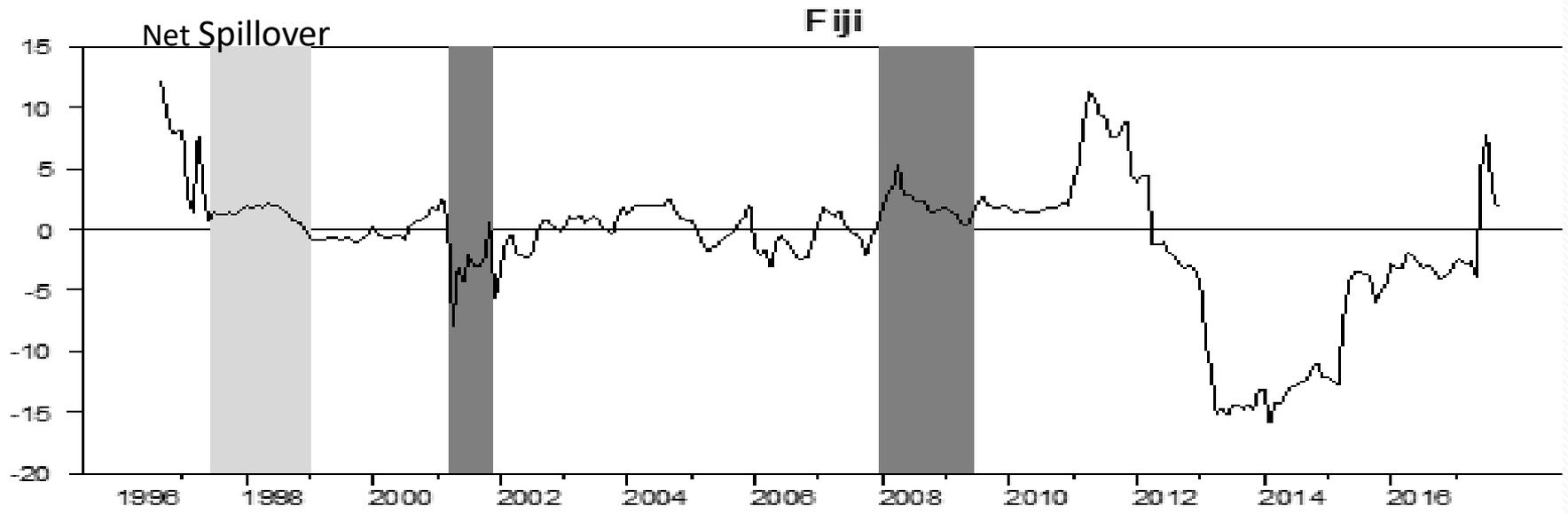
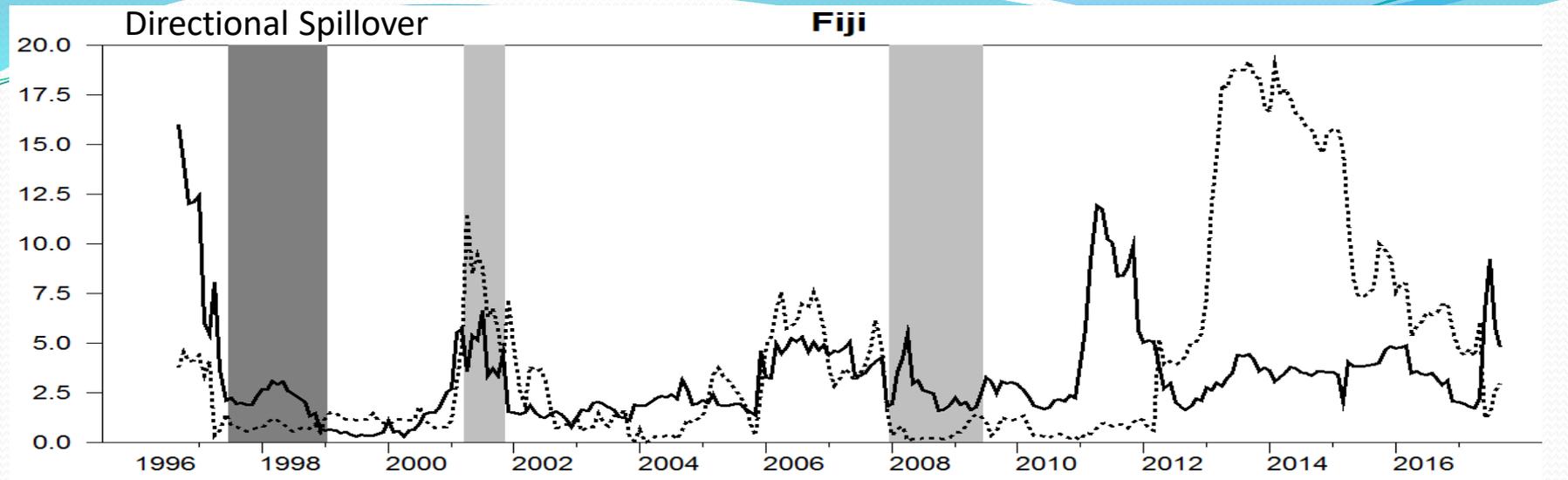
Tourism Growth Granger Causes Economic Growth

Tourism Growth  **Economic Growth**

Table 2 Spillover Results for Industrial Production and International Tourist Arrivals

	Fiji	
	IP	TA
Industrial Production	95.7	4.3
Tourist Arrivals	0.6	99.4
Contr. TO OTHERS	0.6	4.3
Contr. Incl. own	96.3	103.7
Net spillovers	-3.7	3.7
Total spillover index:	2.45%	

Directional and Net Spillover Dynamic Results, Fiji



— Directional spillovers FROM IP; ---- spillovers FROM international TA growth. Net Spillover: **Positive values** show IP (international TA) is the **net transmitter** of shocks; **Negative values** indicate IP (international TA) is the **net receiver** of shocks. Note: Dark grey shading reflects Asia recession, while light grey shading reflects US recessions & GFC, Plot of moving total spillovers estimated using a 48-month rolling windows, starting 48 months after the first available date.

Sustainable Development Goals and Tourism Sector

- Tourism sector's linkages with other sectors and industries along its vast value chain can accelerate progress towards all the 17 SDGs
 - Focus on employment is a central goal – it has become an urgent requirement, to absorb the youth, women, and informal sector into the formal sector.
 - Crucial to recognise ILO's (2012) core standards to address decent jobs, wage rates, and the **informal sector**.
 - Informal employment - lack of protection from non-payment of wages, retrenchment without notice or compensation, unsatisfactory occupational health and safety conditions, absence of social benefits (pensions, sick pay, health insurance)

Notes:

All labour market indicators are based on 2014 estimates for the population ages 15 and above, except for informal employment (2010/11).

Informal employment is defined as employed persons not making contributions to the Fiji National Provident Fund (pension scheme).

(a) 2014 figures are provisional and 2015 figures are estimates;

(b) as of end of month in September.

Source: ILO (2016).

Table 1: Key economic and labour market indicators, 2013–15

	2013	2014	2015
Real GDP (% change y-o-y) ^a	4.7	5.3	4.0
Investment (% of GDP) ^a	29.0	25.0	25.0
Visitor arrivals (% change y-o-y) ^b	-7.6	4.5	12.2
Consumer prices (% change y-o-y)	2.9	0.5	1.4
	Female	Male	Total
Labour force (thousand)	127.3	239.5	366.8
Employment (thousand)	116.0	227.9	344.0
Labour force participation rate (%)	41.6	75.8	59.0
Unemployment rate (%)	8.9	4.8	6.2
Adult, ages 25+	5.3	3.1	3.9
Youth, ages 15-24	26.0	13.8	18.2
Informal employment rate (%)	64.7	57.4	60.0

Decent Work: Formal and Informal Sector

- Fiji's tourism sector is one of the country's biggest employers providing direct & indirect employment to one in three Fijians in the workforce (Ali, 2017).
- Fiji's net spillover results for Fiji show an overwhelming support in favour of TLEG as a net transmitter of shocks. The benefits spillover effects to many other sectors.
 - Vulnerability of tourism industry due to shocks - AFC, GFC, political instabilities.
 - Tourism growth strategy have been developed - National Development Plan and Fiji Tourism Development Plan to 2021.
 - Focus on a renewed push for financing the economy and creating sustainable development (Ministry of Economy, 2017; Ministry of Industry, Trade & Tourism, 2017).

Sustainable Development Goals (SDGs) and Tourism Sector

- **SDG8** - decent work for all and economic growth: tourism is one of the biggest employer providing direct and indirect employment in Fiji
 - but it also requires tackling industry innovation (SDG9), inequalities (SDG 10) within and between sectors; responsible for production & consumption (SDG 12) and combatting climate change (SDG 13)
- Fiji's tourism strategies-SDGs relationship
 - Unlock the growth and potential of MSMEs, enhance the informal and formal sector, and promote inclusive growth and sustainable livelihood opportunities.
- Three considerations for urgent actions and current strategy choice for tourism-related SDG 8 and sustainable development:
 - (i) the impact of MSMEs,
 - (ii) inclusion of informal sector into formal sector, and
 - (iii) inclusive growth and reducing inequality – gender and youth employment.

Gender Inclusive Growth

- The household work is perceived as women's work (Ruwanpura, 2007), which affects not just their labour participation but also labour recruitment decisions (Fraser, 2016).
- Gender gap in Fiji has increased:
 - Women's likelihood of being in the informal and subsistence activities are higher than men,
 - Women's informal employment increased from 57.2% in 2004/05 to 64.7% compared to that of men at 57.4% in 2010/11 (ILO, 2016).
 - Women in most sectors are largely concentrated in low-skilled, low-paid jobs without health, safety, and labour rights protections

Youth Employment: Labour Market Critical Concern

- Fiji's labour force participation rate was 59% in 2014 (ILO, 2016). Unemployment rate increased to 6.31% in 2017 from 6.24% in 2016, peaked at 9.4% in 1988 (World Bank, 2018).
- Youth unemployment increased in the post-GFC period to 20.4% in 2012 and declined to 18.8% in 2017 (World Bank, 2018).
 - Youth in the informal sector - confined to activities such as local transport providers, food stalls, shoe shine work, will-barrow work, vendors.
- Without any training there will be immense challenges in getting them into formal sector employment
- There is also the pressure of accelerated rural-urban migration
 - Job opportunities in the wage sector have declined thus creating a larger informal sector.
 - Informal sector boosts these households' income thus supporting their livelihoods and absorbing surplus labour contributing to GDP.

Development Strategies: Future Focus to Meet 2030 Agenda

Post-2015 progress is considered crucial to address SDG 8 through,

- 1) Employment generation for youth and women in both rural and urban population, and improved sectoral performance to boost productivity growth;
 - 2) enhancing women and youths' earning capacity to improve inclusiveness and to address gender equality; and
 - 3) Creating and sustaining wage & employment growth
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- Sustainability of Tourism sector is important through enhancement of employment and tourism business investment.
 - Achieve higher economic productivity, allow the economy to focus on high-value added & labour-intensive sectors
 - Stimulate private sector tourism industries for enhancing resilience within a number of spheres of SDGs (8, 9, 12 to 14) and achieving improved policy outcomes.
 - Business practices and corporate commitments need to create economic, social & environmental values, adopt innovative & locally-led approach, access various social capital to SDGs corporate social responsibility