

Europe at the seaside

The economic history
of mass tourism in
the Mediterranean

Edited by Luciano Segreto,
Carles Manera & Manfred Pohl



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The Development of the Portuguese Hotel Business, 1950–1995



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This chapter focuses on the development of the Portuguese hotel business between 1950 and 1995. Some writers decry the entrepreneurial fabric of the package vacation and mass tourism business in favor of city tourism. The first is described as fragmented, averse to multinationalization of the ownership of hotels, largely dependent on tour operators, and highly labor intensive. City-business tourism on the contrary is characterized by a high level of multinationalization of the ownership of hotels, which leads to high level of investments in capital goods and economy in the use of labor. The evolution of the Portuguese hotel business confirms a trend toward a particular pattern of tourism. Notwithstanding these characteristics I propose to examine if any changes have taken place between 1950 and 1995 in a number of areas mentioned by those writers. At the investment level this chapter determines how important foreign investment has been, and seeks to characterize the evolution of investment in capital goods in order to relate these to the growth in the number of occupations in the hotel sector that require staff with an average level of qualification. The chapter establishes whether there has been any improvement in a sector that is traditionally viewed as not absorbing a very large proportion of skilled labor. Finally, I examine whether any changes have taken place in average hotel size and in the quantity of labor used per bed or per room in order to determine if economies of scale and gains in productivity of labor have contributed to an increase in productivity in the Portuguese hotel business during this period.

Notes for this chapter begin on page 83.

The chapter is organized into five sections. The first section looks at the expansion of tourism in Portugal in the general context of southern European countries between 1950 and 1995 based on data about tourist arrivals and receipts. Section two describes the development of supply in the hotel business in Portugal. Section three discusses the pattern of investment in the hotel business, and section four analyzes the use of labor in terms of quality and quantity. Finally, section five presents the conclusion that the Portuguese hotel business, notwithstanding its vacation pattern, has changed and increased its competitiveness during this period.

Portugal and Countries in Southern Europe: Tourist Arrivals and Receipts

At European and global levels, tourist numbers grew consistently from the 1950s until the end of the twentieth century. Portugal has welcomed international tourists in significant numbers, mainly from Europe.¹ The numbers of tourist arrivals show that the starting point in the mid-1950s was very low. Compared with Greece, the most similar country in terms of numbers, Portugal had half the number of tourists.

In terms of tourist arrivals, between 1955 and 1956 and between 1959 and 1962 Portugal had the highest growth rate among southern European countries. If trends from the former period had been maintained in the latter, the average rate of growth in the three remaining periods would have been 320 percent, and not 242 percent (see table 4.1). At the beginning and the end of the 1980s, the two most significant tourist destinations in southern Europe recorded growth rates in the number of tourist arrivals lower than those of Portugal and Greece. At the end of the 1980s, Italy slowed down in comparison to Spain. The strongest period of expansion for Portugal took place in that decade, when it fell just short of Greece.

The period from 1950 to 1970 was characterized by stable exchange rates and low inflation; and the huge increases in tourism flow played an important role in many economies as an element in the export of services. An analysis of the average growth rates in annual revenues during these years shows that Portugal recorded significant growth in relative terms in the first period, mainly because it started out from a very low base (see table 4.2). Its growth rate in the second period is the lowest in relative terms. If Portugal had maintained the average rate of growth of the other three countries between 1977 and 1981 it would have grown at 504 percent and not at 300.7 percent. In the third period it recorded the highest rate of growth and in the fourth period the second lowest.

Table 4.1 International tourist arrivals

A: Average Annual Number					% Change Compared to Previous Average Annual Years		
	1955-1956	1959-1962	1969-1970	1972-1973	1955-56/ 1959-62	1959-62/ 1967-70	1967-70/ 1972-73
Portugal	217,226	358,392	1,225,050	2,247,950	+ 65.0	+ 242	+ 83
Greece	401,868	406,864	2,137,218	2,641,471	+ 1.2	+ 425	+ 24
Italy	6,600,000	9,412,500	13,222,125	14,890,750	+ 43.0	+ 299	+ 13
Spain	-	6,169,020	20,707,483	33,532,767	-	+ 236	+ 60

Source: Author's calculations based on *Trends in Economic Sectors: Tourism in Europe. A Study by the Tourism Committee* (Paris: OECD).

B: Average Annual Number (millions)				% Change Compared to Previous Average Annual Years	
	1977-1981	1982-1986	1987-1991	1982-1986	1987-1991
Portugal	2.1	4.3	7.3	+ 104.8	+ 69.8
Greece	4.7	6.0	7.9	+ 26.7	+ 31.8
Italy	45.6 *	50.2	53.5	+ 10.1	+ 6.6
Spain	39.7	43.4	52.8	+ 9.3	+ 21.6

*Between 1978 and 1981 only.

Source: OECD, *Tourism Policy and International Tourism in OECD Member Countries, Annual Report, 1977-92*, in Allan M. Williams, "Tourism as an Agent of Economic Transformation in Southern Europe," in *Economic Transformation, Democratization and Integration into the European Perspective*, ed. Heather D. Gibson (New York: Palgrave, 2001), 124.

Table 4.2 Average annual receipts, 1953-1993 (million current \$)

A:	1953-1955	1967-1970	1977-1981*	1982-1986*	1992-1993
Greece	28.1	147.75	1,529	1,461	3,191.5
Italy	150.5	1,565.00 ^a	8,915	14,943	21,746.4
Portugal	14.8	269.00 ^a	1,078	2,886	3,873.8
Spain	-	1,401.00	8,372	17,062	20,798.4

B: % Change Compared to Previous Period	1967-1970	1977-1981*	1982-1986*	1992-1993
Greece	+ 425.8	+ 936.6	+ 57.4	+118.4
Italy	+ 939.8	+ 469.0	+ 67.6	+ 45.5
Portugal	+ 1,717.6	+ 300.7	+ 167.8	+ 34.2
Spain	-	+ 469.1	+ 103.8	+ 21.8

*Allan M. Williams, *op. cit.*, table 4.3 adaptation, p. 129.

^a Numbers for 1968 are non-existent.

Source: OECD, *Tourism Policy and International Tourism in OECD Member Countries, Annual Report, 1977-92*, in Allan M. Williams, "Tourism as an Agent of Economic Transformation in Southern Europe," in *Economic Transformation, Democratization and Integration into the European Perspective*, ed. Heather D. Gibson (New York: Palgrave, 2001), 124.

Gross revenues of Portuguese tourism at constant prices recorded dramatic positive growth from 1984 to 1985 and 1987. This rapid growth during the 1980s occurred at a time when economic circumstances had brought about a degree of instability in tourist flows, in exchange rates, and in prices. This means that the general context for the growth of tourism in Portugal was less favorable than that in which countries like Spain and Italy recorded strong growth (between 1950 and 1970).

Between 1965 and 1967 the average revenue per tourist in Portugal was much higher than the average for the rest of southern Europe. Portugal's US\$123 average revenue per tourist contrasted with \$32 in Yugoslavia, \$67 in Spain, and \$104 in Italy. At that time it was the government's intention to expand tourism but maintain its commitment to luxury tourism.² In fact from 1977 to 1981 Portugal maintained the leadership in terms of the average spending by a foreign visitor (392) in constant dollars, followed by Greece (325) and, at some distance, by Italy (157) and Spain (150). From 1982 to 1986 these numbers fell in Portugal and Greece (to 251 and 244, respectively) and rose in Spain and Italy (to 193 and 177, respectively). In Portugal this drop was due to exchange rate fluctuations and to the increase in the number of Spanish visitors who did not stay overnight in Portuguese hotels.³ Finally, between 1987 and 1991, Portugal recovered its position at the top of the table of southern European countries in relation to average spending per foreign visitor (395 at current dollar prices), Spain taking second place (323), and Greece and Italy third and fourth place (with 291 and 279, respectively).⁴

Supply of Hotel Accommodation

Accommodation in Portugal represents the main element of tourists' expenditure and is also significant in overall employment in the tourism activity. In 1999, hotel accommodation's share of total tourist accommodation capacity, including tourist complexes and apartments, was 45 percent. My analysis of the total hotel accommodation is based on a narrow definition in that it excludes rural accommodation, camping sites, and the parallel market.⁵ The supply of hotel accommodation between 1965 and 1995 grew at an annual average of 4.04 percent. From 1962 to 1969 and from 1995 to 1999, available total hotel accommodation capacity increased from 63,494 to 211,194 beds.

Initially the greatest quantity of accommodation was in hotels and one- and two-star pensions. Between 1965 and 1995 the percentage of five-star hotels doubled. The same improvement occurred with other kinds of accommodations but these changes in terms of star-rating cannot be described as qualitative. Quality management is a dynamic process full of subjective factors, which are difficult to gauge in any comparative and developmental approach.⁶

At the beginning of the 1950s, Portugal faced the possibility of expanding the tourist industry but it was only after 1965 that investment in this industry began to be addressed in an organized way. Among the main measures adopted to make the expansion of hotel business possible was an alteration in financial criteria. Loans were now granted by the government according to the number of rooms or beds instead of expenditure. In addition to the concern with the mechanisms of domestic funding there was also the interest in tapping international sources of finance for tourist development in Portugal. Sharing in the concerns expressed by the industrial sector, business leaders called for changes in the regulations for direct inward foreign investment.⁷ It was in 1965 that the main legislation on foreign investment was published.⁸

In the intermediate development plan (1965–1967) the growth of tourism was seen as advantageous in balance of payment terms because it implied lower imports. In addition, the low qualifications of the workforce were not seen as an obstacle to the growth of tourism as it was going through a process of industrialization. The targets for the tourism sector at that time were to increase the rate of growth, the employment levels and exports (of services), and to improve living standards.⁹ This plan adopted an approach that placed tourism in the context of national and regional development and two regions were targeted for major promotion – the Algarve and Madeira. Very high growth rates were recorded in the Algarve for between 1962 and 1969 and between 1980 and 1985, whereas Madeira had particularly high rates of growth in the 1970s. Between 1962 and 1965 and between 1995 and 1999 the supply of city hotels – deduced from the data for the regions of Lisbon and the Tagus Valley (IV) and of the North (II) that included the main cities – lost ground in relative terms to holiday tourism (table 4.3).

Table 4.3 Accommodation capacity (%)

	1962–1969	1995–1999
Continental Portugal	95.00	89.43
Madeira and Azores (archipelagos)	5.00	10.56
Regions		
Alentejo (I)	2.79	3.45
Algarve	7.84	39.90
Madeira	3.71	8.84
North (II)	15.66	12.84
Centre (III)	27.36	9.60
Lisbon and Tagus Valley (IV)	35.89	23.62

Note: I-Beja, Évora and Portalegre; II-Braga, Bragança, Porto, Viana do Castelo and Vila Real; III-Lisboa, Santarém and Setúbal; IV-Lisboa, Santarém and Setúbal.

Source: Estatísticas do Turismo (I.N.E).

Investments in the Hotel Business

The phenomenon of tourism has been studied from different angles. One of these approaches links the attraction of international tourism with the development of backward countries. Another relates tourism to delays in the process of development and with countless social and economic costs; while the third identifies costs and benefits and seeks to minimize the former and maximize the latter. Williams's article, "Tourism as an Agent of Economic Transformation in Southern Europe," falls into the third approach in that he differentiates between the operation of package holiday tourism and city tourism and plays down the adverse consequences of the former in terms of the degree of diversification present in national or regional economies. According to this view vacation tourism is presented as not being characterized by a high level of multinationalization of the ownership of hotels. This assertion is based on the theories of Dunning and McQueen on the low levels of foreign direct investment (FDI) in this business because in their view there are a number of reasons for the emergence of international hotel chains. Among those reasons the internalization of market transactions is understandable if "there are net ownership advantages for example, via branding, where there are location factor endowments." One of the main examples of this situation is illustrated by Hyatt users who expect to find Hyatts in all major cities. A number of authors infer from this that mass tourism – unlike city tourism and within this branch business tourism – as the product being sold (sun, sea, etc.) is largely indifferent to branding and location factor endowment.¹⁰

To a certain extent the figures about the evolution of foreign investment in the Portuguese hotel sector confirmed this assertion. In fact, between 1967 and 1988 the amounts of foreign investment as a proportion of total investment in the hotel business vary on average between 6 and 9 percent of all investment in the hotel business, except in the years 1971 and 1973.¹¹ Between 1978 and 1981 foreign capital was invested almost entirely in already existing hotels. In absolute terms and at current prices the periods of lower investment were the years 1976 to 1979, and the revolutionary period from 1974 to 1975 in particular. The highest levels of foreign investment occurred from 1985 to 1988. At constant prices, the levels of investment that took place in 1973 have not been reached again. For the period from 1974 to 1988, the highest rates were achieved in 1986. At this time, unlike in 1973, it was mainly Portuguese capital that led the expansion of the hotel business (table 4.4).

From the previous viewpoint, investment in hotels in southern European countries on the part of tour operators is stressed as being low because internalization is seen as unnecessary because the tour operators control and take advantage of the segmented nature of the hotel business. In this approach the

Table 4.4 Investment in the hotel business (annual averages) (1,000 escudos)

	Current Prices				Constant Prices
	I Portuguese capital	II Foreign capital	III Total	IV % of foreign capital and total	
1967–1970	8289,44	54,184	883,128	6.5	
1971–1973	329,308	1,921,216	2,250,524	85.3	2049
1974–1975	1,957,822	187,079	2,145,901	8.7	1437
1976–1979	1,379,246	93,468	1,472,714	6.3	538
1980–1984	8,148,981	362,252	8,511,233	4.2	1266
1985–1988	24,496,465	2,271,982	26,768,447	8.4	1530

Source: *O Turismo* (data from National Statistics Institute); Portugal Deflator for GDP at Market Prices, OECD Statistical Compendium.

“lack of internalization is facilitated by the development of particular circuits of capital during the tourism development cycle. The initiation of tourism leads to sharp increases in the price of land which generates capital which may be re-invested in tourism enterprises. This ensures that there is a ready supply of sub-contracts to the tour operators.”¹² Land is characterized as non-produced capital, and is a significant element in measuring total inputs in the hotel business for the purposes of assessing the return on capital invested in this business. When we consider whether land accounts for a significant part of capital invested, the data available for Portugal enable us to state that the percentage of investment in land in the hotel business was very high only in 1971 and 1972. It decreased in absolute terms afterward and became significant again between 1985 and 1987.

A more important conclusion from this data (table 4.5) concerns the evolution in capital goods from the same point of view that sees vacation tourism as synonymous with labor intensive. Having in mind that in geographical terms Portuguese tourism tended to be what we can call sun-vacation tourism, it would also be plausible that the evolution of the ratio of capital goods to labor should tend to show stability or a reduction in hotel business. On the contrary, during the 1980s in the Portuguese hotel business – notwithstanding its sun and sea pattern – there were high levels of investment in fixed assets when compared with 1992 (table 4.5). The amount of investment in capital goods per member of staff in the Portuguese hotel business doubled between 1982 and 1984 and between 1985 and 1988 from 46.4k to 96k Portuguese Escudos

(PTE). To explain this data it is very likely that the increased availability of technology in the spheres of catering and information technology may have generated an increase in capital formation and a less intensive use of labor in the hotel business.¹³ But before drawing such a conclusion we need to analyze in more detail the evolution of labor in the Portuguese hotel business.

Table 4.5 Investment in the hotel business by type of capital invested (annual average values) (1,000 escudos)

	1971–1972	1973–1976	1977–1980	1982–1984	1985–1988	1992
I–Purchase of fixed assets or capital goods	776,457	439,575	740,929	5,249,944	15,739,858	7,616,635
Land-A	419,130	114,604	74,260	144,014	637,239	11,611
Equipment-B	n/a	n/a	n/a	1,401,333	3,268,393	311,915
II–Immovable assets (property and business leases, expenses, other types of immovable assets)	n/a	n/a	n/a	393,692	704,944	2,509
III–Total	1,911,231	2,074,849	2,099,402	5,643,636	16,440,302	18,73,138
A/I%	53.9	26	10	2.7	4.04	1.62
A/III%	21.9	5.5	3.5	2.5	3.87	0.61
B/I %	n/a	n/a	n/a	26.7	20.7	4.09

Notes: Prior to 1981, II consisted of buildings and works. Equipment is separate from furniture and utensils, clothes and vehicles. Data for 1992 are for companies having more than five employees.

Sources: E. Reig and A. Picazo, *Capitalización y crecimiento de la economía balear, 1955–1996* (Bilbao: Fundación BBV, 1998), 282; J. Alcaide, *Renta Nacional de España y su distribución provincial. Serie homogénea* (Bilbao: Fundación BBV, 1999).

Labor in the Hotel Business: Quantity and Quality

In overall terms tourism is seen as an economic activity that creates jobs. It was mentioned earlier what the intermediate development plan (1965–67) stated in stressing this factor. The number of jobs created in the hotel business increased consistently, and it recorded an absolute growth of 76 percent between 1966 and 1969 and between 1993 and 1995. The percentage of people employed in the hotel business as a proportion of the working population and of the workforce as a whole grew between 1966 and 1989–92 from 6.05 percent to 8.06 percent.¹⁴

The supply of accommodation in less labor-intensive hotels (tourist complexes, apartments, and aparthotels) grew from 10 percent to 35 percent of the total from 1980 to 1995.¹⁵ As far as the number of staff to beds ratio by class of hotel is concerned, there was a fall of almost half in hotels overall (see table 4.6). In aparthotels and pensions the fall was very similar, and insignificant in tourist complexes and apartments (appendix table 4.9). If we relate the number of employees to the number of rooms between 1969 and 1971 and between 1997 and 1999, we can see that there was a fall from 60 to 43 employees for every 100 rooms in the hotel business. In the case of hotels – both in total numbers as well as in the better classes of hotel – the fall in the staff to rooms ratio was very steep, 0.39 and 0.58 percent respectively.

Table 4.6 Ratio of number of staff to number of rooms

	In the hotel business as a whole	All hotels	Luxury or five-star hotels
1969–1971	0.60	0.90	1.46
1983–1985	0.60	0.79	1.28
1989–1991	0.53	0.67	1.05
1997–1999	0.43	0.51	0.88

Source: Tourism Statistics, I.N.E (various years).

This issue is very important because staff costs represent a major proportion of total costs in the hotel business, which faces strong international competition. For this reason, comparative costs – particularly labor costs – play a key role in the system of exchange. The first conclusion to be drawn is that between the 1970s and the 1990s, staff costs as a percentage of total costs grew in current price terms (appendix table 4.9).¹⁶ Average costs per employee also grew continuously in constant price terms, except at the beginning of the 1990s (appendix table 4.10).

By examining increases in unit labor costs and trends in those costs to determine what percentage they represent of total costs, together with the efforts made to save on such costs, we have tried to emphasize the relationship between productivity gains and competitiveness in the hotel sector.¹⁷ Several studies emphasize the decrease in the average price of an overnight stay by reference to general economic circumstances in any given year. By contrast we stress the importance of the improvement in the performance of the Portuguese hotel business in terms of labor productivity. Occupancy rates and labor costs as a percentage of total hotel revenue remained stable over a long period. Total hotel

revenue at constant prices per employee also increased over the long term – the change in the growth rate was 87.2 percent between 1994 and 1996 (appendix tables 4.11 and 4.12). This picture is confirmed by the reduction in the number of staff to room ratio, in the number of beds to staff ratio (appendix table 4.13).

In most sectors of the tourism industry skilled labor is of little importance.¹⁸ Jobs in hotels and restaurants are the visible aspect of employment in tourism. My analysis of the development of job classifications in the hotel trade shows that the number of managerial (group A) jobs fell, a factor that may be tied to a possible increase in the size of hotel firms. Not only did the number of employees in group B grow in absolute and percentage terms, but the jobs in this group became more diversified and more complex. The rate of growth in group C was much higher (209 percent) than the overall rate (93 percent), and they practically doubled in percentage terms. This would seem to be indicative of better management and organizational techniques. In group D there are no noteworthy differences in percentage terms, but there are pronounced differences in group G. There is also a noticeable reduction in the number of occupations covered (see table 4.7).

Table 4.7 Hotel staff

	1969				1991			
	Total number	%	Hotels number	%	Total number	%	Hotels number	%
A: Directors Owners and managers	2,071	11	809	7.4	1,125	3.2	528	2.6
B: Administrative services					1,363	3.9	227	1.1
Receptionists	819	4.6	551	5	2,383		1,642	8.0
Total					5,765	16.7	3,318	16.2
C: Housekeepers and similar	433	2.4	362	3.2	1,717	4.9	1,122	5.4
D: Cooks and waiters	5,478	31	3,188	29	99,02	28.7	7,016	34.3
E: Personal services staff	1,373	7.7	1,098	9.9	6,437	18.7	3,037	14.8
F: Porters and cleaning	4,674	26.2	2,884	26.2	3,162	9.1	1,901	9.3
G: Laundry	1,568	9	963	9	1,662	4.8	1,240	6.0
H: Ancillary activities	1,449	8.14	95	n/a	1,292	3.7	176	0.86
I: Security	n/a		n/a		2,891	8.4	1,292	6.32
Total	17,784		10,994		34,410		20,422	

Notes: Numbers do not include hairdressers and beauticians. For 1969, personal services staff meant bar and cafeteria staff.

Source: Estatísticas de Turismo (Statistics of Tourism).

This change in job classification during this particular period was not yet related to outsourcing mechanisms. More than any other business the hotel trade suffers from major variations in demand according to the season or the day of the week, weekends, and even at different times of the day and entrepreneurs respond to this situation by flexible staffing and greater cross-sector mobility.¹⁹ Among other possible options for increasing labor productivity are the contribution made by investment in capital goods already described in the case of the Portuguese hotel sector (table 4.5) and the contribution of economies of scale (table 4.8).²⁰

In fact if we want to understand the positive evolution detected in the labor productivity of the Portuguese hotel sector, we must note that between 1962 and 1990 the ratio of beds to the number of hotels rose from 30 to 106 per hotel and the ratio of number of rooms to number of hotels rose from 22 to 47. The increase in the number of beds was higher in the better quality hotels notwithstanding the fact that they already had the majority of beds/rooms.

Table 4.8 Evolution of the ratio of beds to the number of hotels

Between the years	No. of beds/Total accommodation units	No. of beds/No. of high-quality hotels*
1962–1965*	54	145
1966–1968*	52	122
1969–1972*	67	214
1973**	90	556
1976–1979	73	419
1981–1985	87	432
1986–1990	97	460
1991–1995	112	469
1996–2000	122	476

* Includes luxury hotels plus first-class hotels.

** Only includes five-star hotels.

Source: Estatísticas do Turismo (I.N.E).

In order to explain this performance in terms of the productivity of labor among all the other possible aspects – investment in capital goods, staff training, the introduction of better management methods – gains due to economies of scale prevail. This contradicts the theory that claims that in general the corporate structure of the hotel business in holiday destinations is somewhat fragmented whereas city-business tourism is more concentrated. Although there is low concentration among Portuguese firms, the rate of growth here has been positive.²¹

Conclusion

As far as Portugal's hotel business is concerned, over the forty-five years covered in this chapter, the percentage of foreign investment remained low (under 10 percent). In terms of its pattern of vacation tourism the market share of hotel chains remained extremely low and independent hotels prevailed. The average size of hotels also increased and the effect of scale was the main factor that allowed gains in labor productivity. Another hallmark of vacation holiday tourism was that it was labor intensive and did not encourage investment in capital goods, even though there was some investment in capital goods in Portugal that contributed to gains in labor productivity. In the hotel trade Portugal responded to the increase in labor costs by improving productivity levels. This was one of the main mechanisms adopted in order to maintain the competitiveness of the Portuguese hotel business in international terms. Rather than looking at package vacation tourism in contrast to city tourism, it is more important to observe how Portuguese hotel business underwent changes between 1950 and 1995. The degree of international competition in this business tended to increase and the Portuguese hotel business responded to changes by increasing productivity of labor.

Notes

1. For the importance of Europe in regional share of international tourism by arrivals and by receipts see J. Lathan, "Statistical Trends in Tourism and Hotel Accommodation up to 1988," in *Progress in Tourism, Recreation and Hospitality Management*, vol. 2, ed. C.P. Cooper (London and New York: Belhaven Press, 1989), table 8.3.
2. *Plano Intercalar de Fomento para 1965–7 (Intermediate Development plan for 1965–7)*, vol. 2. Opinion of the Chamber of Corporations (Lisbon: I.N., 1965), 213–14. Revenues from tourism depend on the number of tourists and how much they spend. Given that accommodation is a significant element in a tourist's total spending, average length of stay is a key factor.
3. José Sancho Silva, "Receitas e Despesas atribuídas ao Turismo" (Revenue and Expenditure Attributed to Tourism), *Turismo* 22/23, Year II, Series I (1990): 13.
4. Allan M. Williams, "Tourism as an Agent of Economic Transformation in Southern Europe," in *Economic Transformation, Democratization and Integration into the European Union, Southern Europe in Comparative Perspective*, ed. Heather D. Gibson (London: Palgrave, 2001), 130. The existence of unregistered accommodation in the Greek islands (e.g., the Algarve) means we must exercise some caution in relation to these figures. According to data for 1990 and 1992, the aver-

- age daily spending by a package tourist was 12.4 and 11.9 contos (1 conto = PTE 1,000) respectively, mainly on clothing and footwear, household and decorative items, while that for a tourist was 10.1 and 13 contos, mainly on accommodation. Spending by package travelers represented 17 percent of total spending by the two groups (Tourism Receipts. Development of the Method for calculating receipts attributed to Tourism based on Surveys of foreign-resident visitors, see *Direcção Geral de Turismo. Gabinete de Estudos e Planeamento* (Directorate General for Tourism. Research and Planning Office, 1994), 4, 10–14.
5. The hotel business in this chapter includes hotels in the traditional sense – hotels, aparthotels, *pousadas* (the state-owned travelers hotels), hostelrys, motels, and pensions, as well as hotel businesses involving less intensive use of labor (tourist complexes and tourist apartments). In 1999, camping sites represented 54 percent of total accommodation capacity (Licínio Cunha, *Introdução ao Turismo* [Introduction to Tourism] [Lisbon: Verbo, 2001], 189–90, 220–21).
 6. Rik de Keyse and Norbert Vanhove, "Tourism Quality Plan: An Effective Tourism Policy," *Revue du Tourisme – The Tourist Review* 3 (1997): 32–37; Eduardo Fayos-Solá, "Competitividad y Calidad en la nueva era del turismo," *Estudios Turísticos* 123 (1994): 5–10; W. Faché, "Methodologies for Innovation and Improvement of Services in Tourism," *Managing Service Quality* 10, no. 6 (2000): 356–66; Sérgio da Palma Brito, "Turismo, Ambiente e Ordenamento do Território (parts I, II, III e IV)" (Tourism, Environment and Territorial Planning), *Turismohotel Internacional* 25, no. 7 (November 2000): 12–15; 25, no. 1 (January 2001): 14–22; 25, no. 2 (March 2001): 10–13; 25, no. 3 (May 2001): 14–20; idem, "A Massificação do Turismo e o Turismo de Massas" (The Massification of Tourism and Mass Tourism), *Turismohotel Internacional* 25, no. 4 (July 2001): 10–15, 387–409.
 7. *Plano Intercalar de Fomento para 1965–7* (Intermediate Development plan for 1965–7), vol. 2. Opinion of the Chamber of Corporations (Lisbon: I.N., 1965, 215).
 8. Abel Mateus, *Economia portuguesa* (Portuguese Economy) (Lisbon: Verbo, 2001), 98. See also Luís Salgado de Matos, *Investimentos Estrangeiros em Portugal* (Foreign Investment in Portugal) (Lisbon: Seara Nova, 1973), 203.
 9. *Plano Intercalar de Fomento para 1965–7*, 212 (Intermediate Development plan for 1965–7), vol. 2. and vol. I, I.N., 1968, 418.
 10. F. Archer, *Tourism: Transnational Corporations and Cultural Identities* (Paris: UNESCO, 1985); J.H. Dunning and M. McQueen, "The Eclectic Theory of the Multinational Enterprise and the International Hotel Industry," in *New Theories of Multinational Enterprise*, ed. A.M. Rugman (London: Croom Helm, 1982); Allan M. Williams, "Tourism as an Agent of Economic Transformation in Southern Europe," in *Economic Transformation, Democratization and Integration into the European Union, Southern Europe in Comparative Perspective*, ed. Heather D. Gibson (London: Palgrave, 2001), 120–21.
 11. M.I. Roque de Oliveira, "Investimento Estrangeiro," in *Portugal Contemporâneo. Problemas e Perspectivas* (Modern Portugal: Problems and Prospects), ed. Manuela Silva (Lisbon: INA, 1986), 522.
 12. Cals, *apud* Allan M. Williams, *op. cit.*, p. 13 and pp. 130–33. In this view "tourism in the development of the southern economies is dependent on tour operators,

- which are multinationals having their head offices in northern Europe." For an opposite approach to the relationship between risk and profitability, not in tourism as a monolithic activity, but in tourist developments and firms in the tourist sector see Frank M. Go and Ray Pine, *Expanding in a Barrier-Free Europe* (London and New York: Routledge, 1995), 159-61 and 164-67. For a technical approach see *Measuring the Role of Tourism in OECD Economies. The OECD Manual on Tourism Satellite Accounts and Employment* (Paris: OECD, 2000), 5-32.
13. For labor reduction in food service by the use of technologies, which increases flexibility in the use of labor schedules, space, quality, and efficiency, see M. Storey and C.G. Smith, "Developments within the Catering Equipment Industry in Great Britain," in *Progress in Tourism*, ed. Cooper, 187. M.R. Nowlis, "Technological Aspects of Commercial Food Services," in *Progress in Tourism*, ed. Cooper, p.229. And for the example of the hotel company Accor in using electronic machine to check in and check out guests, see *ibid.*, 228.
 14. Tourism Statistics; Máximo Pinheiro, editor Long series for the Portuguese Economy after the Second World War, vol. I - Statistical Series, Lisbon, Bank of Portugal, data of business in the high season. The reduction that took place in the subsequent three years also took place in Spain. The staff directly employed in the hotel business in Spain was 418,6 (in thousands) in 1964, 796,0 (in thousands) in 1973.
 15. In 1995 aparthotels were to be found in the two main vacation destination areas, with greater emphasis on the Algarve (62.5 percent) than in Madeira (14.9 percent) (João Martins Vieira, *A Economia do Turismo em Portugal* [Lisbon: Publicações Dom Quixote 1997, 102-3).
 16. The data for salaries in the Portuguese hotel business between 1950 and 1970 are not available. In the same period, the rate of annual growth of nominal value of salaries in Portugal shows a small increase after the mid-1950s and a drop in 1959, an increase between 1961 and 1964, and small decrease and stabilization until 1970, followed by another marked increase. Between 1950 and 1974 the increase was 40 percent and in general the nominal value of salaries was maintained above the inflation level (Abel Mateus, *A Economia Portuguesa: Crescimento no Contexto Internacional* (Portuguese Economy: Growth in the International Context: 1910-1998), 2nd ed. (Lisbon: Verbo, 2001), figure 2 of file CNHSL of the Statistical Database.
 17. This point is important when we consider how productivity growth has been observed in services compared with commodity production. Angus Maddison points out that the general view is that productivity growth tends to be slower in services due to the intrinsic character of many personal services and partly because of measurement conventions, which sometimes exclude the possibility of productivity growth. Maddison goes on to explain how structural changes have been affected by different kinds of forces and influences: in particular, one of the forces mentioned is "the various sectors' differing pace of technological advance." See Angus Maddison, "Explaining the Economic Performance of Nations, 1820-1989," in *Convergence of Productivity. Cross-National Studies and Historical Evidence*, ed. William Baumol, Richard R. Nelson, and Edward N. Wolff (Oxford: Oxford University Press, 1994), 49.

18. François Vella, *Economie Poilitique du Tourisme International* (Paris: Economica, 1985), 40–41. A wide-ranging overview of tourism makes it possible to compare the number of unskilled jobs in the hotel and restaurant trades with the skilled jobs they generate. Swiss employment statistics for the 1990s mention that 74.2 percent of jobs in hotels and restaurants are unskilled, compared with 60.6 percent of jobs in the economy as a whole (Tourism Policy and International Tourism in OECD Countries 1992–1993, Special Feature “Tourism and Employment” [Paris: OECD, 1995], 30–38). In Portugal it is quite possible that the difference is smaller than in Swiss employment.
19. Entrepreneurs in the hotel business argued in favor of this point of view in the early 1990s (Portuguese Hotels Association, Ninth National Hotel and Tourism Conference, Estoril, 1993).
20. Deeper investigation of productivity gains in this sector involves a comparison with studies carried out on the domestic service sector. For the relationship between the time spent in work and the quantity of goods and services produced due to technical changes to perform certain functions with machines more automatic or more efficient (vacuum cleaners, automatic washers and dryers) than previously or better cleaning agents could have made the difference, see W. Keith Bryant, “A Comparison of the Household Work of Married Females: The Mid-1920s and Late 1960s,” *Family and Consumer Sciences Research Journal* 24, no. 4 (June 1996): 370–71, 375–77; idem, *The Economic Organization of the Household* (Cambridge: Cambridge University Press, 1990,) 9–10, 120–21; Joel Mokyr, “Why Was There More Work for Mother? Knowledge and Household Behaviour, 1870–1945,” *Journal of Economic History* 60, no. 1 (March 2000): 1–40.
21. “*Estatísticas das Empresas, Hóteis, Restaurantes e Agências de Viagens*,” INE (National Statistics Institute), Vol. 1992. In addition, it would also be worth looking at what types of firms have emerged in the hotel business. If one assumes that public (publicly held) companies are associated with large businesses, and privately held limited companies are associated with small businesses, this would also give us some further significant pointers. The data used to support this chapter covered only a small fraction of the period (from 1973 to 1980) so it is insufficient to make any conclusion because the modernization of the economy and of the entrepreneurial fabric, which should also be taken into account in this context, took place in subsequent years. In 1992, 86 percent of hotel and similar corporations employed over twenty workers. In 1980, a company (Torralta) was among the five largest corporations in the country, and employed 2,886 people (Portugal. Principais Sociedades, 1980, I.N.E., Central Services, pp. 26–27).

18. François Vella, *Economie Poilitique du Tourisme International* (Paris: Economica, 1985), 40–41. A wide-ranging overview of tourism makes it possible to compare the number of unskilled jobs in the hotel and restaurant trades with the skilled jobs they generate. Swiss employment statistics for the 1990s mention that 74.2 percent of jobs in hotels and restaurants are unskilled, compared with 60.6 percent of jobs in the economy as a whole (Tourism Policy and International Tourism in OECD Countries 1992–1993, Special Feature “Tourism and Employment” [Paris: OECD, 1995], 30–38). In Portugal it is quite possible that the difference is smaller than in Swiss employment.
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21. “*Estatísticas das Empresas, Hóteis, Restaurantes e Agências de Viagens*,” INE (National Statistics Institute), Vol. 1992. In addition, it would also be worth looking at what types of firms have emerged in the hotel business. If one assumes that public (publicly held) companies are associated with large businesses, and privately held limited companies are associated with small businesses, this would also give us some further significant pointers. The data used to support this chapter covered only a small fraction of the period (from 1973 to 1980) so it is insufficient to make any conclusion because the modernization of the economy and of the entrepreneurial fabric, which should also be taken into account in this context, took place in subsequent years. In 1992, 86 percent of hotel and similar corporations employed over twenty workers. In 1980, a company (Torraltá) was among the five largest corporations in the country, and employed 2,886 people (Portugal. Principais Sociedades, 1980, I.N.E., Central Services, pp. 26–27).

Appendix

Table 4.9 Labor costs as a percentage of total hotel sector costs (annual averages)

	A – Total staff costs (PTE, thousands)	B – Total costs (PTE, thousands)	%
1976	2,406,694	5,697,272	42.2
1977	2,907,562	7,120,154	40.8
1978	3,425,343	8,539,004	40.1
1979	4,609,060	12,266,964	37.5
1980	5,703,502	13,315,512	42.8
1981	69,69,936	19,803,407	35.1
1982	8,554,577	24,044,604	35.5
1983	10,964,697	32,147,919	34.1
1984	13,024,673	39,236,923	33.1
1985	17,180,886	51,838,100	33.1
1986	20,407,154	58,459,758	34.9
1987	24,338,053	68,781,099	35.3
1988	29,418,844	84,660,106	34.7
1990	36,008,487		
1992	80,411,599	138,537,315	58.0
1993	52,454,000	125,497,217	41.7
1994	59,338,802	139,645,661	42.4
1995	61,906,000		

Sources: *Estatísticas do Turismo; Anuário Estatístico; Estatísticas das Empresas, Hóteis, restaurantes, agências de viagens e Turismo.*

Table 4.10 Total hotel staff costs (PTE, thousands)

	I – Deflator	II – Costs at current annual prices	III – Costs at constant annual prices	IV – Staff (numbers)	III/IV
1977	100	2,907,562	2,907,562	29,295	99.2
1978	121.352	3,425,343	2,822,650	29,424	95.9
1979	151.9282	4,609,060	3,033,710	n/a	n/a
1980	184.7577	5,703,502	3,087,017	27,660	111.6
1981	222.0024	6,969,936	3,139,577	30,276	103.6
1982	267.0239	8,554,577	3,203,675	30,454	
1983	335.9806	10,964,697	3,263,491	29,943	108.9
1984	431.6479	13,024,673	3,017,430	30,138	100.1
1985	515.5446	17,180,886	3,332,570	30,111	110.6
1986	586.7821	20,407,154	3,477,808	33,856	102.7
1987	644.9849	24,338,053	3,773,430	35,006	107.7
1988	720.3719	29,418,844	4,083,841	37,026	110.2
1989	815.0499	n/a	n/a	37,825	–
1990	916.0026	36,008,487	3,931,047	39,372	99.8
1991	1028.204	n/a	n/a	40,317	n/a
1992	1128.112	45,915,420	4,070,112	40,847	99.64
1993	1202.198	52,454,000	43,63,175	38,176	114.2
1994	1268.966	59,339,000	4,676,170	37,707	124.0
1995	1326.024	61,906,000	4,668,544	37,743	123.6

Notes: Traditional hotels (O turismo). High season personnel data. Personnel data includes unpaid staff.
Source: *Estatísticas de Turismo; O Turismo, D.G.E., Statistical Compendium OECD, Deflator, Private Consumption.*

Table 4.11 Staff costs, average price per overnight stay, and rate of bed occupancy

	A	B	C	D		B1	C1
1984	33	9,673,900	1,293	35.9			
1985	31.4	12,081,100	1,573	38.6	1985/84	24.9	21.7
1986	31.2	14,726,400	1,917	37.9	1986/85	21.9	21.9
1987	30	17,675,800	2,302	37.4	1987/86	20	20.1
1988	29.9	20,807,900	2,606	36.5	1988/87	17.7	13.2
1989	30.2	24,384,800	2,913	36.2	1989/88	17.2	11.8
1990	31	29,924,800	3,217	36.8	1990/89	22.7	10.4
1991	31.2	35,459,900	3,419	37.7	1991/90	18.5	6.3
1992	34.4	41,261,300	3,915	34.7	1992/91	16.4	14.5
1996			4,422				
1997			4,507		1997/96		1.9

Notes: A—percentage of total hotel sector revenues absorbed by staff costs; B—staff costs (escudos); C—average price for overnight stay at current prices (escudos); D—bed occupancy rate excludes tourist complexes and apartments; B1 and C1 change.

Sources: O Turismo, DGE; Análise de Conjuntura. Bulletin nos. 25 and 26, January/April 1998, 23.

Table 4.12 Total hotel sector revenues and number of hotel staff

	A—Revenue at constant prices (escudos)	B—No. of hotel staff	A/B	Change
1966	795,403,000			
1967	802,601,752			
1968	1,079,250,582			
1969	1,208,659,436	17,784	67963,30612	+ 15.72
1970	1,496,422,632	19,026	78651,45758	+ 17.16
1971	1,831,137,310	19,870	92155,87871	+ 14.65
1972	2,312,306,547			
1973	2,565,638,976	23,859	107533,3826	
1974	1,837,220,199	24,238	75799,16656	- 29.5
1975	1,618,831,966	23,888	67767,58063	- 10.5
1976	1,918,102,612	24,318	78875,83732	+ 16.3
1977	1,873,797,589	25,835	72529,4209	- 8.0
1978	2,264,730,562	25,644	88314,24747	+21.0
1979	2,775,198,650	32,769	84689,75709	- 4.1
1980	2,914,609,824	33,012	88289,40458	+ 4.2
1992	4,111,530,052	40,847	100656,8427	+14.0
1993	3,539,860,488	38,201	92664,07916	- 7.9
1994	4,190,785,729	32,928	127271,1895	+ 37.3

Source: Estatísticas Das Sociedades; Estatísticas de Turismo; Statistical Compendium, OECD—Deflator, Private Consumption.

Table 4.11 Staff costs, average price per overnight stay, and rate of bed occupancy

	A	B	C	D		B1	C1
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1985	31.4	12,081,100	1,573	38.6	1985/84	24.9	21.7
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1987	30	17,675,800	2,302	37.4	1987/86	20	20.1
1988	29.9	20,807,900	2,606	36.5	1988/87	17.7	13.2
1989	30.2	24,384,800	2,913	36.2	1989/88	17.2	11.8
1990	31	29,924,800	3,217	36.8	1990/89	22.7	10.4
1991	31.2	35,459,900	3,419	37.7	1991/90	18.5	6.3
1992	34.4	41,261,300	3,915	34.7	1992/91	16.4	14.5
1996			4,422				
1997			4,507		1997/96		1.9

Notes: A-percentage of total hotel sector revenues absorbed by staff costs; B-staff costs (escudos); C-average price for overnight stay at current prices (escudos); D-bed occupancy rate excludes tourist complexes and apartments; B1 and C1 change.

Sources: O Turismo, DGE; Análise de Conjuntura. Bulletin nos. 25 and 26, January/April 1998, 23.

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1972	2,312,306,547			
1973	2,565,638,976	23,859	107533,3826	
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1975	1,618,831,966	23,888	67767,58063	- 10.5
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1979	2,775,198,650	32,769	84689,75709	- 4.1
1980	2,914,609,824	33,012	88289,40458	+ 4.2
1992	4,111,530,052	40,847	100656,8427	+14.0
1993	3,539,860,488	38,201	92664,07916	- 7.9
1994	4,190,785,729	32,928	127271,1895	+ 37.3

Source: Estatísticas Das Sociedades; Estatísticas de Turismo; Statistical Compendium, OECD - Deflator, Private Consumption.

Table 4.13 Ratio of number of staff to number of beds

	1999	1996	1995	1993	1991	1989	1987	1984	1983	1976	1975	1974	1970	1967
All hotels	0.24	0.25	0.32	0.27	0.32	0.34	0.35	0.38	0.38	0.40	0.39	0.43	0.45	0.43
Five-star hotels	0.42	0.40	0.53	0.41	0.53	0.52	0.51	0.64	0.59					
Four-star hotels	0.24	0.26	0.34	0.30	0.34	0.37	0.38	0.39	0.40					
Three-star hotels	0.18	0.19	0.22	0.21	0.22	0.26	0.27	0.30	0.32					
Total														
aparthotels	0.15	0.13	0.21	0.15	0.21	0.21	0.22	0.23	0.24	0.18	0.16	0.26		
Pousadas		0.56		0.61	0.68	0.70	0.70	0.76	0.76	0.81	0.74	0.87	0.68	0.69
Total														
hostelries		0.31		0.34	0.38	0.34	0.36	0.35	0.35	0.35	0.37	0.45	0.46	0.47
Total														
pensions	0.14	0.14	0.14	0.15	0.15	0.14	0.14	0.15	0.15	0.18	0.18	0.19	0.21	0.25
Tourist complexes	0.14	0.12	0.11	0.12	0.11	0.10	0.10							
Tourist apartments	0.09	0.09	0.10	0.08	0.10	0.10	0.10							
Overall total	0.19	0.18	0.21	0.19	0.21	0.22	0.23	0.28	0.29	0.30	0.29	0.32	0.33	0.35

Source: Tourism, Direcção Geral de Turismo (various years).