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The research in this dissertation articulates the economic geography of the tourist industry in the United States by metropolitan statistical area (MSA) from a supply-side perspective. It examines the complex economic mix of the tourism production system by employment patterns, number of establishments, and wages. One of the key purposes of this dissertation is to analyze the intense geographical concentration that underlies the tourist industry and to identify the typologies of metropolitan-based economies that explain much of the clusters. A key hypothesis is that, although the tourism direct providers (e.g. hotels, airlines, etc.) attract more attention in the tourism geography literature than tourism supply service industries (e.g. food and drinking services, performing arts, etc.), that a broad economic equivalence exists between these macro-sectors in terms of number of jobs and establishments by MSA. Overall, it is hypothesized that the tourism production system is largely shaped by the logic of agglomeration theory and that metropolitan area economies that experience high levels of specialization as expressed by elevated tourism-related market shares in terms of jobs and establishments, will also generate a higher overall tourism average wage. Another purpose of this dissertation was to examine the overall impact of tourism specialization on quality of life scores as indicated by per capita income, percent of population with college degrees, and population growth rates. Furthermore, the dissertation examined

whether metropolitan area economies that attract disproportionately high levels of tourism market share in terms of employment also attract disproportionate creative class employment based on Florida's (2002) definition.

The overall analysis revealed that a broad economic equivalency in terms of number of jobs and number of establishments exists between tourism direct providers (e.g., air transportation and hotels) and the tourism supporting services (e.g., restaurants, performing arts, and sports). Additionally, the findings highlighted an acute geographic concentration of the tourism production system. The top ten MSAs in terms of employment market share accounted for 40% of all tourism jobs. The analysis also revealed that four major tourism MSA typologies existed including casino-based, coastal resort, retirement resorts, and natural resource gateway metropolitan areas.

The findings further revealed that tourism average wages varied by MSA and they were highly influenced by the level of tourism concentration and specialization partly due to an economies of scale and agglomeration effect. The analysis supported the notion that the tourism industry's overall impact on various quality of life indicators was largely random, suggesting that the general notion that tourism can be a panacea for an urban economies' ill needs to be re-evaluated and questioned. The analysis also showed that a random relationship existed between tourism employment levels and the percent creative class employment contrary to much of the literature. Additionally, the analysis also suggested that a statistically significant correlation existed between percent creative class employment and cultural tourism employment (e.g., performing arts, spectator sports

etc.) Suggesting that targeting culturally-oriented tourism amenities may be a more effective strategy to attract the creative class.

Data sets for the dissertation came from different sources including: The Bureau of Economic Analysis (BEA), The Bureau of Labor Statistics (BLS), and The Census Bureau. The North American Industrial Classification System (NAICS) methodology was used to quantify the tourist industry from a supply side perspective.

THE ECONOMIC GEOGRAPHY OF THE TOURIST  
INDUSTRY BY U.S. METROPOLITAN AREA:  
A SUPPLY-SIDE ANALYSIS

By  
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## **CHAPTER I**

### **INTRODUCTION**

In the United States, the tourism industry can be a way to leverage local recreational and cultural assets to help stimulate job growth in otherwise lagging economies (Market Street Services 2004). According to the US Commercial Service (2007), the tourism sector in 2006 supported more than 7.3 million jobs in the U.S., with a direct payroll of \$163 billion. Tourism also generated roughly \$645 billion in travel related revenues, contributed a trade surplus of over \$4 billion to the U.S. balance of payments and contributed approximately \$99.4 billion in tax revenues to federal, state and local governments. Given the economic magnitude of the tourism industry in the United States, it is perhaps surprising that only a small number of geographers have analyzed the spatial distribution of tourism from a supply-side or industry perspective (Telfer 2002, Hall et al.2004, Debbage and Ioannides 2004, Smith 2004, Judd 2006, Hall and Page 2008, Shaw and Williams 2008, Rosentraub and Joo 2009). This dissertation attempts to dovetail tourism supply-side issues with the broader work in economic geography. It will focus on some of the more recent contributions in the areas of tourism clusters and industrial districts (Scott & Storper 2003, Jackson and Murphy 2006) cultural commodification and the experience economy (Scott 2005, Richards and Wilson

2007), tourism and innovation (Novelli et. al 2006, Hjalager 2010), and tourism and the creative class (Florida 2002, Clark and Lloyd 2004, Bayliss 2007). This dissertation adds to the ongoing research by economic and tourism geographers by analyzing how tourism production from a supply-side perspective (e.g. number of jobs, establishments, and average wages by tourism related industry) varies spatially by metropolitan area. The tourism supply-side production system includes two key component parts: 1) tourism direct provider industries which primarily engage in tourism and hospitality businesses, providing lodging and transportation, and 2) tourism supporting service industries which likely would continue to function without tourism but at diminished levels (Gee et.al 1997, Roehl 1997). Much of the central arguments in this dissertation will be grounded in the literature of urban agglomeration and industrial clusters in an attempt to better understand the economic geography of the tourist industry. More specifically, the key research questions include analyzing the intense geographical concentration that underlies much of the tourist industry and identifying a typology of metropolitan-based economies that explain much of the clusters. It is also argued that although the tourism direct providers (e.g. air lines, hotels, etc.) attract more attention in the tourism geography literature than the tourism supporting services industries (e.g. performing arts, food and drinking services, etc.), that a broad economic equivalence exists between these macro-sectors in terms of number of jobs and establishments by MSA. It is also hypothesized in this dissertation that as the percent tourism employment by MSA ( in terms of jobs and establishments) increases the overall tourism average wage tends to increase as well

based on the logic of urban agglomeration theory. Also, despite the fact that a specialization in tourism may “drive-up” wages (Deitz 2004), it is hypothesized that MSA economies that generate high percent tourism employment, may also experience low quality of life scores as indicated by per capita income, percent of population with college education, and percent of population growth. Much of the logic for this thesis rests with the overall poor quality of most tourism jobs in terms of average wages and skills

One of the central research questions will focus on whether or not metropolitan areas that attract disproportionately high levels of tourism employment and establishments will also attract a disproportionate share of what Florida (2002) has defined as the “creative class” which includes a variety of occupations ranging from engineering to theater, biotech to education, and architecture to small businesses. Florida's creative class theory suggested that a sophisticated array of cultural amenities and entertainment options can help enhance competitive advantage and overall quality of life. Less well understood is whether or not the economic geography of the tourist industry by metropolitan area is systematically linked to the economic geography of the creative class. Disentangling these potential connections can contribute substantially to the recent literature that has focused in on how place competitiveness and the emergence of a cultural product industry cluster have reshaped metropolitan areas (Richards and Wilson 2007). A more detailed research hypothesis will be articulated in chapter three.

Although tourism is often touted as a major industry as well as a key component of many metropolitan economic strategies, most tourism studies tend to concentrate on

the demand side (i.e. the tourist) more than the supply-side (i.e. the tourism industry) (Townsend 1991, Ioannides and Debbage 1998). This lacuna exists, according to Judd (2006), despite the fact that tourism is one of the leading industries in the world if not the leading industry in terms of volume of employment and income. Judd (2006) attributed that to the fact that tourism is often defined as a system of consumption rather than a system of production.

This dissertation utilizes Metropolitan Statistical Area (MSA) as a unit of analysis. The metropolitan scale is used for two main reasons: first, metropolitan areas are defined by the level of commuting and interactions with adjacent communities. As such, they are considered journey- to work commuter sheds and, therefore, metropolitan-based labor pools or markets. Second, many major tourist attractions are frequently located just outside side the limits of some cities. For example, Disney World is located just outside the Orlando city limits but is part of the larger Orlando metropolitan area. Also, part of the logic for analyzing tourism at the metropolitan scale is because metropolitan areas are now seen as one of the most important geographical units of economic activity where US metropolitan areas are responsible for more than 86% of the US GDP (US Conference of Mayors 2007). We now turn to an overview of the current literature.

## **CHAPTER II**

### **LITERATURE REVIEW**

The central research theme in this dissertation is focused on the varied roles of tourism as a vehicle for economic development at the metropolitan scale. Particular attention is paid to the varied ways in which tourism can play a role in metropolitan economies from a supply-side perspective. The literature review focuses on locating the analysis of tourism as an agent of regional development within the theoretical framework of urban development and tourism geography studies and consists of four parts. First, this chapter will examine the key models and the conceptual issues of tourism focusing on the debate about the demand-supply dichotomy in the existing tourism literature. Second, I will examine growth pole theory and its applicability to the analysis of the tourism industry. Third, the debate about agglomeration economies and particularly industrial cluster theory, especially the work of Michael Porter will be reviewed with a discussion about its relevance to tourism. Fourth, the creative class theory, especially the work of Florida will be also reviewed with a discussion about its relevance to tourism.

By embracing these four areas, I will establish the key theoretical relationships that exist between regional development theories and tourism, thereby providing a good theoretical context for the broader research hypotheses and the specific issues addressed later in this dissertation.

## **2.1. Towards a Critical Geography of Supply-Side Tourism**

According to the United Nations World Tourism Organization (UNWTO), the tourism industry is one of the fastest growing industries in the world generating \$680 billion in 2005. The UNWTO forecasts that by 2020, international tourist arrivals are expected to surpass 1.5 billion people. According to the UNWTO (2010), modern tourism is now closely linked to economic development as a major labor absorptive sector and, as such, tourism has turned into one of the most effective drivers of development in fledgling regional economies.

Despite its importance in the world economy and its contribution to regional development, the tourism industry remains an underdeveloped part of economic geography and the literature remains largely theoretically limited (Hall 2005, Judd 2006). Although the tourist industry is a major global industry, the term “tourism” still lacks a generally accepted definition (Croes 2000). Furthermore, it is often debated whether the tourism industry even exists in the sense of a distinct group of enterprises such as the steel or automobile industries (Gee et.al 1997, Roehl 1998, Smith 1998). Tourism is often seen by economic geographers as a collection of businesses selling travel-related services rather than a “real” industry (Smith 1998).

The amorphous nature of tourism and the lack of a universally accepted definition of tourism have resulted in a certain level of conceptual fuzziness and have also triggered a complex debate about the validity of treating tourism as an industry (Debbage and Ioannides 2004). Fortunately, geographers have actively explored and sought to interpret a diversity of research problems relating to the tourist industry. According to Britton

(1991), it is not surprising that geographers have explored tourism as a field of research since it is a major item of consumption in modern western economies in terms of both employment and revenue generation.

That said, much of tourism geography was traditionally concerned with the analysis of travel flows and various spatial models (Britton 1991, Ioannides and Debbage 1998), although the analysis is often dealt with in descriptive and weakly theorized ways. Britton (1991) further argued that the conceptual fuzziness of much tourism research can also be attributed to the fact that geographers working in the field of tourism failed to recognize the capitalistic nature of the phenomenon also failed to fully grasp the fact that tourism is an important avenue of capitalistic accumulation. Other geographers attribute the conceptual difficulties to the multifaceted nature of the tourism industry which includes a large number of goods and services produced by very different suppliers, which make it very difficult for researchers to fully understand how the tourism industry functions and spatially varies by place (Ioannides and Debbage 1998).

In spite of these difficulties, it has been argued that definitional, conceptual, and methodological complications associated with tourism should no longer be considered legitimate excuses for avoiding the study of tourism from an economic geography perspective (Williams and Shaw 1988, Urry 1990). An adequate conceptualization of tourism is crucially important and demands a more comprehensive approach that involves examining more closely the relationships that exists between tourism and social practices related to human movements (Hall 2005). Hall further argues that such a reassessment

needs to also consider the extent to which time-space convergence has made it easier for tourists to cover longer distances in a shorter period of time.

Fortunately, based on the momentum generated by Britton's (1991) now classic publication, the commodification and the growth of the tourist experience have received substantial attention in recent years (Butler 2006, Agrwal and Shaw 2007, Bayliss 2007, Bell 2007, Burns and Novelli 2008). Some tourism geographers have taken up Britton's challenge to more explicitly identify the capitalistic nature of tourism and integrate their research into contemporary debates in geography (Debbage and Ioannides 2004).

Tourism researchers have also realized that through studying tourism we can elevate our understanding of broader issues of economic or societal restructuring. According to Ioannides and Debbage (1998), tourism can be related to broader issues including the globalization of culture and the commodification of place; and that tourism, in some ways, reflects the increasing interconnectedness of the international economy given the key links established between tourist generating areas, destinations, and travel routes that are required to sustain the product. In some sense, tourism can be seen as a phenomenon which depends more than most on specific social and political relationships that connect the consumers and producers to the tourist experience (Shaw and Williams 1994, Harvey 1984, Hall and Page 2006).

To properly theorize tourism, Britton (1991) argued that it must be situated in an appropriate socially specific context. He suggested that tourism should be commonly regarded as part of the cultural products industry (i.e. an ensemble of service outputs that focus on entertainment, edification, information, and manufactured products such as

fashion clothing or jewelry) and, as such, be treated as an experience which can be bought and sold as a commodity. The commodification of tourism involves the production of tangible goods such as souvenirs, transportation, purpose designed buildings, and consumables, as well as intangible and/or experiential services such as the labor-services of waiters, reservations, clerk, tour guides and most importantly the tourist experience or what Urry (1990) calls the tourist gaze. Commodities in this context become a means to an end because there now exists a complex tourism production system consisting of industries, markets, and agencies whose aim is to mainly market not only the means to an end, but the end itself- the tourist experience (Britton 1991). But to be profitable the tourist experience needs to be capitalistically organized, regulated, and made predictable (Ioannides and Debbage 1998). Nothing must be left to chance-neither the logistics of travel nor the content of the experiences, as both are constructions shaped by capitalist production and social relations (Urry 1990).

The concepts and methodological complexity underlying the definition of tourism have triggered an ongoing debate among geographers about the validity of treating tourism as an industry (Ioannides and Debbage 1998). According to Mullins (1991), tourism is typically conceived of, by geographers, as any good or service that has been consumed by a tourist, and herein lies the methodological conundrum. This conception has led to a definition of the tourist industry not as a provider of goods and services, or as a system of production (i.e. supply-side perspective) which facilitates access to fixed assets such as landscapes or museums; instead much of the literature attempts to define the tourist industry based on definitions of a tourist as a consumer (i.e. demand-side

perspective) (Smith1988). Most of the tourism literature focuses on defining tourism as a demand-side concept - from the perspective of the person taking the trip. A history of tourism definitions is presented as well as the current definition from the World Tourism Organization (WTO): "Tourism is the set of activities of a person traveling to a place outside his or her usual environment for less than a year and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited." On the demand-side tourism can be classified by such factors as length of stay, type of traveler, type of trip, type of expenditure, transport mode or accommodation type. Goods and services are classified as part of tourism if they are consumed by tourists; but if they are consumed by residents they are considered part of normal domestic consumption. Smith (1988) went further by arguing that such a view was equivalent to defining the health care industry by defining a sick person. This approach has made it difficult to pinpoint the fundamental nature of the tourism industry and the economic forces that have shaped the tourist industry.

As a result, the study of tourism has been handicapped by an inattention to the supply side and has failed to incorporate the study of tourism as a supplier of goods and services that helps to place the tourist experience in a spatial context (Britton 1991, Ioannides and Debbage 1998, Hall and Page 2008). Almost all of the persuasive arguments forwarded to articulate the uniqueness of tourism attributes have focused on the end product or the tourist experience, rather than on the infrastructure of production (Mathieson and Wall 1982). Tourism research has concentrated almost exclusively on consumption – the demand side- and very little research has been conducted on the

production and geographic distribution of goods and services from the supply side (Mullins 1991). Although the economics of tourism is mostly concerned with the allocation of resources (e.g. accommodation, transport, agency services, and food and souvenirs to satisfy demand), most of the existing literature has still focused on the individual tourist and consumption while the literature on the supply-side of tourism remains scarce and tends to focus on only certain sectors (e.g. the hotel and air transport industries).

Judd (2006) argued that for tourism system to be a system of consumption, there have to be producers who seek to shape the tourist experience. According to him, it is important to study the desires of tourists and their patterns of consumption, but the choices from which tourists chose are determined as much by those who produce the tourist experience as they are by tourists. He further suggested that that the concept of commodity chains can be a suitable method to identify the organizational structure of the tourism industry, its spatial variation, and the linkage between inputs and outputs. According to Porter (1985), commodity chains reveal complex networks of activities and the relationships binding them. They show how networks of supply and demand have evolved over time.

Although specifying the inputs of the tourist experience, given the conceptual and definitional issues of tourism, is a daunting task and to gather data to trace their spatial relationships is even more challenging, there is little reason, suggests Judd (2006), to believe that tourism is more complex than many other industries. He further argued that to have a detailed knowledge of the commodity chains of tourism experience, a great deal

of research has to be devoted to tracing out the linkages and the pricing mechanisms for particular commodities. Judd (2006) further argued that the deficiencies and the fuzziness in the current concept and definition of tourism are sufficient to justify the time and energy it will take to better understand tourism as a system of production. Judd (2006) went on to suggest that only by treating the tourist industry as a coherent system of production can the literature on tourism be fully integrated with the broader literature on economic geography and globalization. This dissertation is an attempt at correcting this deficiency by attempting to close the gap in the literature relating to the supply-side of tourism by rigorously conceptualizing the geography of the tourism industry by metropolitan area using industry-based data.

Ioannides and Debbage (1998) argue that strengthening the level of theorization associated with the tourism supply-side will enable researchers to obtain answers to pressing questions such as: What are the dynamics of local tourism labor markets? What are the effects of the spatial and temporal contingencies on tourism-related enterprises? Why do certain localities benefit more than others from tourism? To answer these questions, there is strong need to broaden the scope of supply-side research in tourism.

Ioannides (1995) pointed out that there is a need to better understand the contingencies leading to varying patterns of tourism development from place to place; and also there is a need to increase the level of empirical research to tie tourism production system with specific economic theories and models. According to Britton (1991) and Ioannides (1995) a fuller understanding of tourism requires an understanding of the tourism production system which includes the mix of businesses and other

organizations that provide tourism services. Furthermore, they argue that to fully understand tourism production and fully conceptualize and theorize it, tourism research must have stronger theoretical links to economic geography and that tourist researchers must intensively utilize supply-side empirics in their studies and analysis (Ioannides and Debbage 1997).

According to Debbage and Ioannides (1997), one simple approach that is readily available to researchers for determining what businesses within the economy are at least tangentially tied to tourism is the North American Industrial Classification System (NAICS). NAICS is an economic classification system that groups establishments into specific industry categories and provides a rigorous well-defined framework for collecting, analyzing, and disseminating economic data on an industry by industry basis. Since the passage of the North American Free Trade Agreement (NAFTA) in 1997, the NAICS code has officially been adopted to standardize economic classification and social statistics between the U.S., Canada, and Mexico (Roehl 1998). NAICS is based on a production-oriented and supply-based conceptual framework in which each production unit that uses identical or similar production processes are grouped together. According to Kort (2001), the emphasis placed on the single production-oriented concept ensures that NAICS information on inputs and outputs, on industrial performance and productivity, on unit labor costs and employment, and on other statistics related to structural change are consistent across the United States economy, as well as across the economies of Canada and Mexico. The NAICS code is also well suited for measuring

economics that have dramatically shifted from a predominately goods-producing economy to one characterized by services and high-tech industries.

Although the NAICS code is a cross-national methodology that is quantifiable, and involves a rigorous empirically definable data base, many tourism geographers are curiously unaware of the NAICS methodology. Despite this, Roehl (1998) has argued that the NAICS methodology can benefit the study of services in general and tourism geography in particular because it allows for multiple definitions of tourism and facilitates cross-national studies. Using the NAICS code may also help advance the conceptualization of tourism research and stimulate increased communications between scholars interested in tourism and those working in the more traditional areas of economic geography.

Roehl (1998) used the NAICS code to help isolate and rigorously define a multiplicity of tourism-related industries including travel agencies, tour operators, hotels, museums, historical sites, and amusement and theme parks. He then used the NAICS code to define and describe the tourism production system in Texas and to examine spatial changes in the number and mix of tourism establishments. Roehl (1998) found that the evolution of the tourism production system in Texas appeared to reflect two different types of destination areas including both natural resource areas and metropolitan areas specializing in urban tourism activities. Roehl also found that changes and declines in hotels, air transportation, and museum establishment levels observed in the tourism production system on the Texas coast, seemed to emphasize the importance of location and an appropriate level of infrastructure for tourism development while also offering

some support for Butler's (1980) destination life cycle model. Urban areas such as Harris County (Houston) appeared to benefit from its high levels of population growth, as well as its dominant position in infrastructure and accessibility, capturing a larger share of tourism economic activity.

As of 2009, it appeared that only a few authors have attempted to theorize tourism based on a NAICS although Rosentraub and Joo (2009) are an exception to this rule. Rosentraub and Joo (2009) observed that across three decades in efforts to capture an increasing portion of the tourist market and attract the creative class, metropolitan areas have built attractions, shopping malls, and performing art centers in downtown areas. As a result of the large public investments intended to capture a larger share of the expanding tourism market, substantial attention has been directed towards understanding which mix of investments in entertainment, sports, and culture best generates positive returns for a community. According to Rosentraub and Joo (2009), creating the needed data to inform a proper tourism policy that will advance a region's development requires an understanding of the supply side production system i.e. the sets of amenities a community can produce. To understand the tourism production system and to better advise public leaders regarding commitment levels to different tourist amenity packages, a classification system is needed; which can then be used in statistical models to measure outcomes. Research by Jansen-Verbeke (1986) and Marcouiller and Pery (2005) were utilized to help frame the conceptual model used by Rosentraub and Joo (2009) to classify groupings of tourist amenities. Jansen-Verbeke (1986) developed a unique concept for communities by considering an entire urban area as a tourism product

consisting of primary, secondary and additional components (Fig. 2.1). According to this concept, primary elements are amenities and places where tourist activity occurs. These places are made up of cultural, sports, and amusement facilities while secondary and additional components are related business and amenities. Marcouiller and Pery (2005) on the other hand focused on the supply components of recreational resources and their links with tourism.

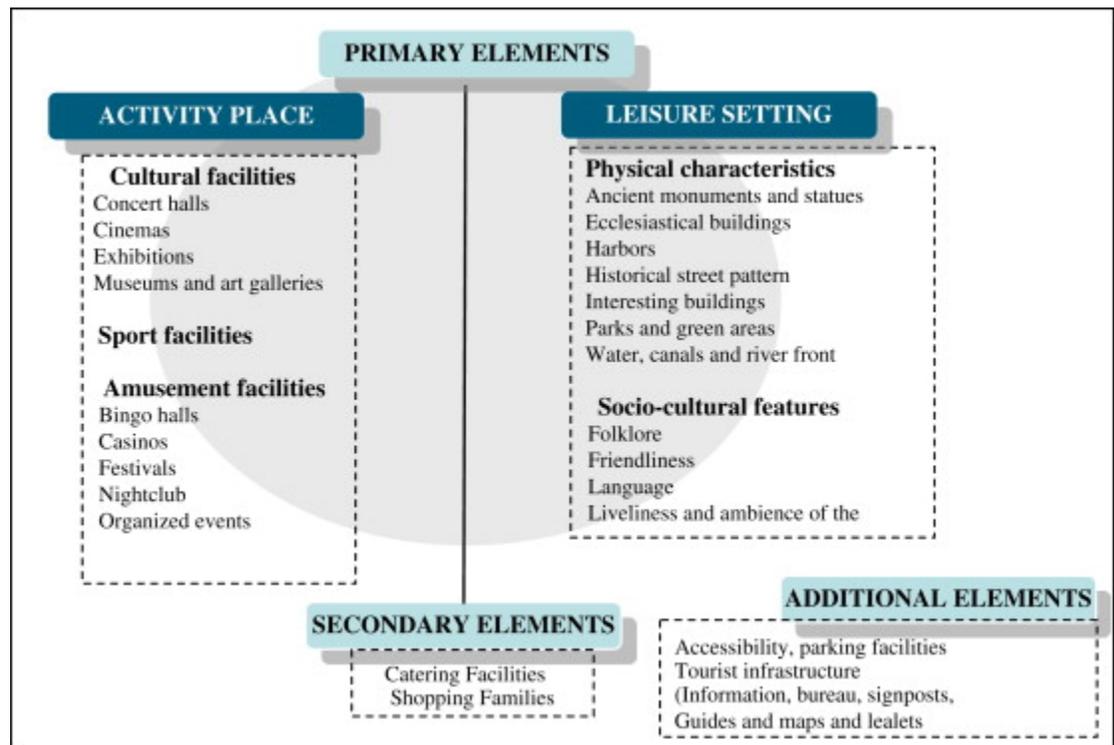


Figure.2.1 Supply-side classification schemes for tourist amenities.

Source: Rosentraub and Joo (2009) modified from Jansen-Verbeke (1986).

They suggested in their results that the supply of recreation and tourism is a complex combination of natural amenities, transportation options, and private business activities. Marcouiller and Pery concluded that tourism is primarily dependent on

recreation sites and natural amenities and then secondarily by issues related to the supporting services available to tourists. Building on these concepts, Rosentraub and Joo's (2009) research model illustrates the interaction between the supply of amenities and demand that forms the tourism attractions system that guided their study (Fig. 2.2). Rosentraub and Joo (2009) used total employment in the tourism sector and related industries (e.g. transportations, the arts, entertainments, recreations, and accommodations, etc.), total number of business in a region, and house hold income levels as dependent variables for their model of study. The number of employees in NAICS sectors 48, 71, and 72 in metropolitan areas were used as the dependent variables for the analysis of changes in employment in the tourism sector related to different amenity packages. Built attractions such as sports, cultural, and amusement facilities were used as the independent variables in the Rosentraub and Joo (2009) research model of study. Amusement facilities include amusement parks and arcades, gambling industries, and other recreation industries; these were represented by NAICS sectors 7111, 7112, 7113, 7121, 7131, 7132, and 7139. Using descriptive statistics, t-test, and a multivariate regression analysis to measure the impact of different sets of attractions on the growth of the tourism industry and regional economic development, the research model concluded that in more than 300 metropolitan areas investment in amusements and sport attractions were associated with higher levels of employment in the tourist sector. There is also a difference in the experiences of fast-and slow-growth metropolitan areas with larger effects in the former. Sports for example, have a positive effect on regional economies in both fast-and slow-growth cities, while cultural amusements have a more

positive impact in fast-growth metropolitan areas and less positive or, in some cases, negative impacts in slow-growth metropolitan areas.

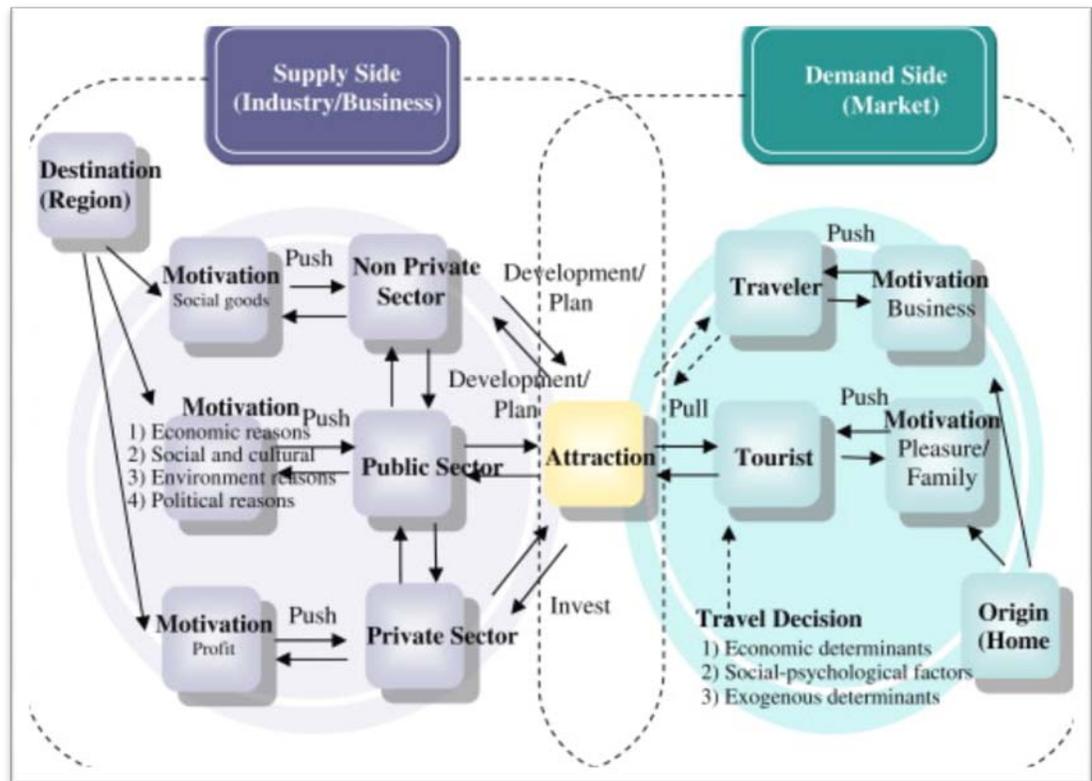


Figure.2.2 Tourism attraction system

Source: Rosentraub and Joo (2009) modified from Jansen-Verbeke (1986).

To this end, we turn now to a discussion of the tourist flows literature and the spatial patterns of tourist movements between generating areas and destinations. The study of tourist flows has profound implications for tourism product development and the cultural impacts of tourism. This part of the literature review will identify a number of different tourist spatial movement models. It will also identify the intervening factors that exert different levels of effects on tourist movements.

## **2.2. Classical Models of Tourist Spatial Flows**

Tourism is essentially about the movement of people between origins and destinations, and within destinations, through time and space (Mckercher and Lew 2004). In its simplest form, the tourism system consists of an origin or demand point and a destination or supply point (Uysal 1998). An important understanding of tourist spatial flows can enhance our understanding of the economic geography of the tourist industry by metropolitan area but there is little empirical academic enquiry that has been conducted to examine and model tourist movements (Pearce 1989, Dietvorst 1995). One reason for the lack of research is that the study of tourist itineraries is plagued by the difficulties of data collection. Although mapping travel from point A to B appears to be simple and straight forward, it is actually an extremely complicated task to attempt to model a large number of different tourist travel routes. In spite of all these difficulties, some scholars have attempted to spatially model tourist flows (Mckercher and Lew 2004). Conceptualizing and modeling tourist movements and the spatio-temporal relationships that the tourist has with a destination has profound implications for tourism product development and the economic viability of the tourism industry. Such modeling can help tourism policy-makers provide better services and facilities to cater for the needs of tourists (Dietvorst 1996). According to Pearce (1979) the geographers' interest should not be limited to establishing these spatial patterns but they should also seek to understand and explain them. Pearce (1987) provided a useful classification of the literature when he identified the following models of tourist spatial flows.

### **2.2.1. Travel Models**

The emphasis in the early tourism geography literature tended to better examine the actual travel routes and the linkage and travel component in the analysis of tourist flow patterns. For example Marriot (1976), proposed three specific routes: the access route, return route, and a recreational route that are all about linking the origin to the destination. According to Marriot (1976), the recreational route is often utilized by a tourist not only as an access route and/or return route, but also to tour several places along the way even if the intervening areas do not constitute the main goal of the journey. The idea of touring through the recreational route is also developed in Cambell's (1966) model which displayed different patterns of movement with recreational vocational routes that were both linear and radial from the urban centers.

### **2.2.2. Origin-Destination Models**

Theoretical travel models that conceptualized the patterns of origin-destination tourist flows have been conducted by a number of geographers and other researchers such as Thurot (1980), Lundgren (1982), and Pearce (1981). These models are based on the assumption that most places are simultaneously origins and destinations and serve both as receiving and generating centers. Thurot's model concerns tourism at a national level. It is also considered useful as a means of conceptualizing the different levels of tourist flows and spatial structures. Lundgren's model, on the other hand, focused on the role of different destinations and their degree of mutual travel attractions. He identified four broad tourist destination types:

- a) Centrally-located metropolitan destinations that are well integrated into international transport networks that function both as a generating area and a major destination.
- b) Peripheral urban destinations that tended to have a net inflow of tourists.
- c) Peripheral rural destinations that depended upon an attractive environment and drew a strong net inflow of tourists
- d) Natural environment destinations located at significant distances from the generating area and completely dependent upon the tourist generating areas.

Pearce's model (1981a) integrated the joint generating/receiving functions of urban areas and their associated flows. Pearce's model suggested that major cities act not only as a generating area but also they play a complementary role as a national and international destination. Each of these roles gives rise to specific types of domestic and international flows of tourists. He suggested that the roles a city plays may vary, nonetheless, from city to city and also from one group of visitors to another.

### **2.2.3. Structural Tourism Models**

Structural models emphasize the structural relationships that exist between origins and destinations and they are mostly conceptualized in the context of the Less Developed World. Economic geographers tend to express these relationships in a core-periphery context. Britton (1980), for example, used the core-periphery concept to distinguish between tourist demand in industrialized countries and the supply of tourist production in the less developed countries of the Caribbean and Pacific. He suggested that this dynamic largely arises out of the degree of control exerted by metropolitan-based multi-national

corporations and tour operators in the tourist generating areas and the significant strategic control they have over peripheral third world destinations. Lundgren (1972) suggested that these relationships are a function of the technological and economic superiority of the travel generating, metropolitan core areas. Lundgren (1972) also stressed the dominant role that metropolitan based companies play in manipulating origin-destination tourist flows through national air carrier route networks which can effectively and selectively control the sort of international links that are established between tourist origins and destinations.

Britton (1980) and Debbage (1991) have also pointed out that the benefits generated by the expansion of tourism in the Less Developed Countries are frequently illusory and over-stated. Today, airlines and hotel chains (e.g. American Airlines, Holiday Inn) dominate the tourism sector. He further suggested that we need to be careful how much economic benefit is ascribed to the local economy from tourism because tourism-related multi-national corporations often provide facilities within peripheral overseas destinations in the form of purpose-built enclaves that satisfy all the tourists' needs and further diminish the need for interaction with the indigenous society and its economy. Furthermore, Britton (1980) argued that profits from tourism activities are frequently expropriated from the destinations areas by the foreign multi-national corporations to their respective headquarters in the developed world. Although these models were developed within the context of international tourism in the Less Developed Countries, they contain useful general points that can be applied to peripheral metropolitan areas in the United States.

#### **2.2.4. Evolutionary Tourism Models**

Evolutionary models are very important in explaining key factors and underlying processes over time that can act to dynamically change the tourist industry (Pearce 1987). Miossec (1976, 1977), for example, depicted in his evolutionary model the structural evolution of tourist regions through time and space by emphasizing various aspects of the development process and its impact on tourist behavior. Butler's (1980) Tourism Area Life Cycle (TALC) model remains the most quoted and cited of the evolutionary models of tourism. It has attracted the most attention because it is credited with providing a broad analytical framework from which to examine the evolution of tourist destinations within their complex economic, social, and cultural environments. The model consists of six stages of development that a resort or a destination will undergo overtime: An exploration stage is followed by a rapid development period when the resort is discovered followed by consolidation when large scale development for mass tourism is attained. Over times the resort experience a period of stagnation when the destination nears its carrying capacity level and loses its novelty within the mass tourism market. The end result is possible decline or a rejuvenation phase; as the area's position in the regional tourism market is reassessed (Mitchell and Murphy 1991). We now turn to a more detailed review of why specific places attract capital investment with an overview of growth pole theory and its potential connections to tourism.

It can be argued that all of these classic tourism geography models tend to be focused on the spatial flows of the tourist (i.e. demand-side related). Hardly any of these models looked at the tourist production system (i.e. supply-side perspective). The whole

purpose of this section is to articulate that much of the conventional literature in tourism geography tends to focus on demand side issues or individual tourists. The purpose of this dissertation is to add to this literature by focusing on a supply-side analysis of the tourist industry and so is intended to complement some of this existing literature.

### **2.3. Growth Pole Theory: Connections to Tourism**

Tourism is often touted as a means of economic growth and modernization in less developed areas, and of revitalization in declining regions of various western nations like the United States (Sharpley 2002). Consequently, the potential of tourism to contribute to development in modern, industrialized countries is widely recognized. In the United States, for instance, tourism has become a favored means of addressing the socioeconomic problems facing urban areas as a result of industrial decline (Sharpley and Sharpley 1997, Zukin 2002, Richards and Wilson 2007, Smith 2007). Tourism is also considered, in this regard, as an effective tool for regional development and as a vital source of income and employment (Oppermann and Chon 1997). According to Oppermann and Chon (1997), tourism generates jobs not only in its own sector but also via indirect and induced effects in related sectors such as financial services, retailing, and telecommunications. That said, tourism is of course known to be a largely low-wages labor-intensive industry although it also provides an opportunity for a wide variety of small-business related entrepreneurial activities and can contribute to the alleviation of regional imbalances between and within the metropolitan centers (Mihalic 2002). Although tourism has been targeted as a potential growth pole in many disadvantaged urban areas (e.g. part of inner cities of Boston and Baltimore) in the United States in order to promote local economic development, the

growth pole concept and its applicability to tourism still need to be better connected and understood (Telfer 2002).

The classic view argues that tourism contributes to regional convergence in economic development. According to this view, tourism tends to distribute development away from the industrial centers towards peripheral regions in a country which have not been developed (William and Shaw 1998). However, the rapid expansions of new forms of tourism, such as urban tourism, cultural tourism, heritage tourism favor metropolitan areas. Tourism is now seen as a vehicle of regional development within a particular developed country, contributing to the alleviation of regional imbalances, in particular between and within the metropolitan centers and peripheral areas. This shift in tourism demand towards metropolitan areas has been driven and supported by substantial investment in the supply side. Tourism is developed by many metropolitan areas such as Baltimore and Boston which are suffering economic decline as a result of losing major traditional industries. For many of these metropolitan areas, it was not only the diffusion of growth impulses through tourism development that was a key priority, but that increasing tourism can also increase the attractiveness of places to what Florida (2002) has termed the creative class and, subsequently, give rise to economic development (Telfer 2002). This section of the literature review will address the role of tourism as a regional development tool within the context of growth pole theory and explore how the conventional growth pole economic development paradigm has informed tourism growth and development. A further discussion of Florida's creative class will be undertaken in a later section of this review.

Perroux (1955) argued that observable economic growth is neither smooth nor predictable and it is always associated with structural change. These notions of unbalanced growth seem to have informed Perroux's concept of growth pole. He argued that economic spaces consist of centers (or poles or foci) from which centrifugal forces emanate or to which centripetal forces are attracted. As a reason for such urban agglomerations, Perroux argued that the dense economies of scale offered by densely settled and compact metropolitan areas can trigger higher levels of technological innovations and thus enhance output and productivity rates in core growth pole areas. The extent of this effect, according to Perroux, would spread geographically outward overtime to more peripheral areas. Another economist who also attempted to conceptualize the growth pole theory as a regional planning strategy was Hirschman (1958). In his classic book, *The Strategy of Economic Development*, he argued that development is a lengthy process during which interaction takes places across the whole economy. Hirschman further argued that economic progress does not appear everywhere at the same time and that once it has appeared powerful, backward and forward linkage effects between firms trigger a spatial concentration of economic growth around the initial starting-point. In his models, Hirschman argued that growth poles will be located in larger cities, but he focused on basic and small industries since they would induce greater backward and forward linkage effects between firms.

Friedmann (1966) formulated a comprehensive core-periphery model and concluded that the development patterns of developing countries could be applied to the United States. According to his core-periphery model, the core region in the United

States would be represented by large metropolitan areas in the mid-Atlantic and New England states as well as across the expanse of the Great Lakes, while the peripheral region would be represented by metropolitan areas in the Southern and Western states of the nation (Hansen 1971). Friedmann argued that regional economies must be opened up to outside external industry links to accelerate export sector growth. He further argued that economic growth tends to occur in urban centers where more firms are more likely to locate, and where the flow of labor from surrounding rural areas may help to reduce regional disparities. Less clear is how the growth pole paradigm applies to the economic geography of the tourist industry.

With the continuing growth of the tourism industry in both developed and less developed countries, tourism and other service industries can be expected to play a leading role in some peripheral economies and may even help reduce spatial economic disparities. It has been argued that the tourism industry can be very influential in the formulation of metropolitan areas regional economic development strategies (Telfer 2002, Sharpley 2000). Less well understood is how the economic geography of the tourist industry varies by metropolitan area and whether certain metropolitan areas are better tourism growth poles than others.

In this context, tourism developments have been constructed to act as growth poles to help promote regional development (Sharpley and Sharpley 1997). Government and regional development planners have often established trickle-down effects by creating new resorts in the hope that the economic benefits will spread throughout the region. According to Timothy (2002), government policy-makers often select an economically

disadvantaged area that is deemed attractive for tourists and tourism development (e.g. parts of inner cities of Boston and Baltimore). They, then utilize governmental initiatives and incentives such as subsidized facilities and infra-structure, furnished by both public and private investment, to attract capital into the chosen area. It can be argued, nevertheless, that the theoretical and conventional constructs of growth-pole theory, while typically representative of regional economies, may not fully explain the spatial structure and economic geography of the tourist industry by U.S. MSA.

To enhance the understanding of the complexity of tourism production systems, it is also valuable to study the organizational structures and dynamics of the key tourism suppliers and industries. Using the concept of industry clusters and competitive advantage developed by Porter (1998) this part of the literature review will examine the utility of this paradigm as a broader framework for analysis of tourism industry clusters and growth poles. This dissertation, however, will look at the geography of tourism clusters based on a NAICS-based methodology.

#### **2.4. Industry Clusters and Competitive Advantage: Relevance to Tourism?**

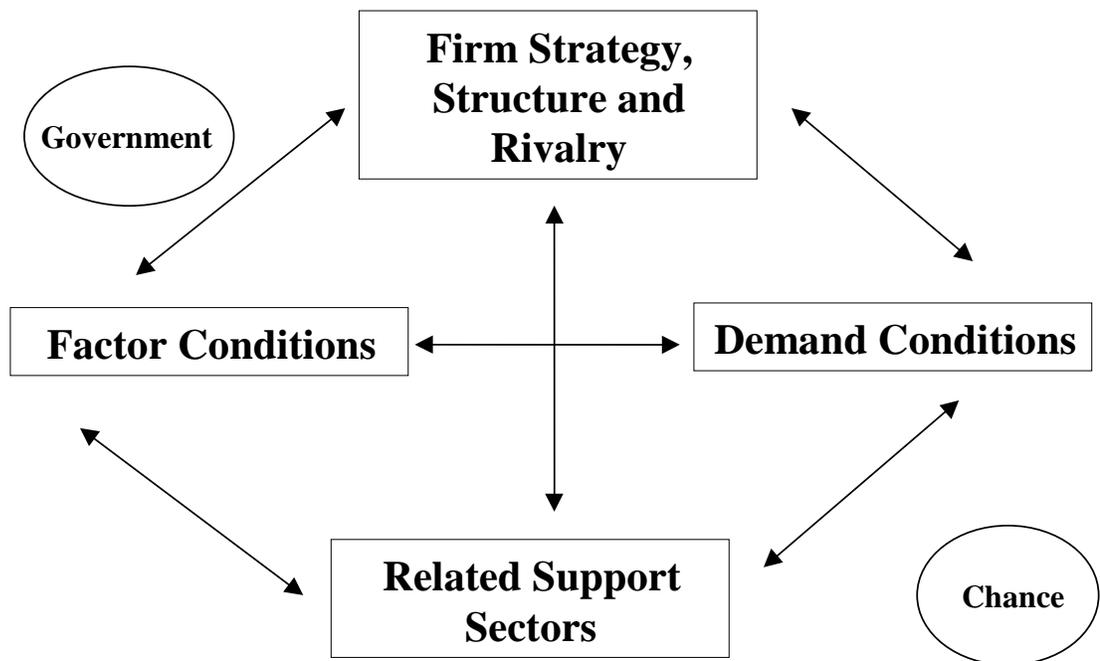
With the growing interdependence of the world economy, much attention has focused on the concept and the role of industrial clusters in regional economic development (Scott & Storper 2003). The concept of clusters has also become increasingly associated with the knowledge economy (Jackson and Murphy 2006). The work of Michael Porter in particular has spurred widespread interest in regions regarding industry clusters and regional development issues. Porter (1998:78) defines a cluster as:

a geographic concentration of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.

Examples of industry clusters that have been studied include the imaging equipment cluster in Rochester, New York, to Silicon Valley in California which is an entire region of computer and related electronic firms. To simplify his concept, Porter developed a “diamond” shaped model to articulate different clusters and the determinants of competitive advantage (Porter 2000). In the diamond model (Figure 2.3), Porter discussed four interrelated attributes that can influence the productivity of a given industry including factor conditions (e.g. land, labor, and capital); demand conditions; related and supplying industries; and firm strategy and structure. According to Porter (2000) many of the most successful firms are located in geographic concentrations of interconnected firms where the factors of the diamond are thriving and interrelated.

It is possible that, according to Porter, clusters of tourism-based industries thrive in specific metropolitan markets. The theories of clustering and the cluster concept have mainly been applied to the manufacturing industry even though the tourism industry is one of the fastest growing industry clusters in the United States (Sharpley 2002). For example, with the loss of employment in traditional urban industries largely due to the forces of globalization, U.S. urban areas have become desperate to find ways to attract new business and employment opportunities (Storper 1997).

# Determinants of Competitive Advantage



Source: Michael E. Porter; The Competitive Advantage of Nations  
Figure.2.3 The Diamond Model

In this regard, tourism has been viewed as a significant agent for the economic redevelopment of certain urban regions (Sharpley and Sharpley 1998). Tourism, nevertheless, has not yet been widely included in the powerful cluster rhetoric according to Hjalager (2010). In many instances tourism is seen as a residual cluster sector with limited growth potential (Rosenfeld 2001). Hjalager (2010:5) questioned

Do tourism destinations resemble classic Marshallian districts and are these territorial environments critical for the occurrence and dissemination of essential features of industrial district and are directly applicable to tourism destinations?

Some of this research has emerged recently in many case studies that analyzed tourism clusters in Australia, China, Cuba, Italy, and the United Kingdom. Michael et al. (2007) for example, introduced a new approach to the analysis and management of growth in small tourism markets for regional locations. Its central premise was that a myriad of small-scale clusters can provide an effective means to establish a local competitive advantage in tourism activity based on the resources of existing communities. They argued that micro-clusters tended to flourish in smaller communities because of their small scale and level of specialization. For Novelli et al. (2006), the objective of tourism cluster is to bring companies, which generally work alone, to build a successful tourism product in a region. In turn, successful tourism firms can contribute to building the competitive advantage of tourism destination through affecting a destination's tourism product or services. Also, Bernini (2009) used the cluster theory to investigate the hospitality industry contributing to the debate of local tourism development. Using a framework of cluster theory, he used a quantitative method to assess the Italian convention industry and its relationships with local infrastructure and tourism product supply. His study outlined the different phases of the life cycle of convention destinations in Italy and investigated the location factors which influence them. Similarly, Miller et al. (2008), using the cluster theory, they analyzed the Cuban tourism industry's current position in the context of leading current models of competitive advantage. It concluded

that, in the case of Cuba, careful analysis of competitive positioning can provide potential for greater success of individual destinations and enhanced regional cooperation.

That said, tourism businesses operate globally and many have opted for a competitive advantage through internationalization. Technology, information and the mitigation of political boundaries have created new forms of service companies that include not only large multinational corporations but also small niche specialists (Jackson and Murphy 2002). Within this global-local nexus, it is imperative for tourism regions to strike a balance reconciling different market needs to create landscapes appealing to visitors and local residents alike. According to Jackson and Murphy (2002), the growing importance of strategic alliances in creating networks of business relationships has become a trend in tourism and tourist destinations are increasingly challenged to establish identities that differentiate them from other destinations. Meeting these challenges requires a number of policy and strategy shifts towards becoming internationally distinctive and competitive (Fayos-Sola and Bueno 2001).

The concept of clustering, according to Jackson and Murphy (2002), should be fundamental for developing and maintaining competitive advantage for tourism destinations. The idea of a tourism-based industry cluster is relevant because not only is tourism a conglomeration of related industry activities and facilities that create a destination product, these various heterogeneous components are brought together through various destination associations and marketing partnership. A cluster-based approach to tourism can, therefore, be a useful theoretical construct because the tourism industry possesses some very unique features. The cluster model can provide a broad

theoretical framework of analysis in for example, articulating the California wine cluster (Porter 1998). Porter also often refers to tourism clusters such as Las Vegas and Los Angeles to further illustrate the cluster concept.

In order to remain competitive, a clear implication of the cluster research is that tourism destination participants need to look at themselves as a part of an integrated system (Gunn 1994). The interdependence of attractions, services, transportation links, and information technology highlights the need for collaboration. Cluster development, according to Van Hove (2002), often becomes particularly vibrant at the intersection of clusters, where insights, skills, and technologies from different fields merge, and as a result spark new business. Moreover, the diversity of learning stimulates innovation and this is equally true for tourism clusters (Van Hove 2002). All tourism clusters have strong linkages between tourism core services such as hotels and airlines industries, as well as tourism supporting services such as beverage and food, outdoor equipment, and urban transportation. Cooperation beyond the “natural borders” of different industries is essential given the multi-faceted nature of the tourism industry.

Porter (1990) also argues that the competitive advantage model is built upon three dimensions: differentiation, cost leadership, and market segment. Within this context, there is growing evidence of an emerging new paradigm in tourism policy that may influence the competitive position of destinations under conditions of global competition. According to Jackson and Murphy (2002), in terms of differentiation, many destinations are now emphasizing their local heritage and unique sense of place as a form of market appeal. Cost leadership has also received considerable attention in tourism recently,

according to Jackson and Murphy (2002). Many regions, for example, have invested heavily to develop higher quality standards of service especially in hotel management, restaurant and food supplies, personnel training schools, skilled technical and managerial labor plus engineers and architects-based consulting services that specialize in designing tourism projects.

Knowledge, learning, and innovation have, therefore, become very important factors for competitiveness in the globalizing and knowledge-based tourism economy (Hjalager 2002). In this globalizing economy, competitive advantage is based on the exploitation of unique competencies and resources. A key strategic perspective in the contemporary global economy remains how to develop such unique competencies in order to foster competitiveness (Porter 1990). Innovation in many respects has become the core competency to create competitive advantage and there is a need, therefore, for an increased emphasis on developing innovation-oriented tourism policy especially at the level of the destination.

Innovations in the field of tourism have also been a matter of limited research and political consideration. Competitive advantage and innovation in tourism, according to Hjalager (2002) are not fully appreciated and are likely to stem from the transfer of knowledge through various filters such as trading, technology and infrastructure. Shaw and Williams (2004), on the other hand, argued that several key innovations have already emerged including the development of ecotourism, the impact of the internet and its role in e-tourism marketing, and the emergence of the low-cost airlines business model.

Enright and Newton (2004) have argued that these changes mean that the traditional tourism paradigm is under pressure to restructure. They suggest that there is a need for a more flexible strategy to minimize the negative contingent effects of these large-scale structural changes brought about by globalization. For example, Enright and Newton (2004) suggest that hotels must continue to enhance competitiveness through local and global networking with other hotels' to develop innovative architecture and information technology systems that differentiate them from their competitors. Porter (1990) also emphasized that innovation can be manifested in product changes, process changes, new approaches to marketing, new forms of distribution, and new conceptions of scope or scale economies. In this respect, Enright and Newton (2004) argue that hotels can be more innovative and competitive by paying more attention to new and shifting tourist needs, emerging new technologies, shifts in input costs, and changes in government regulations. According to Nordin (2003), the synergies arising from joint actions can have competitive advantages relative to the more isolated actions of individual tourism-based companies. He further suggested that the advantages of joint actions in tourism-related activities allows for the effective exploitation of collective efficiencies and the development interests consortiums (e.g. entrepreneurial cooperation, collective infrastructure, and service specialization) while also making it possible to benefit from the increased ability to negotiate collectively with suppliers of inputs and components. In addition to these advantages, joint actions can also facilitate the development of new models of production and organization, the exchange of technical

and market information, the development of tourism-based consortiums for buying and selling goods and services, as well as joint marketing campaigns.

Overall, the industry cluster literature provides some insights into the dynamic of how fledgling tourism clusters may be structured and organized. Although a detailed literature exists focused on competitive advantage, innovation, and knowledge spillovers, it is hard to track inter-firm linkages unless firm-specific surveys are conducted to see how companies specifically interrelate with other industries. Rather than adopting this approach, the purpose of this dissertation is to establish how the spatial distribution of tourism production system varies by metropolitan area using basic NAICS-based data to see if indeed there is a geographic concentration which could, in turn, become a platform for innovations and knowledge spillovers in tourism. However, our understanding of the way in which tourism can shape specific metropolitan areas is less well developed. The recent emergence of an extensive urban tourism literature has some relevance if we are to better understand the economic geography of metropolitan areas especially as it relates to the notion of creativity and place competitiveness. I now turn to a review of the urban tourism literature.

## **2.5. Urban Tourism and Metropolitan Areas: Place Competitiveness and the Creative Class**

Urban places provide a great opportunity for the production and consumption of tourism-based goods and services in capitalistic societies (Ashworth and Tunbridge 2000, Page 2003). They can also be the focal point for diverse cultural and social activities in which the tourists engage in, offering opportunities for entertainment, tourism, and

leisure activities. In this section, the concept and practice of urban tourism will be considered, along with the role of tourism in the context of place competitiveness, economic development strategies, and notions of creativity.

Large cities and metropolitan areas are some of the most important types of tourist destinations (e.g. Los Angeles, New York, Orlando, Las Vegas, etc.) in terms of size and scope and yet urban areas until recently have been mostly neglected in many academic studies of tourism ( Ashworth 1989, Page 1995, Page and Hall 2003, Cartier and Lew 2005, Pearce 2001). Although urban tourism has received more attention in recent years, the research has tended to be fragmented and been conducted at a wide variety of spatial scales and focused on a diverse range of ad hoc research themes (Shaw and Williams 1994, 2004). The majority of urban tourism research according to Selby (2004) has been undertaken on the scale of the town or city itself, and many of these studies are descriptive in nature and fuzzy in their theoretical concepts. One explanation for this, according to Rosentraub and Joo (2009), is that the demand and supply aspects of tourism in cities are necessarily intertwined with other urban functions. Planners and commercial interests rarely perceive tourism as a significant element within the urban economy.

The way forward, according to Page and Hall (2003) in the development of a better understanding of urban tourism is through the development of a coherent body of theories and concepts, and methods of analysis that enhance our understanding of the particular role cities play in shaping tourism. To better understand the complexity of relationships which coexist within urban tourism, an analytical framework capable of

synthesizing the multiplicity of factors and issues affecting the process of urban tourism has to be developed (Page 2003). For example, Pearce (2001) has argued that urban tourism embodies both the forces of globalization and the social consumption of place at the local scale. He further argued that urban tourism is an appropriate vehicle that can mediate between the external global forces of capital, and the perspectives of local residents, local governments, and entrepreneurs.

Despite these theoretical challenges, since the 1990s urban tourism has emerged as a significant subject of geographical research (Pearce 2001). According to Hall and Page (2008) the growing literature reflects the growth of tourism in cities and the emergence of place marketing as a way to attract investment capital. To better understand urban tourism and to develop distinctive approaches, Shaw and Williams (2004) have argued that a key strategic point is to ask why tourists seek urban tourism experiences in the first place. Page (2005) also suggested that conceptualizing why tourists target urban areas and seek cities as places to visit is an important starting point to a better understanding of urban tourism. Ashworth (1992) distinguished between the intentional users of urban tourism resources motivated by the characteristics of a particular city, and incidental users for whom the visits are of secondary importance. Shaw and Williams (2002) argued that urban areas have a geographical concentration of attractions that can satisfy tourist experiences and they identified three factors that explain why tourists visit urban areas: 1) the diversity of urban areas and their complex histories contribute to their uniqueness; 2) cities are multifunctional and complex which can increase the curiosity of

tourists and visitors; and 3) the tourist functions of cities are not only produced for or consumed by tourists but by a whole range of local non-tourist users.

Ashworth (1992) also suggested that to better understand urban tourism, the focus needs to be on the demand-side to better understand the patterns and behavior of tourist activity, the type of visitors to urban destinations, and how they perceive these urban destinations. Accurate information on the demand-side is critical for service providers to plan and ensure that the tourist needs are met. Furthermore, Page (1995, Judd 2006) also argued that the output of urban tourism-the tourist experience- has received limited attention in the literature.

According to Shaw and Williams (2004), the supply-side variables within the context of the urban tourism system also need to be analyzed to untangle the interrelationships that exist between the supply and demand for urban tourism. One of the most frequently used approaches to document the supply of urban tourism is research by geographers based on inventories of major urban concentrations of facilities and attractions (Ashworth 1989). This approach, according to Ashworth (1989), has a great deal of value in relation to an improved understanding of how the supply of urban tourism resources can shape the tourist experience. Pearce (2001), on the other hand, provides a more integrative framework intended to organize the conceptualization and research of urban tourism. He argued that, the complexity of urban tourism and the lack of coherence in current research calls for the development of a more explicit analytical framework which provides a more systematic perspective on urban tourism issues. The integrative framework provided by Pearce (2001) focused on a more comprehensive

vision that included a better understanding of demand, supply, development, marketing, planning, organizational structure, operations, and impact assessment in a wide variety of urban settings at different scale of analysis.

The development of the urban tourism literature since the 1980s has to be viewed against broader economic and structural changes (Page 2002). Urry (1995, 2000, 2004) highlighted the significance of the economic basis of these cultural transformations and their impact on the urban tourist experience or “tourist gaze”. The creation of a cultural products industry that embodies the arts, leisure and tourism as complex and diverse postmodern phenomena to be frequently consumed in the city now characterizes the essentials of urban tourism (Page 2002). As a result, an improved understanding of urban tourism in both a global and comparative context is now crucial, according to Murphy (1999), since the processes of urbanization are themselves a powerful element that now directly shape tourism and leisure spaces in cities where the city has become a patchwork of cultural symbols and opportunities for consumption.

Law (1992) argued that the promotion of tourism in cities was a consequence of two factors. First, many older cities have suffered from deindustrialization with a related loss of jobs in manufacturing, warehousing and transport, and an increase in unemployment which has left behind huge unused buildings and facilities, particularly in the inner-city areas. Secondly, at the same time, tourism was being perceived worldwide as a growth industry that was capable of generating a large number of new jobs. According to Selby (2004) place marketing has emerged as a way to sell the image of a particular locality in order to make it attractive to industries looking to locate and for

tourists to visit. Place marketing therefore in many respects is concerned with issues of economic development, job creation, and urban regeneration. Cities increasingly compete with each other for market share in a wide range of place-market segments (Richards and Wilson 2007). Cities also no longer compete just for visitors and tourism spending, but they are also compete to be the locus for new innovative firms and entrepreneurs, university campuses, and artistic and cultural facilities (Malecki 2004).

In the United States, place marketing has become a multibillion dollar industry in its own right, employing marketing and public-relations consultants to sell towns and cities (Law 1993). According to Ashworth and Voogd (1990), place marketing is concerned with designing an appropriate mix of services, developing attractive incentives for current and potential consumers, delivering products and services in an efficient and accessible way, and promoting the image of the city. Enhancing the image of the city is often considered an integral element to urban tourism development and has become fundamental to place marketing. Place-marketing strategies which emphasize the quality of life of a locality tend to integrate well with the development of tourism (Law 1993). Tourism, as a result, has increasingly been used as an important component of economic development strategies for urban areas or for the regeneration of inner cities.

In this sense place marketing and culture are inextricably intertwined in the development of policies that shape and differentiate metropolitan urban areas (Smith 2007). The example of the cultural product industry in the urban development process has its roots in the 1970s, when the first major redevelopment projects began to use cultural facilities, such as museums, concert halls, theaters, and cinemas as a focus to increase

visitation rates and to improve the image of rundown urban districts (Richards and Wilson 2007). Richards and Wilson (2007) also argue that cities and metropolitan areas are now seeking to develop comparative advantage by re-engineering the experience of cities through a process of “place theming”, where urban areas compete with each other by promoting their own unique images through a set of tourist-related activities such as shopping, dining, and recreation. According to Evans (2004), culture is increasingly being included in urban regeneration strategies as a means of stimulating physical redevelopment, and generating economic and cultural benefits. According to Malecki (2004), the most competitive areas have been multidimensional in their theming of various attractions to lure not only capital investment, but also tourists, migrants, while simultaneously generating positive media coverage.

A major problem with place variation/place competitive strategies is that the proliferation of these place-imaging strategies has led to more competition (Richards and Wilson 2006). Richards (2001) has suggested that the serial reproduction of these strategies has resulted in the number of cultural projects in search of visitors increasing faster than the visitor demand for such property. The need, therefore, for greater differentiation has stimulated a shift away from the conventional cultural industries (e.g. museums, historical destinations, etc.) towards more creative tourism-related industries (Zukin 1995). Richards and Wilson (2006) defined creative tourism as a process that employs high levels of creativity to innovate distinctive products to meet specific consumer needs. Creative production involves individuals or groups undertaking creative and innovative activities which then form the basis for more creative tourist experiences.

Creative production can attract enterprises and individuals involved in the cultural sector, generate important multiplier effects in the local economy, and raise the aesthetic value of some urban areas.

Many urban areas and localities have now begun to emphasize urban development strategies that stress the clustering of creative activities (Richards 2001). Creative industries are those activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property (Bayliss 2007). The idea is that bringing creative people and creative functions together will create substantial spin offs (Landry 2000, Hitters and Richards 2002).

Creative tourism is increasingly being used to achieve that competitive advantage (Richard 2000, Richards and Raymond 2000). Creative tourism can be defined as an active participation by tourists in creative activities and skills development. It involves not just spectating, nor just being there, but reflexive interaction on the part of tourists with locals (Richards and Wilson 2007). Creative tourism networks can be found in tourist destinations where businesses offer a wide range of creative experiences for tourists ranging from bone carving, local languages classes, weaving, felting, and woodwork. The important point in developing creative tourism, therefore, is to provide a context in which the experience not only becomes a framework for learning, but also for transformation of the self. The increasing application of creativity in tourism products seems to stem from a desire to stimulate innovation and the development of distinctive products to meet the needs of the post-Fordist consumer (Richards and Wilson 2006).

Creative tourism also appears to satisfy the desire from tourists to develop and enhance a more active and longer lasting tourist experience, while for destinations it provides a chance to embed experience in the locality.

According to Richards and Wilson (2006), in order to harness the benefits of creative tourism, policy makers will need to engage more actively with the creative process, not just in terms of product consumption and innovation, but also in recognizing the creative abilities of the tourist. They further argue that the development of creative tourism, as an urban economic development strategy, should be underpinned by a closer relationship between tourism and other cultural products industries. While Malecki (2004), Richards and Wilson (2006), and Hall and Page (2009) have all researched links that exist between creative industries and place competition, very little of this emerging literature has explicitly incorporated the theory of the creative class developed by Florida (2002). We now turn to a review of the creative class paradigm developed by Florida (2002) regarding its applicability and potential relevance to the economic geography of the tourist industry along with its role within the place competitiveness and urban regeneration literature.

Many researchers have suggested that we have experienced a fundamental shift from a more conventionally based industrial economy to a more creative knowledge-based economy (Stroper and Venables 2004, Amin 2007, Porter 2000, Urry 2002, Zukin 1995). In the last two decades, urban development strategies in the United States have been strongly influenced by the belief that creativity and innovation are the driving forces for economic growth and development (Bayliss 2004, 2007).

Center stage in this national debate has been Richard Florida and his landmark book *The Rise of the Creative Class* (2002) which suggested that creativity and certain cultural factors can drive economic growth and substantially shape the regional development discourse. He argued that advanced economies are increasingly driven by creativity and dominated by a creative class that includes scientists, engineers, poets, actors and artists, designers, health and legal professionals, and high-tech industry professionals. He argued that the metropolitan areas that will be the most competitive are those which successfully attract the creative class since they tend to generate more innovations, have a higher level of entrepreneurship, and attract creative businesses. Florida (2005) argued that this new geography of creativity is heavily influenced by what he calls the 3 T's of economic development: technology, talent, and tolerance. Using concepts such as the creative economy and creative class, Florida argues that creativity and diversity are at the root of regional economic growth and that these two elements constitute a competitive advantage in the context of the "new" economy. He argues that a city-region that promotes creativity and diversity and offers a good quality of life will attract talented individuals- members of the creative class- and innovative firms.

Creative workers, according to Florida (2002), have both the spatial flexibility and the desire to settle in regions that correspond to their aspiration and lifestyle. Consequently, the creative class is especially attracted to places that are characterized by an urban climate of tolerance that is open to new ideas and to newcomers. He assumes that the creative class is attracted to tolerant and open-minded metropolitan areas that offer a diversity of people with different cultural and ethnical backgrounds (Andersen and

Lorenzen 2005). Thus, according to Florida (2005), it is a people climate (such as tolerance, diversity, and open minded urban cultures) rather than a business climate (such as low taxes and the physical infrastructure) that is crucial for regional growth; and that the creative class is not attracted to places with high growth per se, on the contrary, regional growth is expected to be as a result of the presence of a creative class( i.e. jobs will follow people, instead of people following jobs) (Florida 2002). In addition, according to Florida (2005), the creative class attaches great value to the diversity and “style” of urban facilities (i.e. small – scale cultural services such as cinemas, bars, museums, art galleries, restaurants, and trendy shops).

Florida’s creative class theory has given the impression among policy makers that travel and hospitality products are an integral part of any effective economic development plan strategy (Novelli 2005). Consequently more investments are now being made in many metropolitan areas to develop tourism attractions and community recreational offerings as part of their overall economic development package. This has increased competition for the leisure travel market share among metropolitan areas. For cities seeking to enhance their competitive position, policy makers are increasingly utilizing cultural amenities, entertainment and lifestyle options to lure educated, talented and professional people and related firms (Florida 2002).

As a result, the rise of the so called “entertainment machines” and “fantasy city” has become an essential component of many metropolitan areas economic development programs. Cities such as Las Vegas and Orlando have metropolitan economies that leverage culture and tourism amenities to enhance their distinctiveness and their

economic well being (Clark and Lloyd 2004, Bayliss 2007). Even in a Rustbelt metropolitan area like Chicago, the leading industry has become entertainment, which city officials define as including tourism, conventions, restaurants, hotels, and related economic activities(Lloyd and Clark 2001). The emergence of sophisticated tourism-based industry clusters means questions about the appropriate mix of entertainment options and culture-based industry have become key issues as policy makers and urban planners increasingly recognize that tourism products can be used as important attractions and as important measures to market and differentiate places.

## **2.6. The Research Agenda and Conclusion Remarks**

The role that the tourism industry plays from a supply-side perspective in cultivating competitive advantage and overall quality of life is not very well developed. For example, are competitive and highly innovative metropolitan markets that are successfully attracting disproportionate shares of the creative class also attracting a large number of well-paid tourism jobs in a wide range of tourism-based economic activities such as hotels, restaurants, museums? This dissertation focuses on the study of the supply-side for certain tourism based industries and it examines the mix of supply of tourism direct providers and tourism supporting services to find whether high geographic concentrations of percent tourism market attracts human capital and expands a metropolitan area's economy.

## **CHAPTER III**

### **RESEARCH DESIGN**

#### **3.1. Research Hypotheses**

Although the tourism geography literature has greatly expanded and matured over the past ten years, little is still known about the economic geography of tourism by metropolitan area, particularly from a supply side perspective. The following hypotheses are the major agenda issues in this dissertation:

- Although it has been widely accepted as an established theoretical framework that the tourism industry cluster is complex, diverse, and highly dynamic, it less well understood what comprises the exact economic mix of the tourism production system. It is hypothesized that a broad economic equivalence exists in terms of jobs, establishment, and wages between the tourism direct providers and the supporting service tourism industries even though it is the direct providers (e.g. hotels, airlines, etc.) that receive most of the attention in the literature.
- Tourism is often touted as an industry with substantial employment potential but it is less clear how the tourism production system varies by MSA. It is hypothesized in this dissertation that an intense geographical concentration of the tourism production commodity chain is at play, largely driven by economies of scale and scope. It is also hypothesized that much of these geographically

concentrated labor pools are focused on four typological clusters largely based on employment composition: Casino-based metropolitan areas, coastal resort-based metropolitan areas, warm weather resort metropolitan areas, and natural resource gateway metropolitan areas.

- It is also hypothesized that the tourism production system is substantially shaped by the logic of urban agglomeration theory largely grounded in urbanization and localization economies much like in other industries. Most specifically, it hypothesized in this dissertation that as the tourism market share in term of jobs and number of establishments increases (it is difficult to imagine effective localization economies without the proliferation of firms), the overall tourism average wage increases in a similar fashion. Disproportionately large and highly specialized tourism economies may match these theoretical expectation since a proliferation of tourism establishments might provide the most motivated and highly skilled worker with the opportunity for upward mobility and higher wages.
- Although a specialization in tourism may “drive-up” wages, it will be hypothesized that metropolitan economies with a disproportionate employment share in tourism are not systematically connected to improving quality of life scores as measured by per capita income, the percentage of the population with a college education, and population growth rates. Part of the problem is the overall poor quality of the majority of the tourism labor pool which tends to generate low skill, poorly paid, seasonal jobs with limited career advancement possibilities.

- Consequently, it is also hypothesized that those metropolitan areas that attract disproportionately high levels of tourism market share in terms of employment will also attract disproportionately fewer of Florida’s (2002) “creative class” – contrary to the expectations in the literature which suggest that tourism and the creative class are systematically intertwined.
- However, it is also hypothesized that a systematic relationship exists between cultural tourism and the creative class, in part, because focusing on just cultural tourism (e.g. museums, theatres, art galleries, historic and cultural sites) is a more refined supply-side definition of tourism that examines the particular aspects of the tourism production system that are key component parts of the creative class infrastructure.

### **3.2. NAICS-based Definitions of the Tourism Production System**

In order to empirically test these overall research questions and generate a data-base, this dissertation will use the North American Industry Classification System (NAICS) to define the tourism production system for each of the 366 Metropolitan Statistical Areas (MSAs) in the United States. One of the primary purposes of the NAICS system includes its production-oriented framework, in which the production technology of an industry (e.g. production used, material used, type of labor employed and material) define the industry. Another purpose of NAICS was to correct the historical bias of the prior SIC system toward manufacturing and the under-identification of service industries i.e. to develop a classification to identify new and emerging industries, service industries like tourism, and industries engaged in the production of advanced technologies.

The NAICS system is a hierarchical class system where the first two digits of the NAICS code identify the major sectors of the economy, the third digit identifies the specific sub-sector, the fourth digit identifies the industry group, and the fifth digit designates the NAICS specific industry. A good example of this includes NAICS 532 (rental and leasing services) which can be partly disaggregated at the four digit level to NAICS 5321(Automotive equipment rental and leasing) and to NAICS 53211(passenger car rental and leasing) at the five digit level. In another example, NAICS 561(administrative and support services) partly disaggregates at the four digit level to NAICS 5615(travel arrangement and reservation services) which includes both travel agents and tour operators.

The chosen NAICS-defined industries will be aggregated based on the linkage concept model developed by Gee et al (1997). According to this model, tourism supply services can be categorized as providing direct tourism providers, and tourism-based supporting services. According to Gee et.al (1997), the direct providers include industries that provide services that are directly consumed by the tourist and are largely dependent on tourism demand for their existence (e.g. airlines and hotels). By contrast, the supporting services, according to Gee et.al (1997) are not solely dependent on tourism demand for their existence given the demand for such services from local residents (e.g. restaurants). Table 3.1 illustrates the tourism direct provider and supporting services industries.

**Table 3.1 Tourism Production System (Supply-side)**

<b>Tourism Direct Provider Industries</b>	<b>Tourism Supporting Services Industries</b>
453 Miscellaneous Store Retailers (including Gift, Novelty, and Souvenir Stores)	532 Rental and Leasing Services (including Recreational Goods Rental, Passenger Car Rental and Leasing):
481 Air Transportation Providers	711 Performing Arts and Spectator Sports and Related Industries
485 Transit and Ground Passenger Transportation (including Taxi and Limousine)	712 Museums, Historical sites, and Similar Institutions
487 Scenic and Sightseeing Transportation	713 Amusement, Gambling, and Recreation Industries
488 Support activities for transportation (Airport Operation)	722 Food Services and Drinking Places
561 Administrative and Support Services (including Tour and Travel Arrangements, and Reservation Services)	
721 Accommodation (including Traveler Accommodations, and Parks and Recreational Camps)	

Data Source: U.S. Bureau of Labor Statistics, 2006

### **3.2.1. Direct Providers**

Using the logic of the Gee et al (1997) model and Roehl (1998), the following NAICS-defined tourist industries were chosen to define the direct providers:

- **453 Miscellaneous Store Retailers (including Gift, Novelty, and Souvenir Stores):** Industries in the Miscellaneous Store Retailers sub-sector retail merchandise from fixed point-of-sale locations. Establishments in this sub-sector include stores with unique characteristics like florists, gift, novelty, and souvenir stores as well as other store retailers such as used merchandise stores and pet and pet supply stores.

- **481 Air Transportation Providers:** Industries in the Air Transportation sub-sector provide air transportation of passengers and/or cargo using aircraft, such as airplanes and helicopters. The sub-sector distinguishes scheduled from nonscheduled air transportation. Air transportation providers' establishments have more flexibility with respect to choice of airport, hours of operation, load factors, and similar operational characteristics. Nonscheduled carriers provide chartered air transportation of passengers, cargo, or specialty flying services. Specialty flying services establishments use general purpose aircraft to provide a variety of specialized flying services.
- **485 Transit and Ground Passenger Transportation (including Taxi and Limousine):** This sub-sector includes a variety of passenger transportation activities, such as interurban bus transports, chartered bus, and taxis. The activities are distinguished based primarily on such production process factors as vehicle types, routes, and schedules.
- **487 Scenic and Sightseeing Transportation:** Industries in the Scenic and Sightseeing Transportation sub-sector utilize transportation to provide recreation and entertainment. The Scenic and Sightseeing Transportation sub-sector is separated into three industries based on the mode: land, water, and other.
- **488 Support activities for transportation (Airport Operation):** Industries in the Support Activities for Transportation sub-sector provide services which support transportation. These services may be provided to transportation carrier

establishments or to the general public. This sub-sector includes a wide array of establishments, including air traffic control services, marine cargo handling, and motor vehicle towing.

- **561 Administrative and Support Services (including Tour and Travel Arrangements, and Reservation Services):** The establishments classified in this sub-sector have specialized in one or more of these activities and can, therefore, provide services to clients in a variety of industries and, in some cases, to households. The individual industries of this sub-sector are defined on the basis of the particular process that they are engaged in and the particular services they provide. The industries in this sub-sector include the travel arrangement and reservation services industry group. It also includes travel agents, tour operators. These establishments normally undertake the strategic and organizational planning and decision making role of the company or enterprise.
- **721 Accommodation (including Traveler Accommodations, and Parks and Recreational Camps):** Industries in the Accommodation sub-sector provide lodging or short-term accommodations for travelers, vacationers, and others. There is a wide range of establishments in these industries. The sub-sector includes traveler accommodation that primarily provide traditional types of lodging such as hotel and motels; recreational accommodation that operate outdoor lodging; and rooming and boarding houses industry that includes establishments providing temporary or longer-term accommodations that for the period of occupancy may serve as a principal residence.

### 3.2.2. Tourism Supporting Services

Additionally, this dissertation, using the logic of the Gee et al (1997) model and Roehl (1998) will examine a series of tourism supporting service industries including:

- **532 Rental and Leasing Services (including Recreational Goods Rental, Passenger Car Rental and Leasing):** Industries in this sub-sector include establishments that provide a wide array of tangible goods, such as automobiles, computers, and consumer goods, to customers in return for a periodic rental or lease payment. These establishments work directly with clients to enable them to acquire the use of equipment on a lease basis, or they work with equipment vendors or dealers to support the marketing of equipment to their customers under lease arrangements.
- **711 Performing Arts and Spectator Sports and Related Industries:** Industries in this sub-sector group establishments that produce or organize and promote live presentations involving the performances of actors and actresses, singers, dancers, musical groups and artists, athletes, and other entertainers. This sub-sector contains two industry groups, promoters of performing arts, sports, and similar events.
- **712 Museums, Historical sites, and Similar Institutions:** This industry group includes museums, historical sites, zoos and botanical gardens, and nature parks and other similar institutions.

- **713 Amusement, Gambling, and Recreation Industries:** Industries in this sub-sector operate in sports, recreation, amusement, or gambling activities and provide other amusement and recreation services, such as supplying and servicing amusement devices in places of business operated by others; operating sports teams, clubs, or leagues engaged in playing games for recreational purposes; and guiding tours without using transportation equipment.
- **722 Food Services and Drinking Places:** Industries in the Food Services and Drinking Places sub-sector prepare meals, snacks, and beverages to customer order for immediate on-premises and off-premises consumption. The industry groups are full-service restaurants; limited-service eating places; special food services, such as food service contractors, caterers, and mobile food services; and drinking places.

### **3.3. Tourist/Resident Demand Ratios and the Non-Disclosure Issue**

Some of the NAICS codes used to compile the tourism data utilized in this dissertation were too broadly defined and/or included resident demand as well as tourist demand, or simply did not have data available at the appropriate level of NAICS analysis. Consequently, in some instances, the data was further refined in two very different ways.

#### **3.3.1. Tourist/Resident Ratios**

The U.S. Bureau of Economic Analysis (BEA) has recently created a methodology for estimating the tourism production system that has been applied by the Federal Reserve Bank in its tourism economic impact studies. It identifies goods and services

typically purchased by tourists. However, these goods and services are typically not purchased solely by tourists. Therefore, the BEA allotted a proportion of the industry's activity to tourism based on the share of products sold to tourists compared with those sold to non-tourists. For example, the hotel industry has a tourism ratio of 80% based on the BEA methodology since most hotel business is generated by tourist demand, while the restaurant industry has a tourism ratio of only 20% because most restaurant services are consumed by non-tourists. These ratios were applied to the data collected for NAICS 721(tourist accommodation) and NAICS 722 (food services and drinking places) when calculating the employment and average annual pay roll data for this dissertation.

### **3.3.2. Non-Disclosure Issue and the Hierarchical Share**

For some of the other tourism industries included in this dissertation, the three-digit NAICS codes were not wholly satisfactory given their broad definitions which included several economic activities that were not tourism based. However, the more disaggregated NAICS data at the four and five digit levels that was better tailored to tourism based economic activity was frequently too detailed a definition for full disclosure of all data variables. The U.S. census does not reveal data when the number of observations is so low that the confidentiality of firm data might be compromised. The end result is that much of the NAICS analysis was conducted at the three digit level although more detailed tourism-specific four and five digit data were integrated into the analysis when relevant. For example, for administrative and support services (NAICS 561), the 2002 national share of travel agents and tour operators (NAICS 5615 a subset of NAICS 561) in terms of employment was 3%. The national share figure was then applied

to the local market share by MSA when calculating the share of NAICS 5615 jobs attributable to travel agents and tour operators. It is acknowledged that such an approach does not fully account for variation in the level of specialization in the travel agents and tour operators' employment by MSA but it does provide a more accurate assessment of the overall economic impact of the industry than available through just a three digit analysis. Similar approaches were used for miscellaneous store retail NAICS (453) where the national share (28.9%) for gifts, novelty, and souvenir stores NAICS (4532) was applied. Also, the national share (16.6%) of taxi and limousine services (NAICS 4853) was applied as a subset of the transit and ground passenger transportation (NAICS 485). Finally, the national share (20%) of passenger car rental and leasing (NAICS 53211) a subset of rental and leasing services (NAICS 532) was applied in this dissertation.

### **3.3.3. Other Tourism-based Industries**

For many industries including air transportation, scenic and sightseeing, museums, gambling and recreational industries, there is no rigorous tourist demand ratio figure available through the BEA. We also did not calculate the hierarchical NAICS share because the digit definition was adequate since it had already been identified by both Gee et.al (1997) and Roehl (1998) as a legitimate component part of the tourism production system. Overall, I believe that by adopting this methodology, we have a more accurate assessment of employment, establishment, and wage data than had this methodology not been applied.

### **3.4. The Key NAICS-based Economic Indicators**

For each of the NAICS industries, three main economic indicators have been chosen to articulate the economic geography of the tourist industry by metropolitan area. These include:

- a. Number of employees by NAICS code to measure the volume and quantity of the tourism industry by metropolitan area.
- b. Average annual pay by NAICS code to capture the overall quality of the labor pool. The assumption here is that higher average tourism pay is a surrogate indicator of skills while low average tourism pay indicates a lower skilled industry
- c. Number of establishments by NAICS code to capture the number of firms in the metropolitan area. The thinking here is that a large number of tourism-related establishments may indicate that a high degree of potential linkages exist between related firms and that this may be a clear indicator of a developing tourism industry cluster (Wheeler 2006).

To capture those metropolitan areas with a disproportionate share of the labor force in tourism and related industries, a location quotient (LQ) methodology for each selected NAICS code will be analyzed by comparing the metropolitan level market share data to the aggregate metropolitan data as shown in the following example using NAICS 721(Tourism Accommodation):

$$LQ = \frac{\frac{721 \text{ Employment in the } i \text{ metropolitan area}}{\text{Total Employment in the } i \text{ metropolitan area}}}{\frac{721 \text{ Employment in all metropolitan areas}}{\text{Total Employment in all metropolitan areas}}}$$

The aggregated LQs will identify how the tourism industry in the metropolitan area compares to the national averages. A location quotient value of 1.0 represents a metropolitan area where the percentage of tourism employment is the same as that for the percentage of total jobs relative to national share. A location quotient greater than one indicates an unusually high proportion of tourism employment in the metropolitan area while a location quotient less than one suggests a disproportionately low share of tourism employment, relative to a national norm.

### 3.5. Creative Class Definitions

In order to define the creative class, the following Standard Occupational Classification (SOC) codes were used to aggregate creative class employment by metropolitan areas based on Florida's (2002) methodology:

**Standard Occupation Code (SOC) Definitions:** the creative class occupations included in this dissertation included:

- **1100 Management Occupations:** This sub-sector includes chief executives, general and operational managers. It also includes advertising, sales, and publication managers. Computer and information systems, financial, gaming, lodging, medical and health services managers and all included in this group.

- **1300 Businesses and Financial Operation Occupations:** This group includes business and financial operations specialists, whole sales and retail buyers, claims adjudicators, compliance officers, human resource specialists, and tax examiners and revenue agents.
- **1500 Computer and Mathematical Occupations:** this sub-sector includes computer and information research scientists, mathematical and science occupations, operations research analysts, statisticians, and mathematical technicians. This group also includes database and systems administrators, software and programs developers, and computer support specialists.
- **1700 Architecture and Engineering Occupations:** This code group includes engineers of different specializations, architects, surveyors, and cartographers, and engineering and mapping technicians.
- **1900 Life, Physical, and Social Science Occupations:** This sub-sector includes agricultural and food scientists, biological, conservation, physical, medical, and social scientists. The sub-sector also includes psychologists, sociologists, foresters, urban and regional planners, and science technicians.
- **2300 Legal Occupation:** This group includes lawyers, judges, and related workers such as adjudicators, mediators, magistrates, paralegals and legal assistants.
- **2500 Education, Training and Library Occupations:** This group includes postsecondary teachers in business, math and computer, physical science, social

science, health, law, criminal justice, arts, communications and humanities teachers in addition to librarians, curators, and archivists.

- **2700 Arts, Design, Entertainment, Sports, and Media Occupations:** This sub-sector includes art and design workers, entertainers and performers, sports and related workers, media and communication workers.
- **2900 Health Care Practitioners and Technical Occupations:** This group includes health diagnosing and treating practitioners, optometrists, pharmacists, physicians and surgeons, physician assistants, podiatrists, therapists, and health technologists and technicians.
- **4100 Sales and Related Occupations:** This group includes supervisors of sales workers, retail sales workers, sales representatives, advertising sales agents, securities, commodities and financial sales agents, insurance agents, telemarketers, real estate brokers, models, demonstrators, and product promoters.

### **3.6. The Key SOC-based Economic Indicators**

For each of the Standard Occupation Code sub-sectors, two main economic indicators have been chosen to articulate the economic geography of the creative class by metropolitan area. These include:

- Number of employees by SOC code to measure the volume and quantity of the creative class, and

- Median annual pay for the aggregate SOC codes to capture the overall quality of the creative class cluster. The assumption is that there are variations in incomes within the different SOC codes and therefore to avoid skew the median is used.

To capture those metropolitan areas with a disproportionate share of the creative class, the percentage of the creative class from the total employment force is calculated to test whether or not there is a correlation between increasing tourism market shares (in terms of employment and establishments) and the proportion of the labor pool classified as creative class by metropolitan area.

### **3.7. Quality of Life Indicators**

Tourism is increasingly seen as a viable local economic development strategy. It is widely perceived as a potential economic base that creates jobs, brings new money into the local economy, and can help diversify the local economy (Andereck et. al 2005). While tourism is frequently cited as one of the leading industries in many U.S.-based metropolitan economies, there is also the potential that tourism can have a negative impact on overall quality of life in the form of lower incomes, lower skill levels, increased crime rates, and a decline in overall health and wellness. However, there is a distinct lack of research that addresses these key issues in the current literature. This dissertation is a first step to disentangle whether the tourism industry can or cannot be an effective propulsive industry. To test this hypothesis, a list of overall quality of life indicators will be included in the data for each metropolitan area to see how these indicators are impacted as a result of specific specializations in the

tourism industry as measured by the different NAICS-defined tourism sectors. The list will include:

- **Per Capita Income-** measures the overall accumulation of wealth in a metropolitan area based on wages, salary, interest, dividend, rent and transfer payments and is a good, crude indicator of the overall relative economic position of the metropolitan area compared to other areas.
- **Percentage of Population with a College Education-** an excellent measure of the overall quality of the labor market and the skill levels that exist in the metropolitan area.
- **Population Growth Rates -** this indicator is a straightforward measure of whether a community is growing, stagnating or declining. Maintaining consistent net population increases over time suggests that a metropolitan area is prosperous and able to attract and keep workers. Population growth is not necessarily an appropriate indicator at all times particularly in the less developed countries where urban areas attract large numbers of impoverished migrants. By contrast, in the U.S., even though there is a significant Hispanic migration, MSAs that are growing rapidly in terms of population are economically successful while MSAs with declining populations tend to economically lag behind. For example, MSAs that generated a high population growth between 2000 and 2006 they also generated a per capita income well above the national average (\$31,709) including Raleigh-Cary (\$37,107), Carson City (\$38,079), Ocala, Fl (\$41,651), and Myrtle Beach (\$46,286).

### 3.8. Sources of Data and Data Analysis

The data for this dissertation will mainly be drawn from the following government agency data bases for 2006:

- **The Bureau of Economic Analysis (BEA)** which is an agency of the Department of Commerce. It is one of the leading statistical federal agencies that produce comprehensive up-to-date economic statistics such as income and product accounts, growth domestic product (GDP), and related measures. Per Capita Income and median Earnings data sets for the chosen MSAs are aggregated from this data source.
- **The Bureau of Labor Statistics (BLS)** is the principal federal agency in the broad field of labor economics and statistics. It collects, processes, analyzes, and disseminates essential statistical data. BLS data include current social and economic indicators. All the NAICS as well as the SOC code statistics for this dissertation are drawn from this agency data base.
- **The American Community Survey (ACS)** is an annual survey conducted by the U.S. Census Bureau for all U.S. counties. It provides critical economic, social, demographic, and housing information to these communities every year. ACS fills the gaps between each ten year census. Per capita income, population growth rate data, and the percentage of population with a college education data for this dissertation are all developed from this agencies data base.

### **3.9. Data Limitations**

Although the NAICS based analysis has many advantages since it is based on a single conceptual framework, there are some key limitations in the NAICS data. These include:

- The NAICS codes are updated every five years to stay current with industry developments which make comparison studies to isolate the economic effects of industries over time difficult.
- The non-disclosure rule imposed by government publications to protect the confidentiality of firm specific data when sample size is small means that sometimes metropolitan areas do not report the full range of data.
- NAICS classifications or definitions are sometimes either too broad or too narrow for research purposes. A good example is NAICS 485 which includes charter buses and taxis, but also includes school buses.
- The application of the BEA ratios to estimate tourism industry employment for all MSAs is helpful but it can be problematic because tourism employment estimated using this method will understate high-tourism areas and overstate low-tourism areas.
- It is also important to note that tips, although they make large portion of tourism employment, were not included in the average income earned through tourism.

Nevertheless, the data used in this dissertation is rigorously defined, and provides an opportunity to systematically test whether or not the economic geography of tourism by

metropolitan area is systematically tied to the spatial distribution of the creative class and various overall measures of quality of life.

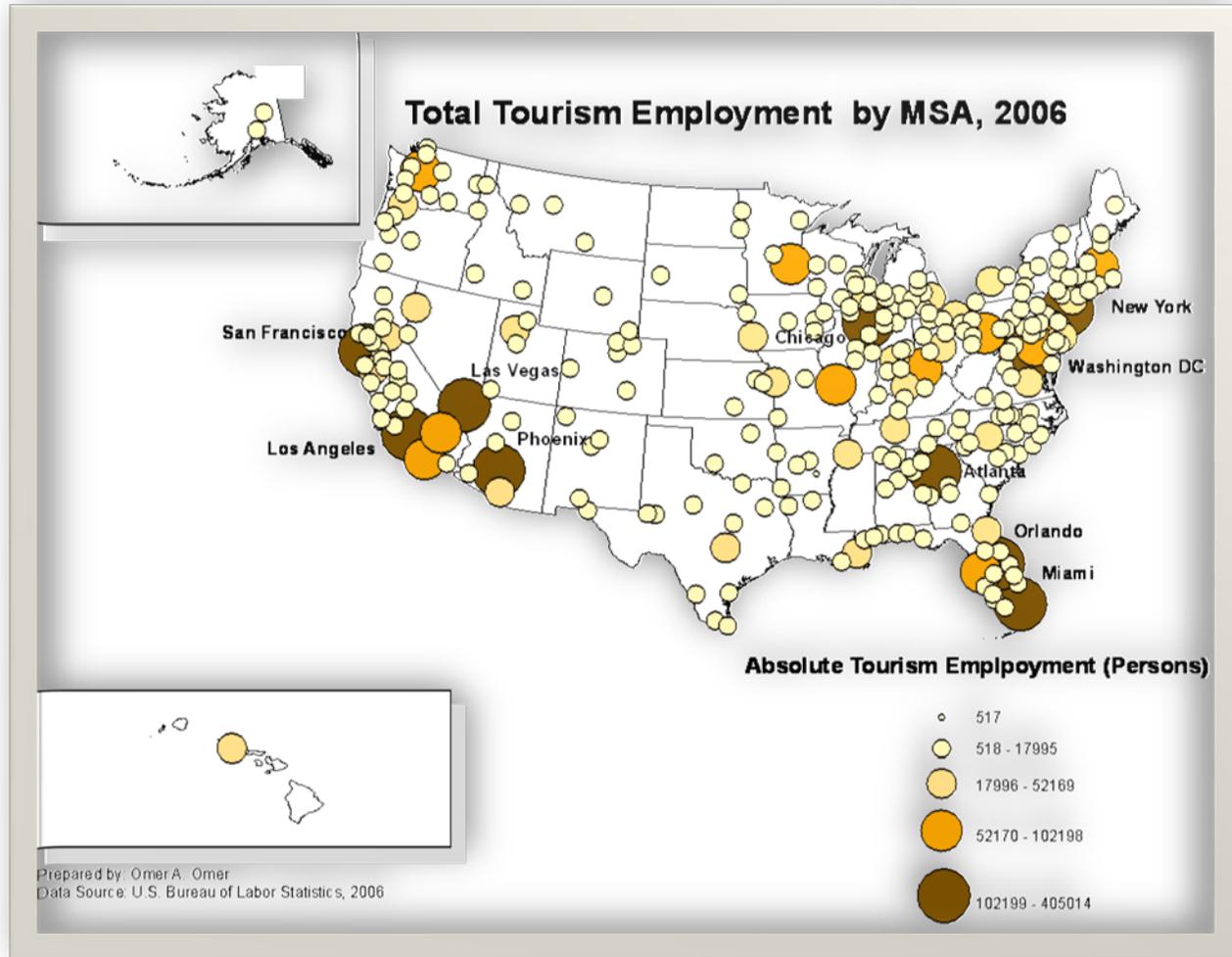
## **CHAPTER IV**

### **FINDINGS**

#### **4.1. Tourism Employment by MSA, 2006: Direct Provider and Supporting Services**

This dissertation documents the spatial variation of the tourism industry in the United States by metropolitan statistical area (MSA) for 2006 and includes an analysis of 285 metropolitan areas. Metropolitan areas that generated less than 1% of total employment in tourism were omitted from the analysis for reasons of incomplete data due to non-disclosure.

The tourism industry in the United States- the aggregate of the direct provider and supporting services- generated \$130 billion in total wages and 4.7 million jobs in the year 2006. In 2006, tourism related employment represented 4.9% of the U.S. total metropolitan employment. Figure 4.1 illustrates the geographic distribution of absolute tourism related employment in the United States by MSA. The breakdown of tourism jobs included 2.2 million direct provider jobs representing 47% of aggregate tourism employment based on services such as tourism accommodation, air transportation, transportation support and airlines operations, transit and ground passenger transportation, scenic and sightseeing transport, travel agents and tour operators, as well as gift, novelty and souvenir stores. In addition to the 2.2 million direct provider jobs, tourism also generated an additional 2.5 million in supporting services representing



**Figure 4.1 Total Tourism Employment By MSA, 2006**

53% of aggregate tourism employment. These supporting services included food services and drinking places, rental and leasing services, performing arts, museums and historical sites, gambling, and related recreation industries. It appears from the absolute tourism employment shares that the direct providers were roughly equivalent with supporting service employment shares only slightly the exceeding direct provider employment share (53% and 47% respectively).

The total number of tourism establishments for 2006 was 285,877 of which 43 % (122,784) were direct provider establishments including hotels, airlines, tour operators, and airport operators. Supporting service establishments represented 57% (163,093) of the total establishments including restaurants, museums, theme parks, and gambling and amusement complexes. The average tourism firm size in aggregate by MSA was relatively small at only 16 persons per establishment. By contrast, the average firm size for the direct providers was 18 persons per establishment compared to an average of 15 persons for supporting service establishments. The difference of between firm size of the direct provider and the supporting service appears to be very small. Overall, the data suggest that tourism firm size is relatively small both for direct providers and supporting services. The small firm size implies that for every large airline or international hotel chain, there are many more locally owned “mom-and-pop” small businesses, small bed and breakfasts, and independent small hotels that generate limited employment per establishment.

The top ten MSAs ranked by total tourism employment included almost without exception large, “mega” metropolitan areas that hosted total populations that were greater

than four million (Table 4.1). These 10 MSAs accounted for 40% of all tourism jobs, (1.86 million) indicating an intense process of geographic concentration is at play in the spatial distribution of the tourist industry. This geographical concentration can be attributed to the fact that tourism has become an important economic activity, which may play a decisive role in certain development areas looking to diversify the local economy. The high level of spatial concentration of tourism employment may also be attributable to economies of scales and the cluster effect of the tourist industry given that the tourist product tends to interact with the indigenous economy and promotes joint activities of inter-related companies, leading to the formation of large-scale agglomeration economies (e.g. the Las Vegas effect).

According to industry cluster theory, geographic proximity plays an important role in shaping the economic performance of tourism firms and contributes to the competitiveness of the tourism sector. Unlike other economic activities where the product is shipped to the consumer or retailer in tourism consumers “visit” the product. To have an effective consumption of the touristic product the tourist must mesh well with the supply-side or the tourist destination which includes supplies, services, and competitors.

**Table 4.1 Top Ten MSAs Ranked by Total Employment in Tourism, 2006**

<b>Metropolitan Area</b>	<b>Tourism total employment</b>	<b>Direct Provider employment</b>		<b>Supporting Service Employment</b>	
New York	405,014	186,742	46%	218,272	54%
Los Angeles	297,545	148,708	50%	148,837	50%
<b>Las Vegas</b>	<b>196,691</b>	<b>170,012</b>	<b>86%</b>	<b>26,678</b>	<b>14%</b>
Chicago	178,829	99,610	56%	79,219	44%
Miami	170,944	94,341	55%	76,603	45%
Atlanta	141,215	77,133	55%	64,081	45%
Washington	131,944	61,660	47%	70,284	53%
Orlando	117,924	46,241	39%	71,683	61%
San Francisco	116,213	52,441	45%	63,771	55%
Phoenix	102,199	57,304	56%	44,895	44%
<b>Total</b>	<b>1,858,518</b>	<b>994,192</b>	<b>53%</b>	<b>864,3234</b>	<b>47%</b>

Data Source: U.S. Bureau of Labor Statistics, 2006

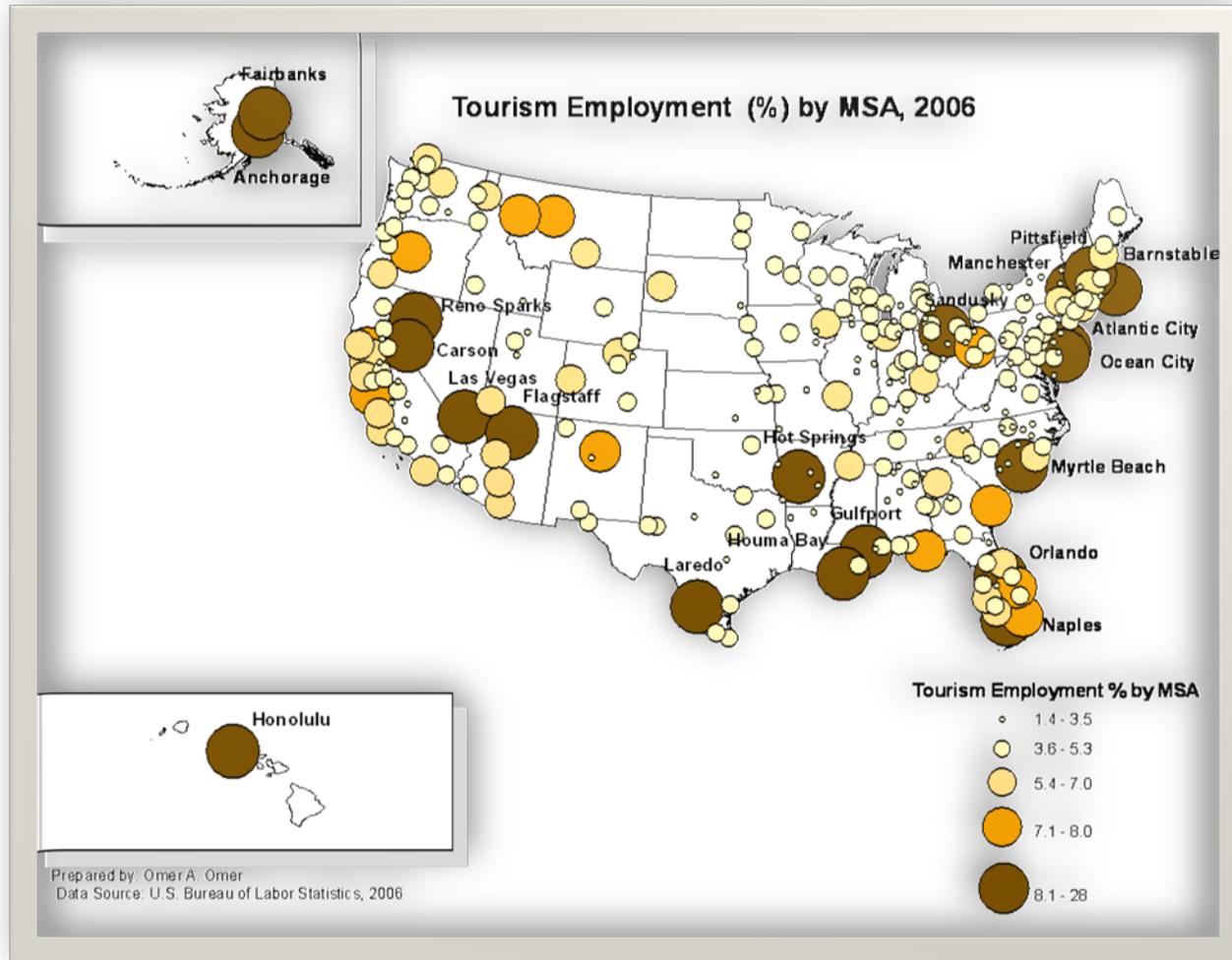
Not surprisingly, the largest tourism employment labor pool in the nation was New York with 405,014 jobs of which 54% were generated by supporting services. Nine of the top ten metropolitan areas generated a fairly balanced percentage share of supporting service jobs and direct provider jobs. The one exception was Las Vegas which generated a far higher percentage of direct providers than supporting service jobs with 86% of all tourism jobs in the direct provider sector. Las Vegas was also the smallest MSA based on total population (1.9 million) of those listed in Table 4.1. It attracted 39 million visitors in 2006. Eight of the ten largest hotels in the world in the year 2006 are located in Las Vegas including the MGM Grand, Luxor, and Mandalay Bay. Each of these hotels has over 4,000 rooms and a net worth exceeding \$1 billion. Because of the size and self-contained nature of many of these mega-hotels, many of the conventional supporting services such as food services and drinking places, amusements, gambling and recreation industries, and performing arts coexist within the hotel complex. Consequently, the

supporting services do not feature as prominently in Las Vegas, although that may be largely because they are contained within the mega-hotel complexes. It is therefore not surprising that the Las Vegas direct provider sector is almost as big as New York's in absolute terms (170,012 and 186,742 respectively).

#### **4.1.1. Tourism Employment (%) by MSA**

Figure 4.2 and Table 4.2 illustrate the spatial variation in the percent tourism employment clusters by for 2006. The spatial variations illustrated by the location quotients are also remarkably similar to the MSAs percent tourism employment variation. The ranking of MSA by the locations quotients is identical to that by the percent tourism employment. The metropolitan areas with the highest tourism employment percentages were mainly clustered in three main regions: the Northeast, Southeast, and Southwest. The tourism employment percentage by metropolitan area ranged from a low of 1.4% in Pine Bluff, AR to a high of 28% in Atlantic City, NJ with a median tourism employment percentage of 4%. Only eleven metropolitan areas generated tourism employment shares greater than 10% indicating a high level of spatial concentration in just a select few places.

Table 4.2 ranks the top twenty metropolitan areas with the highest relative tourism employment shares. The tourism employment location quotient for these 20 highly concentrated tourism markets varied from a high of 5.8 in Atlantic City to a low of



**Figure 4.2 Tourism as a Percentage of Total Employment by MSA, 2006**

1.7 in Manchester-Nashua, NH. A majority of the top 20 ranked metropolitan areas featured in Table 4.2 can be classified into several types of destination typologies including: casino-based MSAs, coastal resort MSAs, natural resource gateways MSAs, and warm weather retirement MSAs.

**Table 4.2 Top Twenty MSAs Ranked by Tourism Employment %, 2006**

MSA	Tourism LQ	Tourism %
Atlantic City	5.77	28.03
Las Vegas	4.47	21.69
Pittsfield	3.02	14.67
Myrtle Beach	2.96	14.36
Ocean City	2.72	13.21
Flagstaff	2.52	12.22
Orlando	2.38	11.57
Naples	2.12	10.30
Honolulu	2.11	10.23
Gulfport-Biloxi	2.09	10.13
Hot Springs	2.07	10.03
Laredo	2.05	9.94
Reno-Sparks	2.04	9.90
Sandusky	2.00	9.72
Anchorage	1.84	8.91
Houma-Bayou	1.82	8.82
Barnstable	1.77	8.60
Carson City	1.72	8.33
Fairbanks	1.70	8.23
Manchester-Nashua	1.66	8.04

Data Source: U.S. Bureau of Labor Statistics, 2006

#### **4.1.1.1. Casino-based MSAs**

Four metropolitan areas in the top 20 can be classified as casino-based MSA economies. Atlantic City, NJ ranked first in Table 4.2 with 28% of its total employment in tourism and a location quotient of 5.77. Atlantic City is a resort community famous for its casino gambling, ocean-front boardwalk, sandy beaches, and shopping centers. As one of the nation's top tourist attractions, the city boasts 13 gambling casino/hotels, which

attracted 33 million visitors in 2006. Some of the most well known casino/hotels included Atlantic City Hilton, Bally's Atlantic City, and The Borgata. Each of these casino/hotels has an average of 2,000 rooms plus large gaming space with numerous slot machines and table games. Coupled with its famous beaches and boardwalks, Atlantic City annually attracts nearly 5,000 conventions, trade shows, and meetings. According to the city's municipal government website, since 1995, the casinos have funneled \$7 billion in revenue back in to the city's economy in addition to creating some 55,000 jobs. In addition, a tax on casino gross revenue provides \$300 million annually for the state of New Jersey. Also, because of the self-contained nature of these casino/hotels, the tourism direct provider economy in Atlantic City plays a far greater role than the supporting service economy. Direct provider employment generated 37,078 jobs in 2006 representing 89.2% of total tourism employment. That said, 95.6% of those direct provider jobs generated by hotels employment alone (35,078 jobs). The city had 118 hotels with 59,000 rooms in 2006. Atlantic City Hilton for example, in addition to the 500 rooms, offers seven world-class restaurants, gaming, tournaments, and varied entertainment-based attractions.

Las Vegas is another gambling resort that ranked second by percent tourism employment with a location quotient of 4.4 and 21.7% of its total employment is attributable to tourism. Las Vegas is a major resort for gambling, shopping, fine dining and entertainment. It bills itself as the "Entertainment Capital" of the world. It is also famous for its growing retirement community. According to the Center for Business and Economic Research at the University of Nevada, in the year 2006 Las Vegas generated

\$39 billion in visitor spending in addition to \$8 billion in convention fees generated by a wide array of premier events from large public shows, trade shows, and conferences.

Gulfport- Biloxi is 10<sup>th</sup> ranked in Table 4.2 with a 10.1% of percent tourism employment and a location quotient of 2.09. It is located in the Mississippi Gulf coast region. The 25 mile long beach that fronts the metropolitan coastline lies directly on the Mississippi Sound, with barrier islands scattered of the coast in the Gulf of Mexico. It has become home to the legalized gambling and features several casino resort hotels with 24-hour gambling, concerts and related entertainment shows, and many restaurants. Some of the casino resorts in the area include IP Casino Resort, Isle of Capri, and Palace casino resort. Biloxi-Gulfport's rich history and cultural attractions, according to Economic Statistics Administration (ESA), have also contributed to it becoming one of the new "hot spots" for tourism. Since the 1980s, the Biloxi-Gulfport metropolitan area has rapidly grown into a service market with large gaming and tourism-related industries.

Complementing the around-the-clock entertainment offered by its casinos, Biloxi-Gulfport's mild climate encourages outdoor activities year round, attracting golfers, sports fishermen, eco-tourists, bird watchers and beach comers. As a result of improved accessibility, due to a multimillion dollar highway and road improvement project and the expansion of the Gulfport-Biloxi International Airport, the industry has continued to expand. As one of the nation's more affordable areas, Biloxi-Gulfport's appeal as a tourist destination is its low costs. According to ESA, approximately, 18.8 million tourists visited Biloxi-Gulfport in 2006 but they spent only \$1.2 billion although 79% of total tourist spending was generated by the gaming industry (\$950 million).

Another major casino-based MSA in Table 4.2 is the 13<sup>th</sup> ranked Reno-Sparks MSA with a location quotient of 2.04 and a 9.9 % tourism employment share. Reno-Sparks was the gambling capital of the United States before the rapid rise of Las Vegas and the growth of Indian gaming in California. The city is also famous for its casinos and other forms of entertainment. It is known as (The Biggest Little City in the World) and is located in the high desert valley at the foot of the Sierra Nevada. It is the international headquarters of many companies including International Gaming Technologies (IGT) which manufactures and operates slot machines and other gaming products and it is the birth place of the gaming corporation Harrah's Entertainment.

In an effort to bring more tourism to the area, Reno-Sparks hosts several events throughout the year including Hot August Nights (a classic car convention), Street Vibrations (a motorcycle gathering and rally), the Great Reno Balloon Race, and Ron Air Races. Because of its geographic proximity to California, Reno-Sparks has traditionally drawn large numbers of its tourists and gamblers from central California and San Francisco. According to the Reno-Sparks Convention and Visitors Authority, 46% of total tourism visitors in 2006 came from California particularly from the San Francisco Bay area and Sacramento. According to a visitor profile study conducted by the Reno-based research firm InfoSearch (2007), 5.2 million tourists visited Reno-Sparks in 2006 and spent \$5.5 billion in the local economy.

Although these MSAs are all classified as casino-based MSA, they differentiate in unique ways from each other. Las Vegas for example, is a top of-the-line tourism product with world-wide appeal that attracts tourists for week-long stays. By contrast, Atlantic

City attracts predominantly day trippers and short stay visitors from the New York and Philadelphia areas on gambling junkets largely because the Atlantic City airport provides only limited service to the rest of the country. Reno-Sparks, on the other hand, is characterized by a gaming industry that has explicitly targeted tourists from central California and the San Francisco area while Gulfport-Biloxi, MI is characterized by its affordability and low costs.

#### **4.1.1.2. Coastal Resort Tourism MSAs**

Three metropolitan areas featured in Table 4.2 can be classified as Coastal Resort MSAs including Myrtle Beach which ranked 4<sup>th</sup> with a location quotient of 2.96 and a 14.4% percent tourism employment. Myrtle Beach has rapidly developed into a major tourist destination in the Southeastern United States during the past twenty years. The economy of the area is mostly tourism-based and includes attractions like its wide beaches, golf courses, as well as a number of amusement parks, aquariums, and 1,900 restaurants. Myrtle Beach also has approximately 89,000 accommodation units, and a number of shopping complexes.

Myrtle Beach is home to Family Kingdom, a sea-side amusement park, Freestyle Music Park, and Broadway at the Beach, which features many shopping, tourism, and dining attractions. The city also hosts Myrtle Waves, one of the largest water parks on the eastern seaboard. Myrtle Beach also has over 40 varied miniature golf courses along the Strand. In addition, the city hosts a variety of special conventions, events, and musical concerts. Myrtle Beach has annually hosted Canadian-American Days, also known as Can-Am Days, and Myrtle Beach Bike Week, a week-long motorcycle rally that brings

tens of thousands of visitors to the city annually. According to the South Carolina Employment Security Commission, the tourist industry accounted for over 37,000 permanent jobs in Myrtle Beach in 2006 and the city hosted 14.6 million visitors in 2006 and these visitors spent \$5.8 million in the local economy.

Another coastal resort MSA is Ocean City, NJ which ranked 5<sup>th</sup> with a location quotient of 2.72 and a 13.2% tourism employment share. The MSA is well known as a family seaside resort with miles of “safe” beaches. The resident population increases eight fold during the summer with the influx of tourists and second home owners. According to Lahr et.al (2010), Ocean City hosted 10.4 million visitors in 2006 and they spent \$5.4 billion of which 19.5% was for entertainment purposes, 18.9% for food, 18.1% for shopping, and 11.3% for accommodation cost.

Honolulu is a famous coastal resort market that ranked 8<sup>th</sup> in Table 4.2 with a location quotient of 2.11 and a 10.2% percent tourism employment. Honolulu is populated by approximately 900,000 residents. It is famous for its warm semiarid climate, year round sunshine and its exotic tropical landscape and beaches. It also hosts many museums, ethnic restaurants, and exhibit galleries in addition to a wide range of luxury hotels, shops, boutiques, clubs, and theatres. According to the Hawaii Department of Business, Economic Development and Tourism, tourism is the lead driver of the Honolulu economy. In 2006, 7.6 million tourists visited Honolulu and they spent \$12.4 billion in the local economy with 35.5% on food, 29% on transportation, and 17% on accommodation.

#### **4.1.1.3. Warm Weather Retirement Tourism MSAs**

Two of the top twenty most highly concentrated tourism metropolitan areas in the United States can be classified as warm weather retirement destinations. Flagstaff, AZ is one with a location quotient of 2.52 and a tourism employment share of 12.2%. It is located in Northern Arizona near the Grand Canyon National Park and Oak Creek Canyon. It acquired a reputation as a magnet for outdoor enthusiasts, and the region's varied terrain and high elevation, and amenable weather has attracted campers, backpackers, climbers, and mountain bikers from throughout the United States. In 2006, the Flagstaff tourist industry included 122 hotels generating 5,000 rooms, and 61 amusement and gambling establishments and 5 million tourists visited Flagstaff spending about \$1.9 billion. According to the Milken Institute (2000), Flagstaff ranked 7<sup>th</sup> among smallest populated MSAs with retired population of 65 year old or over. Its retired population accounted for 17.9% of the total population in 2006 exceeding the national average rate of 12.4%. The retired population in Flagstaff has increased by 46.3% between 1995 and 2005.

Naples, FL ranked eighth in Table 4.2 with a location quotient of 2.12 and a 10.3% percent tourism employment and it is also home to notable resort and hotel complexes including the Ritz-Carlton, the Naples Beach Hotel and Golf Club, and the Naples Grande Beach Resort and Club. Naples beaches extend along the coast of the Gulf of Mexico for more than ten miles, and are noted for their cleanliness and pristine white sand. Naples is the self-proclaimed "Golf Capital of the World" with more than 80 championship golf courses. Naples' economy is also largely based on tourism. As the

leading employer and the primary economic engine for the region, the tourism industry is the lifeblood of the Southwest Florida economy. According to Naples' chamber of commerce, in 2006, 1.4 million tourists visited Naples spending \$1.1 billion in the local economy, making tourism Naples' largest industry. Naples has historically been a resort and retirement community composed of affluent, elderly retirees. According to the Milken Institute (2000), Naples ranked 4<sup>th</sup> among the smaller populated MSAs as a major retirement community for people of 65 year old or over. Its retired population accounted for 25.3% of the total MSA population and twice the national average rate and it increased by 77.9% between 1995 and 2005.

#### **4.1.1.4. Natural Resource Gateway MSAs**

Several tourism-based MSAs in the Northeast seem to be functioning as natural resource gateways to the Berkshires, MA, White Mountains, NH and Green Mountains of Vermont. These include Pittsfield, MA, Barnstable, MA, and Manchester-Nashua, NH. Pittsfield is well known for its arts, humanities, and sciences and it also functions as a hub for the Berkshires- a specific highland geologic region. The Berkshires are a popular tourist attraction and vacation gateway. With numerous trails, including part of the Appalachian Trail, large tracts of Wilderness, the Berkshire Botanical Gardens, and Bash Bish Falls, the Berkshires are very popular with tourists and nature lovers. Pittsfield is also a historic area that includes Tanglewood, the summer home of the Boston Symphony Orchestra, which hosts an international annual summer musical festival. Pittsfield is also home to the Berkshire Canoe Meadows Wildlife Sanctuary, 264 acres of woods, fields, and wetlands maintained by the Massachusetts Audubon Society. Also, the Bousquet Ski

Area and Summer Resort entertain visitors and residents year-round with skiing, water slides, go-karts, and other recreation activities. The Pittsfield State Forest, a 65 acre park also provides residents and tourists with hiking and cross-country skiing trails, camping, picnic areas, and swimming beach.

Pittsfield's story is typical of a former industrial metropolitan areas that try to kick-start the local economy with tourism and creative and cultural economies. According to the Pittsfield Office of Cultural Development, the city has embraced the creative economy in an attempt to revitalize the city's core by attracting a new creative class that has broadened the social and business environment, fueled by the entrepreneurial spirit of a "creative class". City planners invested heavily in restoring downtown theatres and converting neglected downtown buildings into upscale condominiums, artists' lofts, retail spaces and restaurants. This strategy was reinforced by the establishment of a downtown tax-free district for works of art created by artists who live within the district. According to Pittsfield's mayor office, in 2006, 256,000 tourists visited the metropolitan area and spent \$471 million.

Barnstable, MA is another natural resource gateway. It ranked 17<sup>th</sup> in Table 4.2 with a location quotient of 1.77 and a 8.6% percent tourism employment. It is located on Cape Cod. The town contains seven villages within its boundary. The city is the summer home of the Kennedy's. Both President John Kennedy and his brother Ted Kennedy had summer homes in the city. Tourists come to this city in large numbers during the summer months to enjoy abundant shopping centers and to visit the John F. Kennedy Museum and several other museums. The city attractions also include forty miles of pristine sandy

beaches, marshes, ponds, upland species, lighthouses, cultural landscapes, and wild cranberry bogs that offer a glimpse of Cape Cod's past and continuing ways of life. According to Barnstable annual report in 2006, the tourism industry generated 9% of Barnstable's total employment in 2006 and 555,000 tourists visited the area and spent \$1.3 billion with 44% of visitors' expenditures attributed to transportation costs, 23% in lodging, 19% in food services, 1% in entertainment, and 8% in retail and gift shops.

The Manchester-Nashua, NH metropolitan area is also a natural resource gateway. It is located along the banks of the Merrimack River and the metropolitan area is well known for its fine cultural institutions and landmarks. The Currier Museum of Art is an internationally renowned art museum and one of the nation's first small galleries. Manchester-Nashua metropolitan area and Merrimack River region is also home to the McIntyre Ski Area, which offers 53 acres of skiing, and snow tubing. Tourism activities in this region were mostly related to the forest environment including hiking, hunting, and fall foliage and wildlife viewing. Tourism generated 8% of Manchester's total employment in 2006 and 467,000 tourists visited the region and spent \$1.2 billion in the local economy.

#### **4.1.1.5. Other Typologies**

The remaining eight metropolitan areas featured in Table 4.2 are less easily classified, in part because they offer unique products. Perhaps the most notable is Orlando which ranked 7<sup>th</sup> with a location quotient of 2.38 and a tourism employment share of 11.6%. Orlando is best known as the home of Walt Disney World, Universal Studios, and Sea World. Orlando was the third most visited city among travelers in 2006

and Disney World is one of the world's most substantial tourist attractions. Orlando has the second largest number of hotel rooms in the nation after Las Vegas, and is also one of the busiest American cities for conferences and conventions. It is also known for its wide array of golf courses available for any level of golfer. According to the Orlando/ Orange County Convention Visitor Bureau, 48 million tourists visited the city in 2006 injecting more than \$29.8 billion into the Orlando economy and directly employing more than 117,000 individuals in over 3,000 tourism firms.

Another unique tourism destination is Hot Springs, AR which is traditionally best known for the natural spring water that gave it its name. Hot Springs National Park in the city is the oldest Federal Reserve in the United States, and the tourist trade is based on the famous natural springs. The city has been a tourist destination/magnet for generations due to its thermal waters and related attractions such as Oaklawn race track, Magic Springs, and Crystal Fall theme parks.

Laredo, TX also has a unique tourist function since it is a gateway of trade, tourists, and shoppers along the United States and Mexico border. Located on the border between Mexico and the United States, Laredo is the United States largest inland port and one of the oldest border crossing points. More than 47% of the United States international trade headed for Mexico and more than 36% of Mexican international trade crosses through the Laredo port of entry (Hall 2007).

Another unique tourism destination is the Sandusky, OH MSA which ranked 15<sup>th</sup> in Table 4.2. It is located in northern Ohio and is situated on the shores of Lake Erie. The city has 22 miles of shore line. It is one of Ohio's most popular tourist destinations. The

city is home to Cedar Point which features the largest collection of roller coasters in the world.

#### **4.1.1.6. Overall Implications**

It appears that the economic geography of the urban regional tourist industry in the United States is highly concentrated. Just three tourist destination typologies in the top twenty markets (casino, coastal, and natural gateway) capture a large percent tourism employment (16.3%). Only 12 MSAs of 285 classified in those three typologies generated 8% of the total tourism employment. It also appears that varying degrees of success exist in exploiting cultural and natural advantages in association with MSAs. Many urban areas are now reexamining tourism as an alternative means of boosting the local economy and to assist in upholding their attractiveness as a place to live (Murphy and Murphy 2004). While tourism plays significant role in a large number of MSA economies, it appears that it plays very minimal role in some MSA economies and its economic impact on these economies is very negligible including MSAs such as Winchester, WV, Pascagoula, MS, and Provo-Orem, UT. In Pine Bluff, AR, For example, tourism employment generated only 1.4% of the total work force of the MSA and most of it is likely a resident demand.

One of the main factors behind the geographical concentration of tourism clusters is the development model of the casino-based tourist industry. The casino gaming industry in some MSAs experienced substantial growth and expansion since the 1990s as a direct result of explicit strategies adopted by local planners centered on the notion that casinos can be an important catalyst in creating and/or stimulating growth and tourism

employment (Aubuchon and Kridel 2008). Inspired by the phenomenal growth and economic success of Las Vegas, many other MSA communities have legalized casinos to help kick-start tourism development. Although there are wide variations in the ways in which casino tourism is offered in the United States, full service destination resort casino entertainment complexes can be found only in Nevada and Atlantic City, NJ. By 2000, the standards for casino resorts in Las Vegas call for facilities with 5,000 or more rooms; unique-often spectacular- establishments; extensive entertainment offerings, indoor and outdoor recreational options, extensive shopping experiences and state of the art gaming opportunities. This trend towards bigness and self-contained entertainment and diversity is being mimicked in other casino centers such as Atlantic City and Biloxi-Sparks MSA.

Additionally, coastal tourism is a rapidly growing activity in the United States. Tourism related development is one of the major factors shaping development patterns in coastal destinations including hotels, resorts, and vacation and second home in addition to the supporting services such as restaurants, retail businesses, fishing facilities, and the like. Coastal tourism is rapidly increasing in both volume and diversity (Hall 2001). Just a few coastal MSAs in Florida, California, and the Gulf of Mexico capture the bulk of the coastal tourism market share. To compete and survive, coastal MSAs have to actively take into account the dynamic nature of coastal tourism in their plans and policies. Issues that affect coastal tourism directly or indirectly such as clean, safe, and secure coastal habitats and enjoyable environment are clearly fundamental to successful coastal tourism. Furthermore, policies and programs in each of these areas need to be developed and implemented in an integrated fashion.

In seeking alternatives to mining and forestry for economic growth, many MSAs explored tourism as a viable option because it tends to utilize an area's cultural, historic, ethnic, geographic and natural resource uniqueness (Michael et.al 2007, Richards and Wilson 2007). MSAs in the Appalachian region for example have strong vested interests in their natural resources and forests. Local economies often utilize natural resources through tourism related activities and second/retirement home development. Many tourist destinations of natural beauty throughout the United States have captured a high percent of the retired population of 65 years old or over and have frequently become highly desirable places to live, vacation, and own a second home (Lew et. al 2004). Issues of tourism and second home development have often become related and dominate decisions regarding the destination's economy and issues of real estate policies, cost of living, transportation, business diversification, and workforce.

#### **4.1.2. Direct Provider Employment by MSA**

Figure 4.3 illustrates the spatial distribution of total direct provider employment in the United States for 2006 by MSA. With the exception of the three major tourism growth poles (i.e. Las Vegas, Phoenix, and Orlando), all of the top ten MSAs with the highest direct provider employment were "Mega" metropolitan areas that hosted total populations that were 5 million or greater (New York, Los Angeles, Chicago, Miami, Atlanta, Washington, and San Francisco). The share of direct provider service employment ranged from a low of 39% in Orlando to a high of 86% in Las Vegas. Only nine metropolitan areas generated 50,000 or more jobs in the direct provider sector and only 24 of the 285 metropolitan areas included in the analysis generated a direct provider

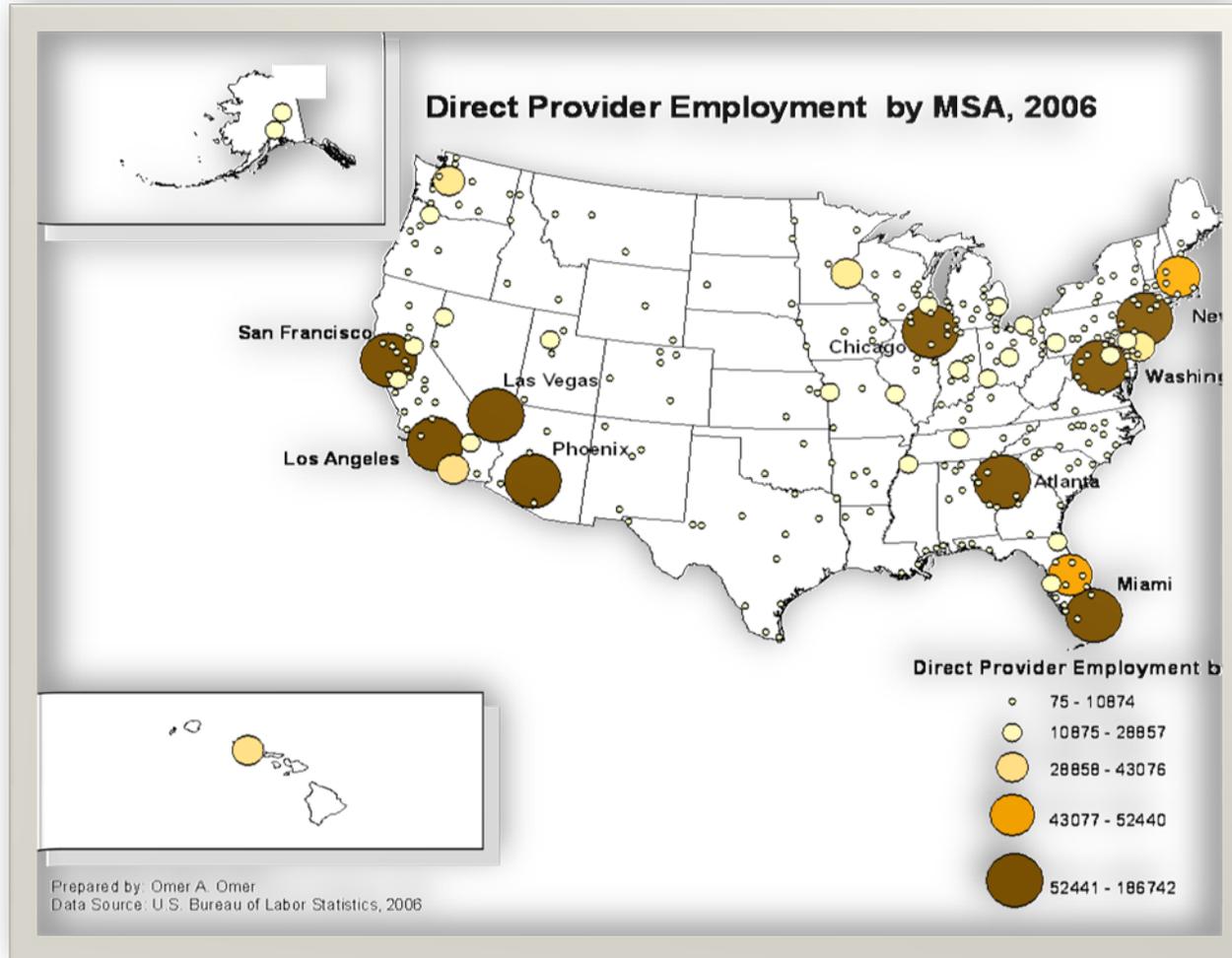


Figure 4.3 Direct Provider Employment by MSA, 2006

aggregate employment of 20,000 or more suggesting that the geography of tourism industry is highly spatially concentrated. Although ten of the top 24 metropolitan areas generated direct provider employment totals that exceeded their supporting service employment, only three of these metropolitan areas generated direct provider employment that was more than four times greater than their supporting services employment. These metropolitan areas included Atlantic City (89% direct provider employment), Las Vegas (86%), and Memphis (81%). Unlike Las Vegas and Atlantic City, the direct provider employment (%) in Memphis is largely due to a statistical anomaly. The food services and drinking places (NAICS 722) data on the Bureau of Labor Statistics website for the Memphis metropolitan area in 2006 was not available due to non-disclosure. Consequently, the supporting services percent employment was much lower than expected since typically food services and drinking places tends to account for about half of all supporting services employment. As a result, the Total MSA Employment for direct provider was artificially inflated. The relative percentage of direct provider employment rankings is noticeably different from the absolute geography. Table 4.3 illustrates the top ten metropolitan areas with the highest percentage of direct provider employment by metropolitan area.

**Table 4.3 Top Ten MSAs Ranked by Direct Provider Employment %, 2006**

<b>MSA</b>	<b>%Direct Provider Employment</b>
Atlantic City	89.2
Laredo	87.4
Las Vegas	86.4
Reno-Sparks	85.0
Gulfport-Biloxi	80.1
Houma-Bayou	75.5
Savannah	71.1

Kingston	69.8
Salt Lake City	69.7
Anchorage	69.5

Data Source: U.S. Bureau of Labor Statistics, 2006

One clear trend in table 4.3 is that nearly half of the top ten metropolitan areas are based on casino style economies including Atlantic City, Las Vegas, Reno-Sparks, and Gulfport-Biloxi. This trend can be attributable to the large-scale nature of the resort-hotel industry and its full service, self-contained competitive nature which includes within it all other supporting services such as restaurants, games, and all other forms of entertainment. Additionally, the only MSA that was listed in both the absolute (#) rankings of total tourism employment (Table 4.1) and the relative (%) rankings of direct provider employment (Table 4.3) was Las Vegas suggesting the exceptional role tourism plays in this economy. Tourism represents 22% of Las Vegas total employment with a location quotient of 6 and contributed 17% of its total wage bill in 2006.

Only Salt Lake City and Las Vegas of the top ten MSAs have a resident total population of over one million. Salt Lake City has developed a strong outdoor recreation tourist industry based primarily on skiing and it is also a major airline hub location for Delta Airlines. As a result, the tourism industry generated 5% of total employment in Salt Lake City of which 26% of these tourism jobs were generated by tourism accommodation (NAICS 721) and 22% was generated by air transportation (NAICS 481). In Las Vegas, the large mega-hotels generated a disproportionate share of total tourism employment where the accommodation sector (NAICS 721) generated 145,506 jobs, or 74% of all tourism-related jobs.

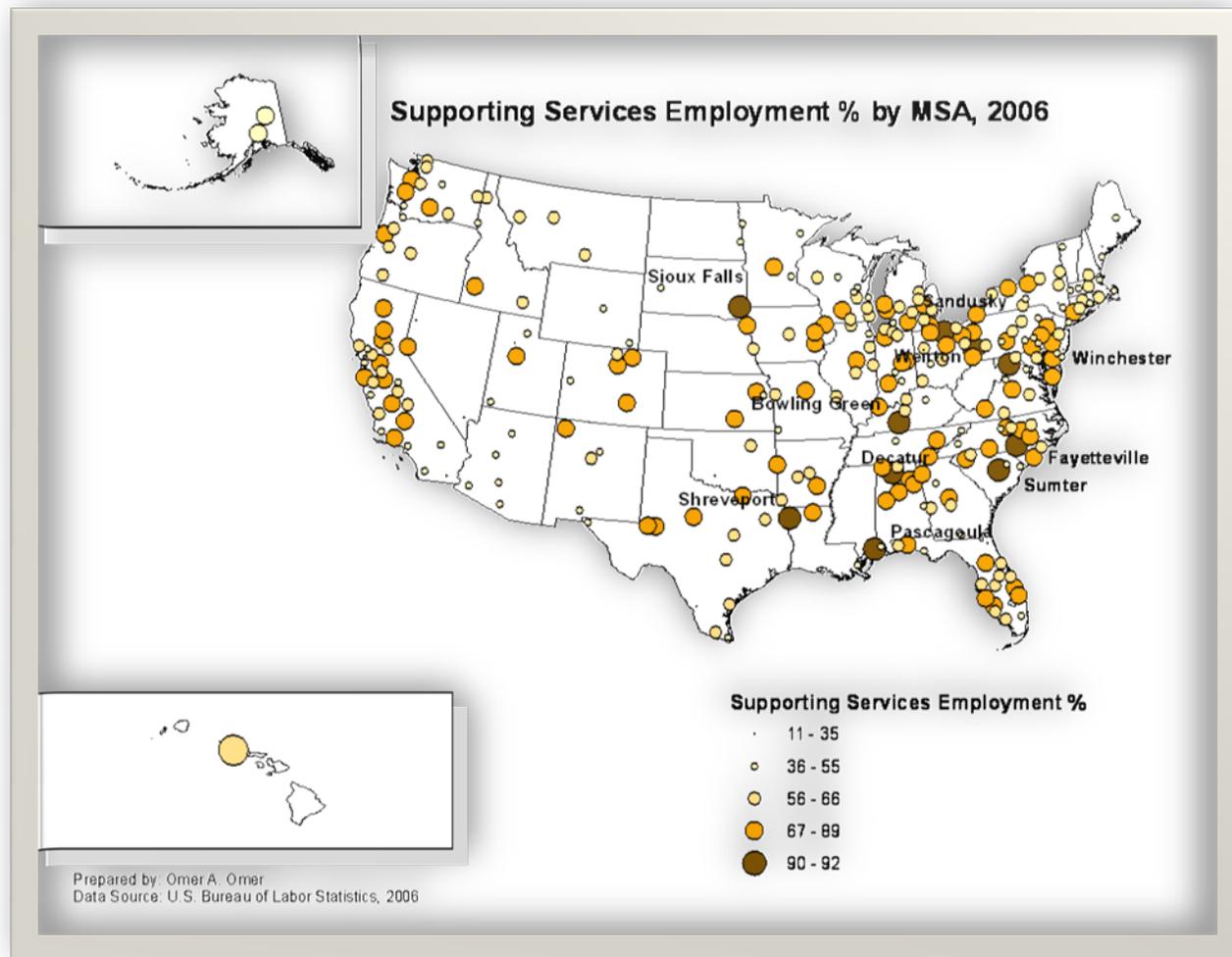
Many of the rest of the top ten metropolitan areas ranked by percent direct provider employment in Table 4.3 are largely smaller populated metropolitan areas where the tourism direct providers play a disproportionately large role in their economies. Eight of the top ten MSAs have a total population of only half a million or less. A good example of a smaller MSA that featured prominently regarding the percentage of total tourism employment attributable to direct provider jobs is the Kingston, NY MSA. Although the Kingston MSA only had a population of 182,000, the direct provider tourism sector played a big role in its local economy accounting for nearly 70% of all tourism related jobs. It is part of the larger New York-Newark-Bridgeport combined statistical area (CSA) and is a natural gateway for New York and New Jersey metropolitan areas. The major tourism attractions in the Kingston MSA are kayaking, canoeing, and boat tours on the Hudson River in addition to hiking and camping. Tourism generated 6% of Kingston's total employment of which 43.6% was generated by tourism accommodation (NAICS 721). Almost half of the Kingston MSA tourism jobs were generated by 26 hotel and bed and breakfast establishments which include some top-of-the line hotels such as the Marriot, the Wood Stock hotels and many others.

Another good example is the Anchorage, AK MSA. It generated 14,582 in total tourism employment of which 25% was generated by air transportation (NAICS 481) and 21% by tourism accommodation (NAICS 721) respectively. The Anchorage MSA contrasts with the Kingston, NY MSA in ways that are similar to the contrasts between the Las Vegas and Atlantic City MSAs. Although the rate of the direct provider employment is similar between Anchorage (69.5%) and Kinston (69.8%), the mix within

it is radically different between the two MSAs. While Anchorage plays a similar role to Las Vegas as a “fly to” destination, Kingston plays a similar role to the Atlantic City MSA where the air transportation services are very limited or not existent.

#### **4.1.3. Supporting Services Employment by MSA**

Figure 4.4 illustrates the spatial distribution of tourism supporting services employment by MSA. Only eleven of the 285 metropolitan areas included in the analysis generated 50,000 jobs or more in supporting service and many of these were the same metropolitan areas that generated large numbers of total tourism employment in Figure 4.1 (e.g. Orlando, Miami, New York and Los Angeles). The supporting services employment shares ranged from a low of 11% in Atlantic City, NJ to a high of a 92% in Decatur, AL. Only 68 of the 285 metropolitan areas generated a 70% or greater share in supporting services employment and for many of these metropolitan areas food and drinking services (NAICS 722) employment represented a disproportionately high percentage share of their supporting services employment. Although Las Vegas featured prominently in terms of direct provider employment generation, it was only the 23<sup>rd</sup> ranked metropolitan area based on supporting services employment. By contrast, the Orlando metropolitan area ranked fifth in supporting services and featured more prominently in figure 4.4 because it generated a much greater percentage of its tourism jobs in the supporting services than did Las Vegas (61% versus 14% respectively).



**Figure 4.4 Supporting Service Employment by MSA, 2006**

The high percent of supporting services in Orlando is attributable to the fact that unlike Las Vegas, Orlando is very much focused on theme park tourism instead of casino tourism. Orlando and Las Vegas are fundamentally different tourism markets based on average hotel size. In the Las Vegas market, the average hotel employs 564 individuals versus only 93 employees in Orlando. This implies that Las Vegas is dominated by large, full service and self-contained resort-hotels where related supporting services are often included in the mega-hotel establishment. By contrast, in Orlando gaming facilities and restaurants were frequently not included within the hotel but scattered along the highways adjacent to the major theme parks in Orlando metropolitan area.

The relative geography of supporting services employment is also very different from the absolute geography of supporting services. Table 4.4 illustrates the top ten metropolitan areas with the highest supporting service employment percentages in 2006.

**Table 4.4 Top Ten MSAs Ranked by Supporting Services Employment %, 2006**

<b>MSA</b>	<b>Supporting Services Employment %</b>
Decatur	91.9
Bowling Green	91.3
Weirton-Steubenville	91.1
Pascagoula	91.1
Sandusky	90.7
Shreveport-Bossier City	90.7
Sumter	90.3
Fayetteville	89.8
Sioux Falls	89.2
Winchester	89.1

Data Source: U.S. Bureau of Labor Statistics, 2006

All of the top ten metropolitan areas tended to be very small with less than 200,000 in total population and with no or very minimal tourism direct provider employment.

Consequently, in reality the tourism industry plays a very small role in these local

economies and most of the supporting services employment for the MSAs featured in Table 4.4 was in food services and drinking places. For example, in seven of the top ten metropolitan areas featured in Table 4.4 the food services and drinking places employment (NAICS 722) constituted 50% or more of supporting service employment (e.g. Weirton-Steubenville 95%, Fayetteville 93%, Winchester 90%, Shreveport-Bossier City 83%, Decatur 72%, Sumter 63%, and Sioux Falls 51%). Tourism also apparently plays a negligible role in those MSA economies that generated disproportionately high levels of supporting service jobs. For example, six MSAs featured in Table 4.4 reported less than 1% of their total wages from tourism. For example, Decatur, AL ranked first in the percent of jobs in supporting services i.e. (92%) but tourism represented only 0.6% of the total MSA wage bill. For the other four MSAs included in Table 4.4, tourism accounted for less than 6% of the total wage bill including Sioux Falls (1.2% of wage bill), Sumter (1.4%), Weirton (3.9%), and Sandusky (6%). By contrast, in Atlantic City and Las Vegas, the two MSAs with the highest percent tourism employment, tourism accounted for 23% and 17% of their total wage bills, respectively. These findings suggested that although there is an economic equivalence between direct provider and supporting service industries in terms of percent tourism employment by MSA, the findings also revealed that tourism played a very minimal role in many MSA economies.

#### **4.2. Tourism Employment by Industry Type, 2006**

In this dissertation, the aggregate tourism employment data is composed of 12 individually-defined industries based on the federal government NAICS code where 7 of these industries were classified as direct providers and five were classified as supporting

services. In order to establish the mix of industries that compose the tourism industry by metropolitan area, the percentage of each NAICS-defined tourism-related industry was calculated as a percentage of total tourism employment by metropolitan area (Table 4.5). The leading NAICS-defined industry based on employment share was food services and drinking places (NAICS 722) which generated a total of 1.23 million jobs accounting for 26.3% of all tourism-related jobs.

**Table 4.5 MSA Tourism Employment Composition by Industry, 2006**

<b>Industry Type</b>	<b>Total employment (# persons)</b>	<b>Relative Employment%</b>
<b>Direct Providers</b>		
Accommodation (NAICS 721)	1,012,402	21.70
Air Transportation (NAICS 481)	297,200	6.37
Support Activities for Transportation (NAICS 488)	291,753	6.25
Transit Transportation (NAICS 485)	285,689	6.12
Miscellaneous Store Retailers (NAICS 453)	151,134	3.24
Administration and Support (NAICS 561)	138,731	2.97
Scenic and Sightseeing Transportation (NAICS 487)	11,208	0.26
<b>Sub-Total</b>	<b>2,188,117</b>	<b>46.91</b>
<b>Supporting Services</b>		
Food Services and Drinking Places (NAICS 722)	1,226,242	26.29
Amusements and Gambling (NAICS 713)	855,610	18.34
Performing Arts and Sports (NAICS 711)	266,702	5.72
Museums and Historical Parks (NAICS 712)	66,381	1.42
Rental and Leasing Services (NAICS 532)	61,765	1.32
<b>Sub-Total</b>	<b>2,476,700</b>	<b>53.09</b>
<b>Total</b>	<b>4,664,817</b>	<b>100.00</b>

Data Source: U.S. Bureau of Labor Statistics, 2006

Of course food services and drinking places serve both tourist and resident demand and are therefore conceptualized as a supporting service. The second most

important industry in relative terms was tourism accommodation (NAICS 721) with a total employment of 1.01 million jobs representing a 21.7% share. As a direct provider, tourist accommodation lies at the heart of the tourism industry. The third largest share was in amusement and gambling (NAICS 713) with a total employment base of 855,610 jobs representing an 18.34% share of total tourism employment. These three leading industries generated two thirds (66.33%) of total tourism employment combined by MSA in 2006. All of the other tourism-based industries (both direct provider and supporting service) generated an average employment share of 3.4% and the smallest industry was the scenic and sightseeing transportation (NAICS 487) with 11,208 jobs representing only 0.26% of total metropolitan-based tourism employment. Although it is expected that tourism accommodation and food services and drinking places might generate the bulk of tourism employment, it is a little surprising to discover that the amusement and gambling industry generated 18% of national metropolitan tourism employment. Although the geography of amusement and gambling industry is very selective, it is a very significant job generator. For example, the top seven metropolitan areas in terms of amusement and gambling services employment (NAICS 713) each generated 20,000 jobs or greater representing 37% of the total of all MSA-based amusement and gambling jobs nationwide in 2006. By contrast, the top seven metropolitan areas in terms of food and drinking services employment generated only 28% of the total food services and drinking places employment for all MSAs combined.

#### 4.2.1. Direct Provider Employment by Industry

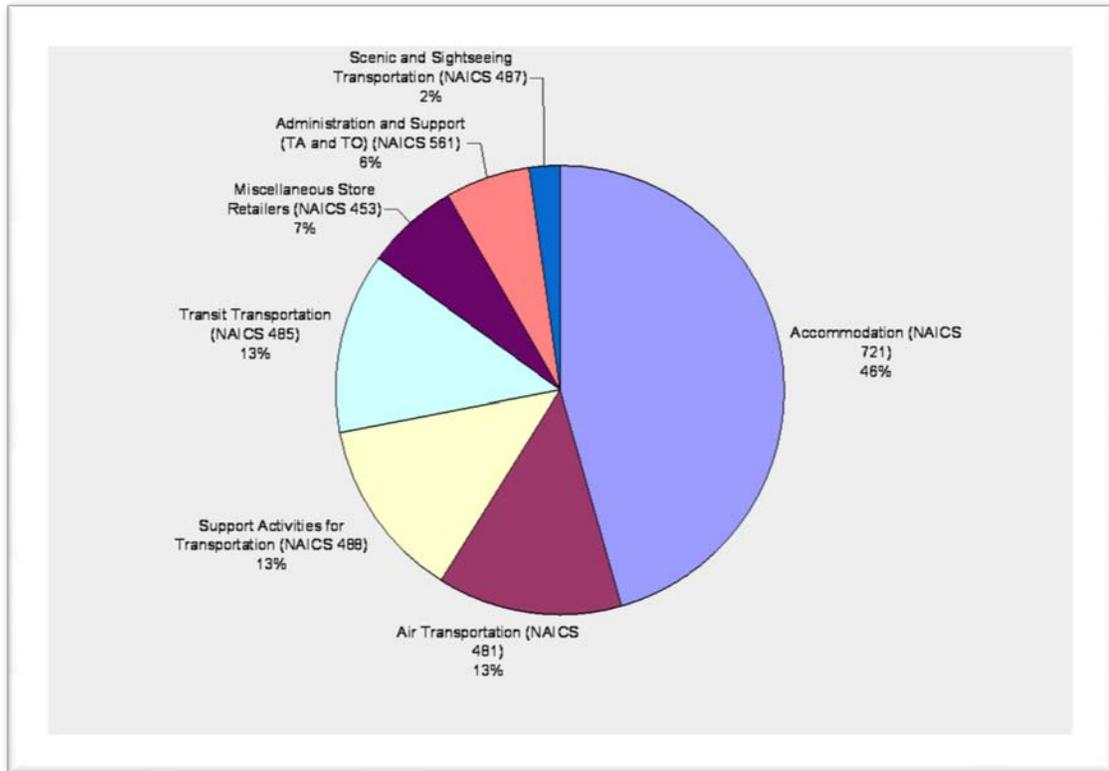
Figure 4.5 illustrates the composition of direct provider employment by NAICS-based industries for 2006. Nearly half of the direct provider employment is attributable to the accommodation industry and a small number of MSAs had an unusually high share of direct provider jobs in the accommodation sector including Atlantic City (95.6), Myrtle Beach (89.5%), and Reno-Sparks (86.7%) as illustrated in (Table 4.6).

**Table 4.6 Top Ten MSAs Ranked by Accommodation Employment (%), 2006**

<b>MSA</b>	<b>Total Direct Provider Employment (# persons)</b>	<b>Accommodation NAICS 721 (# persons)</b>	<b>Relative Employment % of Total D.P. E.</b>
Atlantic City	37,078	35,446	95.6
Myrtle Beach	8,071	7,223	89.5
Reno-Sparks	18,498	16,038	86.7
Las Vegas-Paradise	170,013	145,506	85.6
Gulfport-Biloxi	7,601	6,448	84.8
Flagstaff	4,270	3,562	83.4
Naples-Marco Island	4,606	3,601	78.2
Santa Fe	2,650	2,005	75.6
Portland	5,926	4,360	73.6
Santa Barbara	5,026	3,698	73.6

Data Source: U.S. Bureau of Labor Statistics, 2006

This can be attributed to the fact that each of these three MSAs has either no airport or a very small one. All three MSAs are largely “drive-to resorts”. According to the Myrtle Beach chamber of commerce from the 16.5 million visitors who arrived in 2006, only 4.3% traveled by air. In Atlantic City, only 1% traveled by air as reported by the South Jersey Transportation Authority while in Reno-Sparks, according to its Convention and Visitors Authority, only 38% traveled by air from the 5.1 million visitors who arrived in 2006.



Prepared by: Omer Omer

Data Source: U.S. Bureau of Labor Statistics, 2006

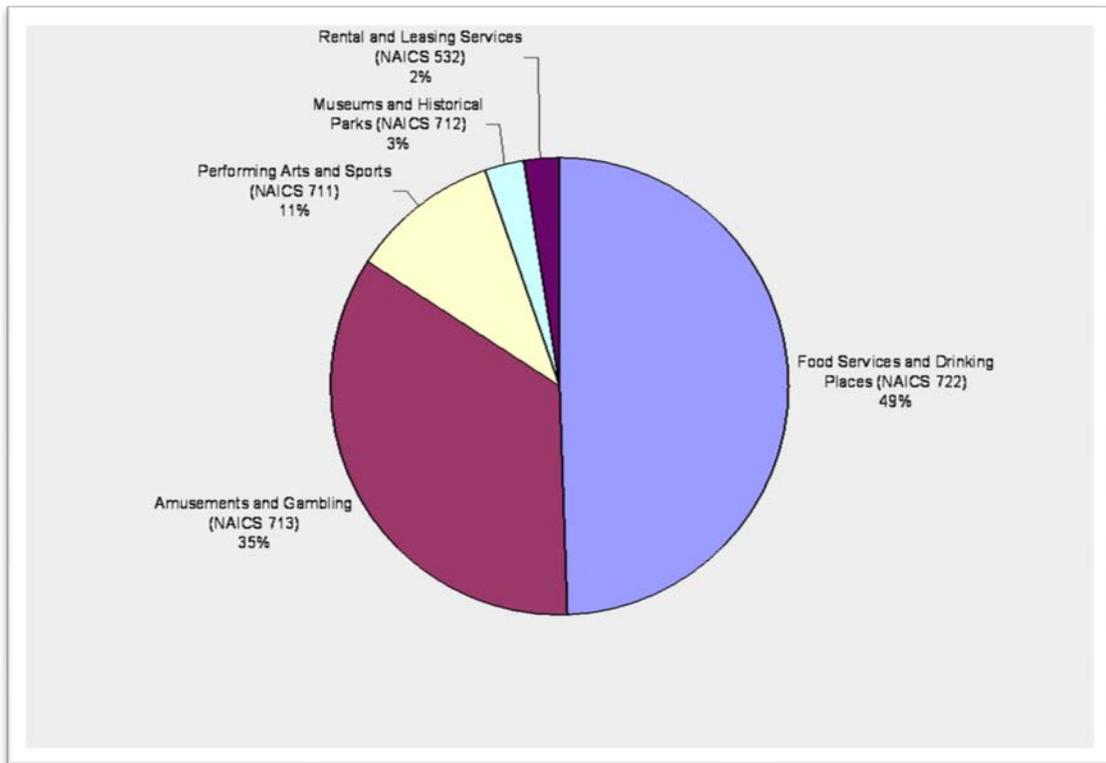
**Figure 4.5 MSA-based Direct Provider Employment % by NAICS, 2006**

#### **4.2.2. Supporting Services Employment by Industry**

Figure 4.6 illustrates the composition of the supporting service employment by NAICS-based industries for 2006. Food and drinking services (NAICS 722) generated 49% of all jobs representing half of total supporting services employment by MSA.

Amusements and gambling (NAICS 713) was the second leading industry representing 35% of total supporting services jobs followed by performing arts and sports (NAICS 711) which generated 266,702 jobs representing 11% of total supporting services

employment. These three leading industries generated 95% of total supporting service employment combined.



Prepared by: Omer A. Omer

Data Source: U.S. Bureau of Labor Statistics, 2006

**Figure 4.6 MSA-based Supporting Service Employment % by NAICS, 2006**

Table 4.7 illustrates the top ten MSAs with the highest percent of total supporting service jobs in food services and drinking places. All of the top ten MSAs listed in Table

**Table 4.7 Top Ten MSAs Ranked by Food and Drinking Employment (%), 2006**

<b>MSA</b>	<b>Total Supporting Service Provider Employment (# persons)</b>	<b>Food and Drinks NAICS 722 (# persons)</b>	<b>Relative Employment % of Total S.S. E.</b>
Waco	2,371	1,660	70.0
McAllen-Edinburg	4,288	2,938	68.5
Fort Walton Beach	3,248	2,054	63.3
Saginaw	2,385	1,477	61.9
Merced	1,338	813	60.7
Visalia-Porterville	2,410	1,463	60.7
State College	1,753	1,050	59.9
Mobile	4,313	2,568	59.5
Modesto	4,305	2,559	59.5
Pueblo	1,766	1,028	58.2

Data Source: U.S. Bureau of Labor Statistics, 2006

4.7 are small populated areas in which food and drinking services represented 50% or greater of their total supporting service employment. Consequently, in reality the tourism industry plays a very small role in these local economies and most of the supporting services employment for the MSAs featured in Table 4.7 was in food services and drinking places. For example, in all of the top ten metropolitan areas featured in Table 4.7 the food services and drinking places employment (NAICS 722) constituted far over 50% of the supporting services (e.g. Waco 70%, MacAllen- Edinburg 69 %, Fort Walton Beach 63%, Saginaw 62%, Merced 61%, Visalia-Porterville 61%, State College 60%, Mobile 60%, Modesto 60%, and Pueblo 58%). Tourism also apparently plays a negligible role in these MSA economies that generated disproportionately high levels of supporting service jobs. For example, Waco, TX ranked first in the percent of jobs in supporting services i.e. (70%) but tourism represented only 1.5% of the total MSA wage bill. For the other MSAs included in Table 4.7, tourism accounted for less than 4% of the total wage bill including McAllen-Edinburg (2.2% of wage bill), Fort Walton Beach (2.9%),

Visalia-Porterville (1.4%), State College (1.7%), Mobile (3.3%), Modesto (1.6%), and Pueblo (2.3%).

#### **4.3. Tourism Wages by MSA, 2006**

This section maps the spatial variation of tourism wages in the United States by MSA for 2006. It included an analysis of 237 metropolitan areas. All MSAs that did not disclose for both accommodation (NAICS 721) and food services and drinking places (NAICS 722) were omitted. All other MSAs that did not disclose three or more NAICS-based industries were also omitted due to the incomplete nature of the data. The tourism industry generated \$130 billion in 2006 of which \$71 billion was generated by direct providers representing 54% of the total tourism wages and \$59 billion was generated by supporting service industries representing 46% of total tourism wages. The tourism industry cluster analyzed in this dissertation consisted of 12 generated by industries as defined by the federal government NAICS code. In order to establish the relative importance of each NAICS-based industry, the percentage wages of each NAICS-defined tourism-related industry was calculated as a percentage of total tourism wages by MSA (Table 4.8). The top five leading NAICS-defined tourism industries in terms of total wages generated 76% of all tourism wages combined in 2006. These five industries included:

- Accommodation sector (NAICS 721) which generated which generated a total of \$26.3 billion accounting for 20% of tourism total wages
- The performing arts and sports industry (NAICS 711) with total wages of \$21 billion representing 16% of total tourism wages

- The food services and drinking places (NAICS 722) which generated a total of \$18 billion accounting for 14% of tourism total wages
- The amusement and gambling sector (NAICS 713) with \$17 billion in total wages accounting for 13% of tourism total wages
- The air transportation (NAICS 481) with a total wage bill of \$16 billion accounting for 12.5% of all tourism-related wages

**Table 4.8 MSA Tourism Average Wage (\$) Composition by Industry, 2006**

Industry Type	% of Total Tourism Wages	Average Wage (\$)
<b>1- Direct Providers</b>		
Air Transportation (NAICS 481)	12.8%	\$55,124
Support Activities for Transportation (NAICS 488)	10%	\$44,023
Administration and Support (NAICS 561)	3%	\$29,632
Scenic and Sightseeing Transportation (NAICS 487)	0.2%	\$26,677
Accommodation (NAICS 721)	20%	\$25,986
Transit Transportation (NAICS 485)	5%	\$25,165
Miscellaneous Store Retailers (NAICS 453)	3%	\$23,176
<b>Direct Provider average wage</b>		<b>\$32,282</b>
<b>2- Supporting Services</b>		
Performing Arts and Sports (NAICS 711)	16%	\$78,596
Museums and Historical Parks (NAICS 712)	2%	\$30,561
Rental and Leasing Services (NAICS 532)	2%	\$29,632
Amusements and Gambling (NAICS 713)	13%	\$19,734
Food Services and Drinking Places (NAICS 722)	14%	\$14,697
<b>Supporting Services average wage</b>		<b>\$24,324</b>
<b>3-Aggregate Tourism Average Wage</b>		<b>\$28,057</b>

Data Source: U.S. Bureau of Labor Statistics, 2006

All of the other tourism-based industries generated much smaller shares including scenic and sightseeing transportation (NAICS 487) which generated only \$300 million representing only 0.2% of tourism total wages.

#### **4.3.1. Average Wages in Tourism by MSA, 2006**

Although the tourism industry generated 4.7 million jobs and over \$130.9 billion in total wages in 2006, the average wage paid in the industry was relatively low. The data illustrates that tourism average wages by MSA in 2006 were as low as \$10,734 in Huntsville, AL and as high as \$47,226 in Los Angeles. The average wage in tourism was \$27,853 which was much higher than the median of \$16,959. Based on the 237 metropolitan areas included in the analysis, only 75 MSAs generated an average tourism wage of \$20,000 or higher and only 14 MSAs generated an average tourism wage that was higher than the overall tourism average wage (\$27,853). Part of the reasons for only a small number of MSAs (i.e.14) performing above the overall average wage in tourism is related to at least two factors. First, the top 14 MSAs generated 1.7 million tourism-related jobs accounting for 44% of total tourism-related employment suggesting an intensely specialized and geographically concentrated tourism production system. In addition, these top 14 MSAs also generated 57% of the tourism total wage bill illustrating that as intensely as the specialized tourism employment is; the tourism total wages are even more spatially pronounced and more intensely geographically concentrated. Furthermore, the top 14 MSAs generated 54% of the market share of the highest paying tourism-related sector (i.e. air

transportation, NAICS 481) accounting for 28% of its total wage bill which helped drive wages well above the overall tourism average wage of \$27,853.

Because only 14 MSAs accounted for almost half of tourism employment (44%) and over half of tourism total wages (57%), the overall tourism average wage was very positively skewed. The tourism agglomeration effect and geographic clustering of tourism direct providers and supporting services can raise labor productivity rates in at least two ways. First, clusters attract large pools of skilled and highly specialized work force which help establishments to recruit workers with skills that closely match their jobs requirements and specifications. Second, clusters also appear to enhance knowledge spillovers and increase workers skills through job training and tacit learning from other workers.

That said, the overall average wages in tourism remain low in the vast majority of the metropolitan areas included in the analysis (with a median of average wage of only \$16,959). That can be attributable to the fact that a large share of the jobs occur in the low paying industries within tourism cluster. It is apparent through the analysis of the employment geography of tourism that almost half of all tourism jobs (48%) are either in lodging establishments or food services and drinking places. It is also evident that lodging and restaurants tended to pay the lowest wages relative to other tourism-related sectors. By contrast, the 14 MSAs that scored significantly above the overall tourism average wage tended to have disproportionately large employment market share in the two highest paying industries within tourism: air transportation (NAICS 481) and support activities for transportation (NAICS 488).

Air transportation and support activities for transportation, for example, constituted a 22% employment share in both of the top two highest paid tourism MSAs (i.e. Angeles and New York).

The overall low wages in tourism can also be attributed to the part-time and seasonal nature of many tourism jobs, the limited number of skilled workers, the lack of professional training, high turn-over rates, and a lack of career track opportunities in the industry. Also, tipping plays a significant role in keeping wages low in tourism. Tips are often used to rationalize low wages in many tourism-based sectors such as food and drinking places since tourism workers are frequently paid less than minimum wage since tipping is theorized to make up the short fall. Table 4.9 illustrates the top ten MSAs in tourism average wages in 2006 based on the MSAs that fully reported for all the individual NAICS industries utilized to calculate the average wage.

**Table 4.9 Top Ten MSAs Ranked by Overall Tourism Average Wages (\$), 2006**

<b>MSAs</b>	<b>Average Wages</b>
Los Angeles	\$47,226
New York	\$37,655
Chicago	\$34,664
Las Vegas	\$33,409
Nashville	\$32,620
San Francisco	\$32,477
Atlantic City	\$32,001
Anchorage	\$31,826
Naples	\$31,718
Indianapolis	\$31,239

Data Source: U.S. Bureau of Labor Statistics, 2006

Although the tourism average wages are higher for the top ten metropolitan areas listed in table 4.8 than for the overall average, what seems clear is that most of the wages

in these MSAs are driven more by the high cost of living in these large cities rather than any sort of elevated purchasing power. Seven of the top ten MSAs are large populated cities with populations well over a million including New York (19 million), Los Angeles (13 million), Chicago (10 million), San Francisco (4.3 million), Las Vegas (1.8 million), Indianapolis (1.7 million), and Nashville (1.6 million). Consequently while the wages of the MSAs listed in Table 4.8 seem to be reasonably high, in reality, these wages are more a consequence of the high cost of living in many of these MSAs. For example, according to Forbes, New York and Los Angeles ranked as the first and second most expensive cities in the United States in 2008. However, two high ranking low cost towns included Nashville and Indianapolis, in part, because of high wages paid to Country and Western artists in Nashville and sport-related occupations in Indianapolis.

#### **4.3.2. Tourism Average Wages (\$) by Industry Type**

The average wage for each NAICS-defined industry is calculated by dividing the total wages of that particular industry by its total employment. The average wages were also calculated for both direct provider and supporting service NAICS-defined industries. Table 4.8 illustrates the average wages for each NAICS-defined industry in the mix of industries that compose the tourism cluster for both direct provider and supporting service. The leading NAICS-defined industry based on average wages in 2006 for direct providers was air transportation (NAICS 481) with an average wage of \$55,124 followed by support activities for transportation (NAICS 488) with an average wage of \$44,124. These two transportation-related industries accounted for 22.8% of the total tourism wage bill even though they only accounted for 12.7% of tourism employment. The average

wages generated by the direct providers ranged from a low of \$23,176 generated by Miscellaneous Store Retailers (NAICS 453) to a high of \$55,124 by air transportation. Overall, the average wage of the direct providers was \$32,282.

In the supporting services, the average wage ranged from a low of \$14,697 generated by food services and drinking places (NAICS 722) to a high of \$78,596 generated by performing arts and sports. The overall average wage for supporting services was \$24,324 which was much lower than the overall tourism average wage of \$27,853. The low overall average wage in the supporting services can partly be attributable to the large percentage of jobs in food and drinking establishments and the extremely low average wage generated by this industry (\$14,697). Of the 12 NAICS-defined industries that comprise the tourist industry, six industries have generated average wages below the overall tourism average wage including four direct providers: scenic and sightseeing transportation (\$26,677), accommodation (\$25,986), transit transportation (\$25,165), and miscellaneous store retailer (\$23,176), and two supporting services including amusement and gambling (\$19,734) and food services and drinking places (\$14,697).

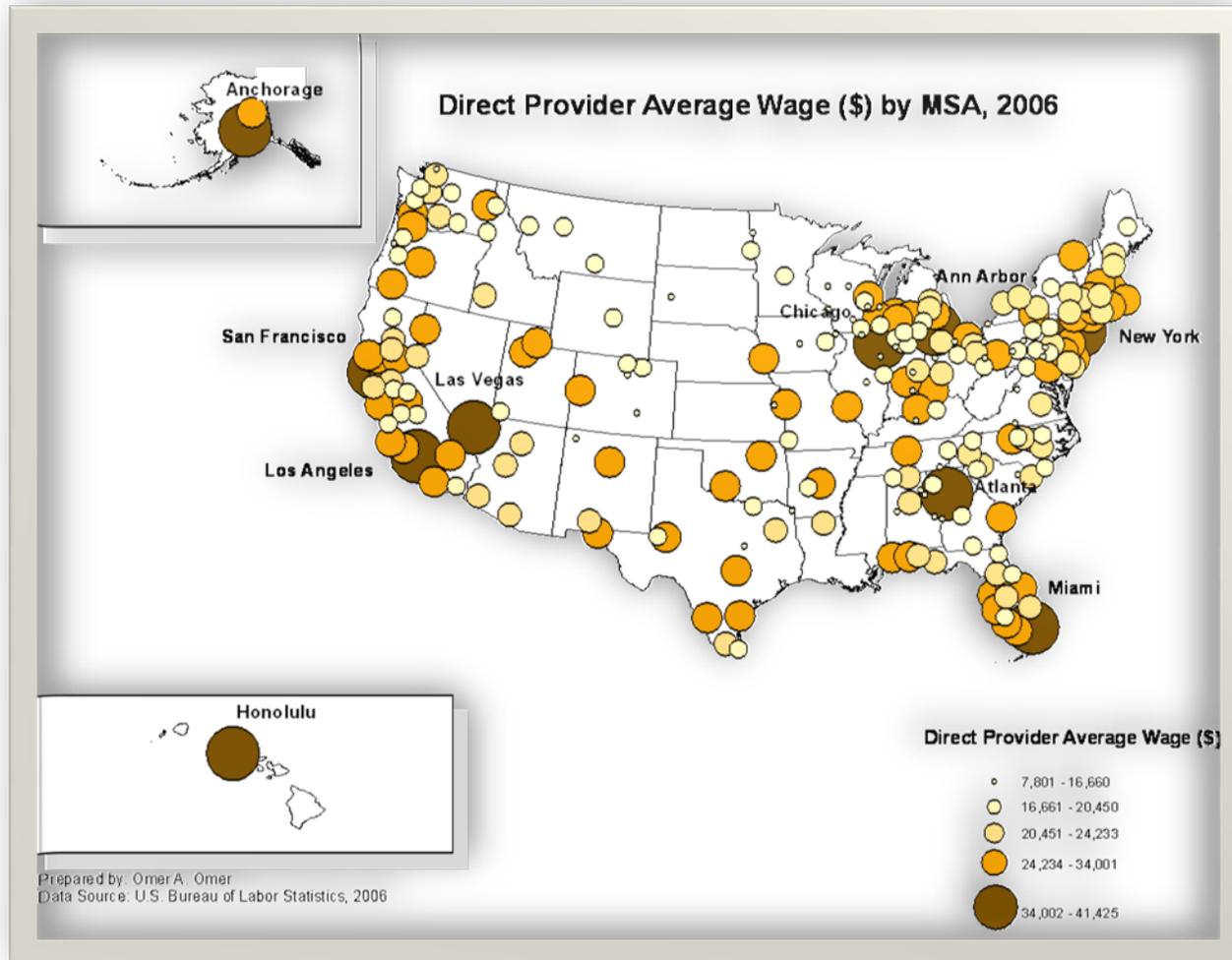
The relatively high average wage in industries such as the performing arts and sports (\$78,596) and air transportation (\$55,124) is skewed upwards by the extremely high wages of the top actors, singers, dancers, athletes, and top entertainers which often reach multiple millions. By contrast, small free lance entertainers, establishment managers, low budget producers, and event organizers who provide the artistic and technical skills necessary for the production of arts and sports are frequently paid much lower wages.

Similarly, in air transportation, the airline pilot average wage according to the United States Bureau of Labor Statistics (2008) is \$107,000 which tend to elevate overall average wages while the air steward ticket staff, ground handlers, and ticket staff are paid much lower average wages (e.g. \$ 34,000).

Also, while the leading industries based on tourism average wages were the performing arts and sports (NAICS 711), air transportation (NAICS 481), and support activities for transportation (NAICS 488) these industries collectively generated only 18.4% of total tourism employment in 2006. By contrast, the industries with the lowest tourism average wages which included food services and drinking places (NAICS 722), amusement and gambling (NAICS 713), and accommodation employed 66.3% of total tourism employment. Consequently, overall average wages are much lower than might be expected because the few well paid segments of the tourism industry cluster account for only a small proportion of the total workers.

#### **4.3.3. Tourism-related Direct Provider Average Wages by MSA**

Direct provider wages totaled \$71 billion accounting for 54% of tourism total wages in 2006 by MSA. Figure 4.7 illustrates the spatial distribution of direct provider average wages by MSAs in 2006. Direct provider industries also generated an average wage (\$32,282) which exceeded the overall tourism average wage (\$ 27,853). As a result of the high geographical concentration of direct provider industries, only 15 of the 237



**Figure 4.7 Direct Provider Average Wages (\$) by MSA, 2006**

metropolitan areas included in the analysis generated an average wage that was higher than the overall direct provider average wage of \$32,282. The top ten MSAs with the highest direct provider average wage for example generated 870,613 jobs accounting for 47% of total direct percent employment. They also generated \$32.8 billion in total wages accounting for 56% of the total tourism direct provider wage bill. The higher proportion of the tourism wages in the direct provider industries relative to the supporting services in many MSAs is often attributable to an exceptionally high average wage in one or two direct provider industries. In Bridgeport, CT for example, the air transportation sector generated only 578 jobs, but they were mostly involving chartered pilots working at Sikorsky Memorial Airport that generated an average wage of \$76,000 more than double the average wage of any other tourism-related industry in the metropolitan area. New Orleans, LA is another example where the performing arts and sports (NAICS 711) generated an average wage of \$97,516 more than double the average wage of any other tourism-related industry in the MSA.

That said, the performing arts and sports sector generated just over 1,600 jobs representing only 8% of tourism total employment in New Orleans in 2006. Table 4.10 illustrates the top ten average direct provider wages for 2006 by MSA. The direct provider average wages ranged from a \$34,002 in Las Vegas to a high of \$41,425 in Chicago. The entire top ten MSAs featured in Table 4.10 generated a direct provider average wages greater than the overall direct provider average wage (\$32,282). It is also apparent that six of the top ten MSAs featured in this category were also featured in the overall tourism average wages in Table 4.9 suggesting that direct provider employment

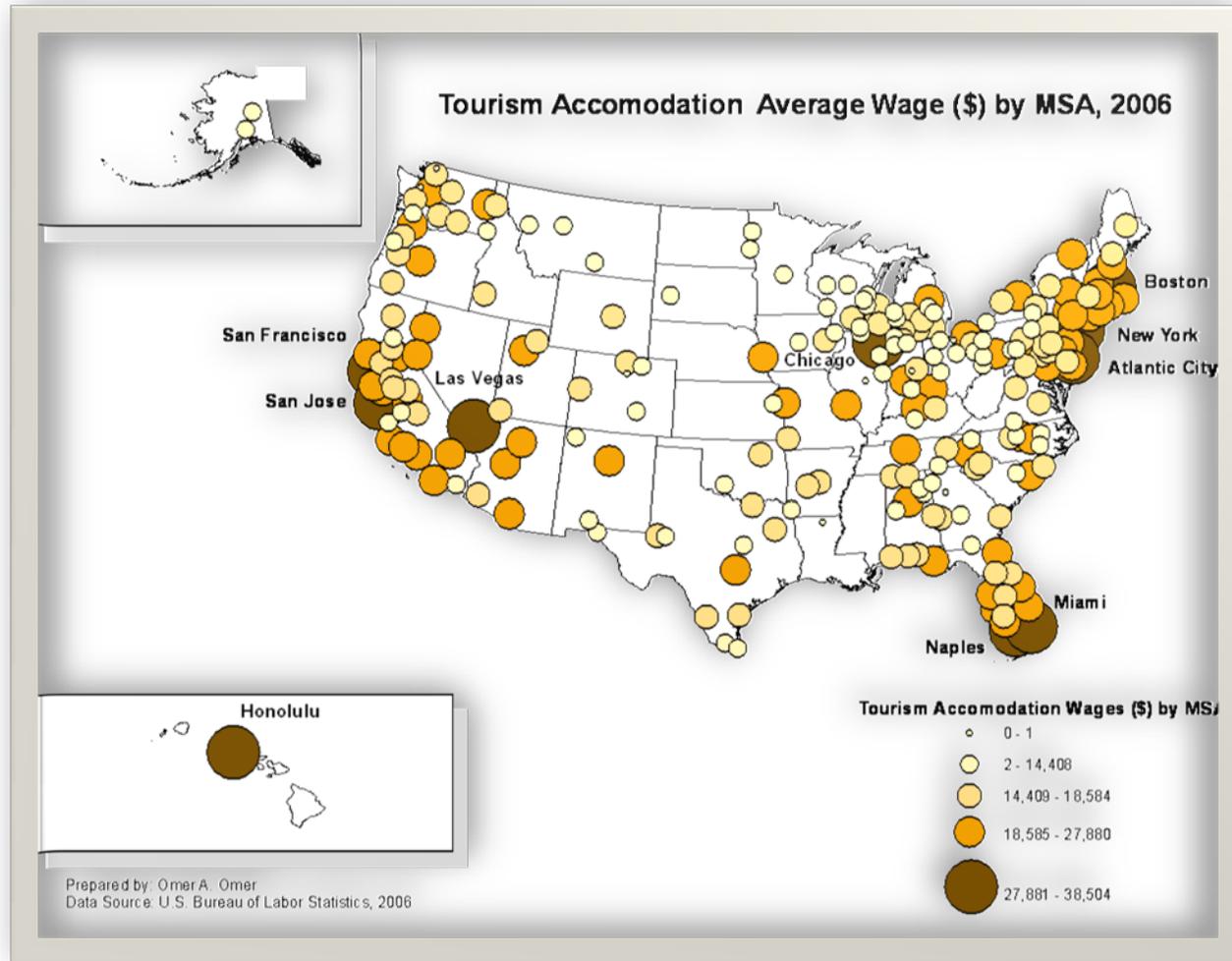
play a significant role in the economies of these MSAs and as a result influences their overall tourism average wages. All of these MSA are also home to other high paying jobs such as jobs in airports and related supporting services for transportation.

**Table 4.10 Top Ten MSAs Ranked by Direct Provider Average Wages (\$), 2006**

MSAs	Direct Provider Average Wages
Chicago	\$41,425
Los Angeles	\$40,996
New York	\$39,539
Anchorage	\$38,414
Honolulu	\$36,853
San Francisco	\$36,050
Ann Arbor	\$35,077
Miami	\$34,865
Atlanta	\$34,600
Las Vegas	\$34,002

Data Source: U.S. Bureau of Labor Statistics, 2006

In employment terms, the most significant direct provider industry is tourism accommodation. On average, the accommodation sector represents almost half of all direct provider employment by MSA (46%). Figure 4.8 illustrates the spatial distribution of the accommodation average wages in 2006 by MSA. The MSA tourism accommodation average wages was (\$25,986) slightly lower than the overall average wage for tourism (\$27,853). Only 20 of the 237 metropolitan areas generated average accommodation wages greater than the overall accommodation average wage of \$25,896 in 2006. This can be attributed to the clustering of accommodation market share on only a few MSAs. The ten leading accommodation job markets for example, generated 369,963



**Figure 4.8 Accommodation Average Wages (\$) by MSA, 2006**

accommodation-related jobs accounting for 42% of the total accommodation market share. These top ten also generated \$12.4 billion in total wages accounting for 54% of the total accommodation wage bill by MSA. Table 4.11 illustrates the top ten metropolitan areas with the highest tourism accommodation (NAICS 721) average wages. The tourism accommodation average wages in the top ten metropolitan areas ranged from a low of \$27,881 in Chicago to a high of a \$38,504 in New York.

All of the featured MSAs in Table 4.11 generated average wages greater than overall accommodation average wage of \$25,896. In addition, 9 of the top ten MSAs generated an accommodation average wage higher than the overall tourism average wage (\$27,853). Tourism accommodation employment rates in these MSAs ranged from a low of 13% in New York to a high of 82% Atlantic City.

**Table 4.11 Top Ten MSAs Ranked by accommodation Average Wages (\$),  
2006**

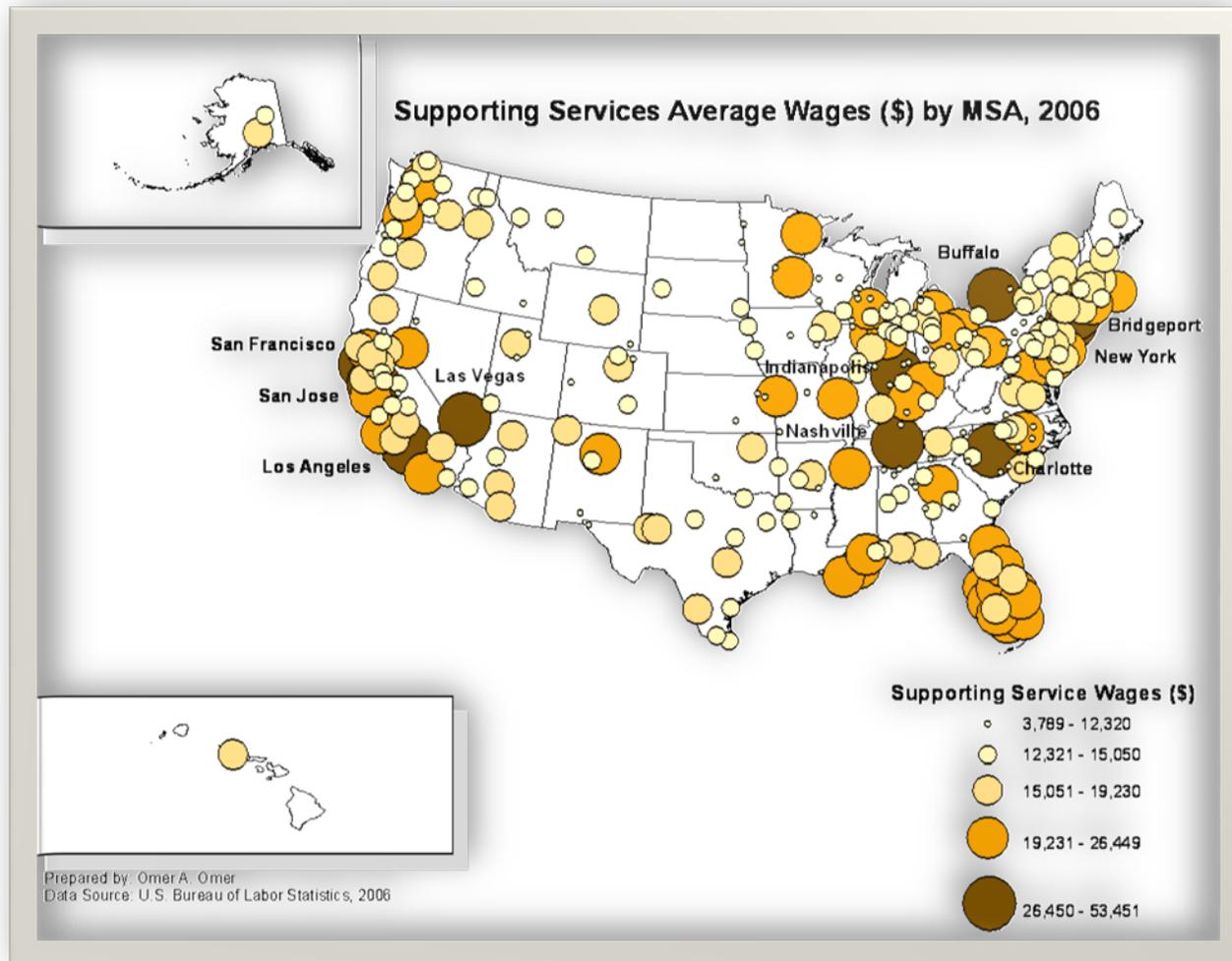
<b>MSAs</b>	<b>Average Accommodation Wages (\$)</b>
New York	\$38,504
Honolulu	\$35,575
Las Vegas	\$35,034
Atlantic City	\$33,825
San Francisco	\$31,399
Naples	\$30,275
Boston	\$29,917
Salinas	\$28,402
Miami	\$28,388
Chicago	\$27,881

Data Source: U.S. Bureau of Labor Statistics, 2006

In five of the top ten MSAs, the tourism accommodation employment rate generated greater than 25% of total tourism employment including Atlantic City (82%), Las Vegas (74%), Salinas (50%), Honolulu (29%), and Naples (26%) suggesting that an accommodation cluster and agglomeration effect are at play and that the tourism industry plays a significant role in these MSAs economies. Also, six of the top ten MSAs featured in Table 4.11 are also featured in the top ten MSAs ranked by overall tourism average wage (Table 4.9) including (New York, Las Vegas, San Francisco, Atlantic City and Naples) emphasizing that an economy of agglomerations is at play.

#### **4.3.4. Tourism-related Supporting Services Average Wages**

Supporting services generated a total wage bill of \$59 billion representing 46% of tourism total wages. Figure 4.9 illustrates the geography of the supporting services average wages by metropolitan areas in 2006. The average wages of supporting services was \$24,324 much less than the overall tourism average wages (\$27,853). Much like the direct providers, the supporting services are geographically concentrated and partly as a result only 17 of the 237 metropolitan areas included in the analysis generated an average wage that was higher than the overall supporting services average wage (\$24,324). The top ten MSAs with the highest supporting service average wage, for example, generated 570,123 jobs accounting for 28% of total supporting services percent employment for all 237 MSAs included in the analysis. They also generated \$21.9 billion accounting for 37% of total supporting services wage bills. The overall supporting service average wage was less than the direct provider average wage (\$32,282) by a wide range. This is partly attributable to the fact that tourism supporting service wages are significantly impacted



**Figure 4.9 Supporting Services Average Wages (\$) by MSA, 2006**

by food and drinking places (NAICS 722) which generated 49% of total supporting service employment and an average wage of only \$14,697. By contrast, direct providers are driven by tourism accommodation (NAICS 721) which represented 46% of its employment and generated an average wage of \$25,986- almost double the food and drinking places average wage.

Table 4.12 illustrates the top ten supporting service average wage by MSA in 2006. The supporting service average wages for the top ten metropolitan areas ranged from a low of \$26,381 in Kansas City to a high of \$53,451 in Los Angeles. All of the top ten MSAs with the highest supporting services average wages generated a higher average wage than the overall supporting services average wage of \$24,424. Table 4.12 illustrates the top ten supporting service average wage by MSA in 2006. Similar to direct provider, supporting service average wages were also driven by one or two well paid industries.

**Table 4.12 Top Ten MSAs Ranked by Supporting Services Average Wages (\$), 2006**

<b>MSAs</b>	<b>Supporting Services Average wages</b>
Los Angeles	\$53,451
New York	\$36,042
Nashville	\$35,932
Indianapolis	\$32,021
Naples	\$31,859
Las Vegas	\$29,631
San Francisco	\$29,538
San Jose	\$28,464
Buffalo	\$26,450
Kansas City	\$26,381

Data Source: U.S. Bureau of Labor Statistics, 2006

In Nashville, TN, for example, supporting services average wages were elevated by the performing arts and sports (NAICS 711) where the industry generated an average

of \$106,853. Nashville is a major center of country music industry. It is also home to many popular tourist sites including the Country Music Hall of Fame and Museum, the Grand Opry House, and Belcourt Theatre. Another example where one industry drives up the average wages is Indianapolis. However, Performing arts and sports for example only generated 5166 jobs accounting for 14% of total tourism employment. Performing arts and sports also generated the highest average wages in Indianapolis (\$71,946), almost double of any of the other tourism-based industry average wages suggesting the important role performing arts and sports play in the Indianapolis economy.

#### **4.3.5. Overall Implications**

The tourism average wage in this analysis varies widely by MSA and is greatly influenced by economies of scale and agglomeration. The most well paid tourism markets were mostly dominated by larger metropolitan areas including New York and Los Angeles. It is also apparent that many of the MSAs that generated high percent tourism employment were also featured as well paid tourism labor pools including Las Vegas, Honolulu, and Atlantic City. Las Vegas, for example, generated a very high percent tourism employment (21.7%). It is also the only MSA that is featured in the top ten lists for overall tourism wages, direct provider, and supporting service average wages suggesting that an economy of agglomeration and clustering was at play in the Las Vegas economy. As one of the most prominent tourist destinations Las Vegas was able to attract the most skilled and those with the most unique talents to work in the various industries that compose the tourism cluster. To attract and retain that talented labor, in addition to

paying higher wages and benefits, the industry provides them with all the proper resources to train and advance in their respective talents.

It is also apparent that industries that generated the most tourism employment were not the highest paying industries. The two top industries for example, tourism accommodation (NAICS 721) and food and drinking places (NAICS 722) generated 47% of percent tourism employment but they accounted for only 34% of tourism total wages suggesting that the two industries pay low average wages. By contrast, the air transportation (NAICS 481) and performing arts and sports including (NAICS 712), generated only 12% of percent tourism total employment but generated total wages that accounted for 29% of total tourism wages suggesting that the two industries generated a far higher wages relative to tourism accommodation and food and drinking places.

#### **4.4. Tourism Employment (%) by MSA and Various Socio-Economic Indicators**

Over the last few years, the development of tourism has been perceived as an approach with a substantial growth potential for some MSA economies. Tourism can be a significant job generator, stimulate multiplier effects, and provide governments with much needed tax and related public revenues. Since the 1990s, especially, after the industry cluster publications of Michael Porter, there has been an increasing interest in cultivating tourism industry clusters and some MSAs have transformed their economies through the promotion, production, and marketing of new tourism experiences (e.g. Las Vegas and Orlando). Other MSAs have sought to explicitly distinguish their tourism products and develop their own unique sense of place (e.g. Baltimore). Many metropolitan areas have promoted themselves as clusters of sports and relaxation,

business and seminar centers, and as cultural and health related tourism clusters. Santa Fe, for example, is promoting itself as a creative tourism destination focused on arts and “new age” experiences while the Sandusky MSA, west of Cleveland on Lake Erie claims to have one of the largest collections of roller coasters in the world.

The intense clustering and agglomeration of tourism can be a key driver in shaping local labor pools since metropolitan areas with a disproportionate concentration of tourism employment may significantly shape overall wage rates and generate various opportunity costs. The next step in this dissertation is to unravel the potential connections that may exist between tourism employment share and wages by MSA. In addition, there are practical and pragmatic policy implications for conducting this kind of analysis. It is clear that tourism’s economic significance in terms of employment size can be substantial. For example, tourism generated 5% of total MSA employment in 2006. To evaluate the broader socioeconomic impact of tourism, it is important that average wages and broader measures of quality of life are considered in this analysis. In this dissertation five variables are assessed including tourism average wages by MSA, per capita income, percent of population with a BA or higher, population growth rate, and the percent creative class employment by MSA. A correlation analysis will be conducted to examine the variations among the different variables. However, these correlation analyses do not include control variables controlling for size. They are fairly straight forward associational correlation analyses that are defining the variations among the variables without implying or establishing a cause-and-effect relationship.

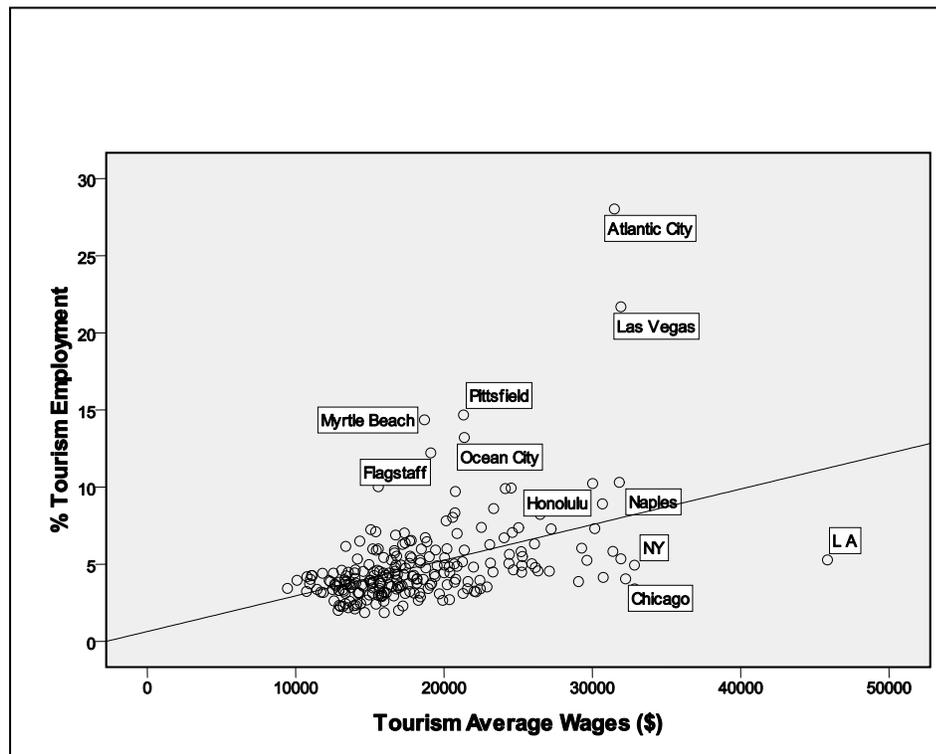
#### **4.4.1. Tourism Employment (%) and Tourism Average Wages**

The first analysis will involve assessing the relationship that may exist between percent tourism employment and overall tourism wages by MSA. The logic behind conducting this sort of analysis is grounded in the assumption that an increased specialization in tourism by MSA may drive up wages as more sophisticated skill sets are required. As the tourism industry becomes larger, more diverse and more focused, then more skilled and highly differentiated niche markets are likely to emerge. In Las Vegas, for example, individual mega-hotel complexes may have as many as 5000 rooms and these contain large highly specialized theme restaurants complete with entertainment stages and gambling machines that utilize very sophisticated machines and virtual imagery software. To manage such complexes, very skilled workers are attracted, hired, and generously compensated. In MGM Mirage, for example, executive chefs are typically paid \$61,500 in annual salary while multi-media artists and animators are paid \$61,410 and \$ 64,140, respectively.

The scatter diagram in Figure 4.10 illustrates the line of best fit between the percent tourism employment and average tourism wages by MSA. The Spearman's rank correlation coefficient of 0.51 indicated that a positive linear relationship existed between percent tourism employment and average tourism wages at the 1% level of significance. The moderately strong correlation indicates that as the percentage of tourism employment in an MSA increases, so too does the overall average tourism wages.

Much of this may be attributed to the geographic agglomeration and cluster formation of the various "industries" that comprise tourism in select MSA locations. It is

also possible that as the level of specialization in various tourism industries intensifies, the need for a wide range of skills also intensifies and as a result the average wages in tourism increase. There were, however, several anomalies that clearly presented themselves including Atlantic City, Las Vegas, Myrtle Beach, and Los Angeles.



**Figure 4.10 Percent Tourism Employment and Tourism Wages (\$), 2006**

Data Source: U.S. Bureau of Labor Statistics

Of course, Atlantic City and Las Vegas had the highest percent tourism employment but theoretically both MSAs should be offering even higher wages rates based on the line of best fit projection. Some of this may be attributable to the fact that in many MSAs economies there is an apparent \$35,000 ceiling to the average tourism wage, in part

because a large majority of tourism labor are heavily feminized, unskilled, and engaged in menial jobs that are poorly paid. In Las Vegas, for example, employment in amusement and gambling, accommodation, and food and drinking services represented 84.7% of all tourism jobs but their average wages were \$23,345, \$35,034, and \$20,376 respectively. Such low wages, in effect, depress the overall wage rates, since the highly skilled and highly paid wage earners are limited in numbers.

That said, Atlantic City and Las Vegas were still two of the best paid tourism markets in the nation. By contrast, Myrtle Beach offered much lower average wages (i.e. \$18,680) when compared to its percent tourism employment (i.e.14.4%) possibly due to the low cost of living and absence of trade unions. Los Angeles, on the other hand, had only a 5% of tourism employment, but generated the highest average wages in tourism (i.e. \$45,850) in part, due to the high cost of living associated with such a large metropolitan area. Similar trends are evident in both New York and Chicago but average wages are much lower in these two MSAs than in Los Angeles. This may be partly attributable to the different salaries and wages paid to entertainment and cultural industry workers in these three MSAs. While the performing arts and sports sector (NAICS 711) generated average wages of \$67,612 in Chicago and \$85,539 in New York, it generated almost double that in Los Angeles (i.e. \$157,331).

Table 4.13 illustrates the correlation coefficients for some of the individual industries that compose the overall tourism production system. Based on this detailed statistical analysis of the leading tourism employment generators by specific industry, the correlation coefficient revealed trends that matched the theoretical expectations of this

dissertation. Although a significant correlation existed between overall percent tourism employment of all MSA jobs and tourism average wages this varied dramatically at a more disaggregated level of analysis where the analysis focuses on the direct provider and supporting service share of total tourism jobs. Direct provider employment share and overall tourism average wages generated a statistically significant correlation coefficient of 0.37 at the 1% level of significance but an inverse relationship existed between supporting service employment market share and overall average tourism wages (i.e. a correlation of – 0.37 at the 1% level of significance).

**Table 4.13 Spearman’s Correlation Coefficients for Various Measures of Tourism Employment (%) and Overall Tourism Average Wages (\$) by MSA, 2006**

<b>Variable</b>	<b>Coefficient</b>	<b>Significant Level</b>
<b>Direct Provider Employment (%)</b>	<b>0.37</b>	<b>1%</b>
Air Transportation Share (%) (NAICS 481)	0.46	1%
Accommodation Share (%) (NAICS 721)	0.08	Not Significant
<b>Supporting Services Employment (%)</b>	<b>-0.37</b>	<b>1%</b>
Food and drinking places Share (%) (NAICS 722)	-0.57	1%
Performing Arts and Sports Share (%) (NAICS 711)	0.39	1%

Data Source: U.S. Bureau of Labor Statistics, 2006

Part of the logic for this differentiation between direct provider and supporting services may be the result of the different impacts that, for example, air transportation and restaurant workers have on overall average wages in tourism. For example, the correlation coefficient for air transportation employment market share and average wages in tourism was 0.46 at the 1% level of significance. By contrast, the correlation coefficient for food services and drinking places employment market share and average wages in tourism was -0.57 at the 1% level of significance. Much of this may be attributable to the high wages earned by pilots (i.e. 107,000) compared to those of restaurant workers (i.e. \$14,210). One implication of this is that MSA economies with tourism sectors that specialize in tourism accommodation and food and drinking services (e.g. Myrtle Beach), are more likely to have lower tourism wages than MSA economies that have sophisticated airline services and offer a wide range of sophisticated entertainment services (e.g. Las Vegas, Los Angeles, and Orlando). The negligible air transportation industry in places like Myrtle Beach are likely act to depress overall average wages across the metropolitan economy. According to the Myrtle Beach Chamber of Commerce (2006), only 5% of the 14.2 million tourists that visited Myrtle Beach in 2006 arrived by air while 95% were drive- to tourists.

#### **4.4.2. Tourism Employment (%) and Per Capita Income by MSA**

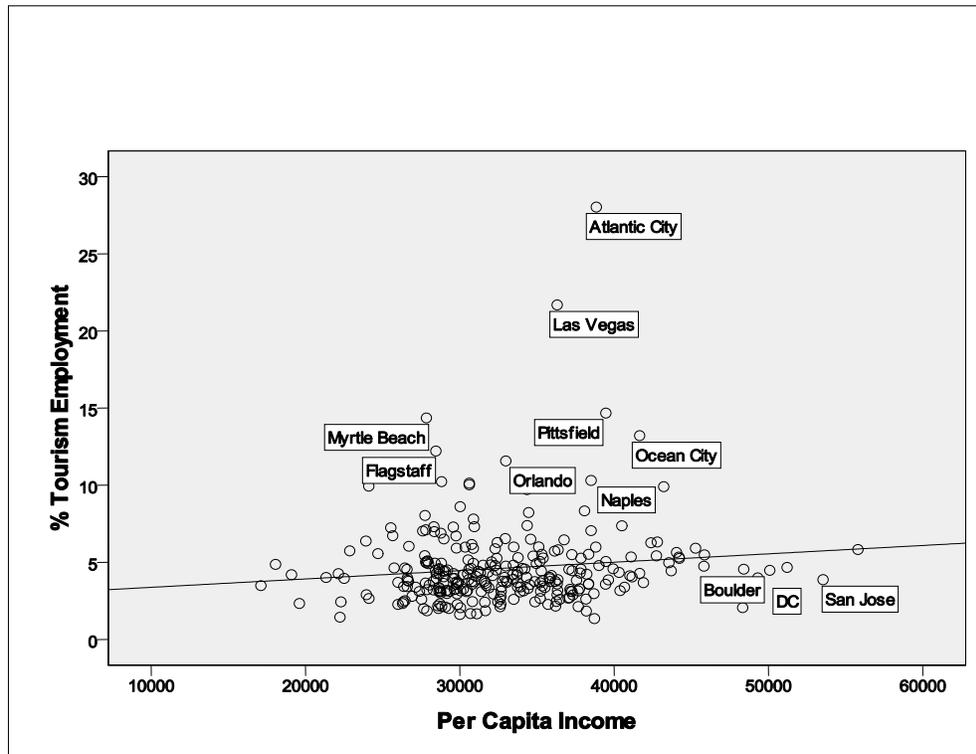
Although it seems clear that as a metropolitan area specializes in disproportionately high levels of tourism employment it is likely to “drum- up” overall wages in tourism, it less clear how tourism impacts the broader quality of life of a given metropolitan area. Per Capita income is utilized to assess the overall accumulation of

wealth in a metropolitan area since it is not just a direct measure of wages and salaries but also includes income derived from such things as interest, dividends, rent, and transfer payments.

The specific purpose of this particular analysis was to determine the impact percent tourism employment had on the broad economic performance of a MSA as measured by per capita income. The assumption is that in addition to having a direct impact, through a multiplier effect tourism has a greater indirect impact on local MSA economies. New monies from tourism are distributed within the local economy as tourists spend money on hotels, food, transportation, and other entertainment services. This infusion of new money into the local economy creates several rounds of spending and re-spending. The end result is elevated per capita incomes although the low average wages in tourism and the relatively low employment shares relative to other industries may likely diminish the link between per capita income and tourism employment specialization.

The scatter diagram of percent tourism employment and per capita income by MSA (Figure 4.11) indicated that a largely random relationship existed between the two variables with a Spearman's correlation coefficient of 0.1 that was not statistically significant. The leading MSAs in terms of Per Capita Income included San Jose, San Francisco, and Boulder and each of these MSAs had a percent tourism employment well below 10%. The suggestion here is that there is little direct connection between the levels of specialization in tourism and overall measures of wealth. Part of the explanation for

the lack of correlation may also be related to the fact that many MSAs had nearly negligible tourism industries since much of the tourist industry is systematically



**Figure 4.11 Tourism Employment (%) and Per Capita Income by MSA, 2006**

Data Source: U.S. Bureau of Economic Analysis and Bureau of Labor Statistics, 2006

concentrated to a select few MSAs. However, even though no statistically significant relationship exists between the two variables, the most specialized tourism MSAs (i.e. Atlantic City, Las Vegas, and Pittsfield) generated relatively higher average per capita incomes i.e. (\$38,846, \$36,311, \$39,463 respectively) compared to the overall MSA average per capita income of \$ 32,742, some of this may be partly because of the highly

specialized and skilled labor occupations that are paid well above these averages in these MSAs (e.g. a typical game programmer is paid \$89,996 in Las Vegas).

#### **4.4.3. Tourism Employment (%) and College Education (%) by MSA**

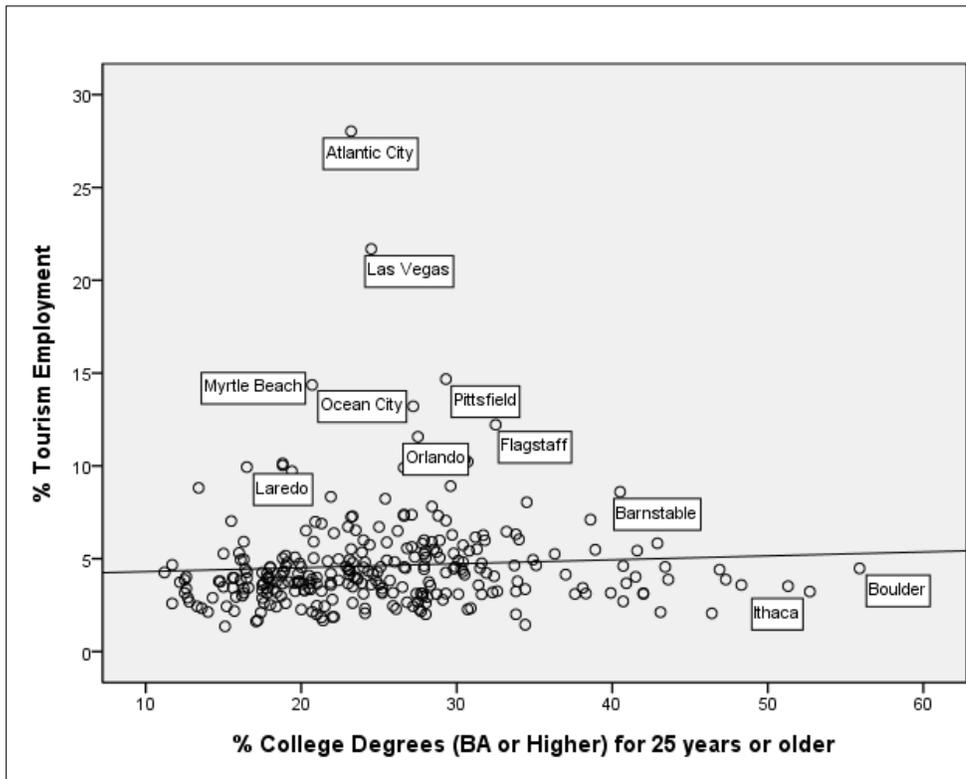
The percentage of a metropolitan population with a college education is often used as a surrogate measure of the overall quality of the labor market and overall skill levels. For example, metropolitan school systems experiencing above average high school dropout rates and communities with a low percentage of the population enrolled in college programs are places that are unlikely to be economically sustainable in the long term.

One specific way of measuring the likely skill levels of the adult population is by measuring the educational attainment of the population aged 25 or older.

Communities with a substantial share of population with a high school education or less are unlikely to be competitive in the contemporary knowledge economy. The purpose of this analysis, therefore, is to examine if a systematic relationship exists between employment specialization in tourism by MSA and the percentage of population aged 25 or older with a college degree or higher. Since many tourism jobs are seasonal and /or low skill and low pay, there is a lot of literature that suggests that an inverse negative relationship exists between percent tourism employment and the percent of the population with college degree or higher.

Figure 4.12 indicates that a weak statistically significant relationship existed between the two variables with a Spearman's correlation coefficient of 0.18 at the 1% level of significance. The general tendency of the data indicated that some of the MSAs

economies that generated high percent tourism employment, appeared to lag behind the overall average in terms of percent college degrees (i.e. 23.9%) while others seemed



**Figure 4.12 Tourism Employment (%) and College Education (%), 2006**

Data Source: U.S. Bureau of Labor Statistics and U.S. Census Bureau, 2006

better educated MSAs. For example, Myrtle Beach only had 20.7% of its population aged 25 or older with a college degree. The low percentage of college graduates may be partially explained by a lack of access to education and training programs especially for women and minorities. There are, however, other MSAs economies that generated high percent tourism employment that also performed well above the overall average of percent in tourism college degree holder including Pittsfield and Barnstable which are

both close to Boston with very high-end cultural attractions and with high-end demographics as well as a highly educated and skilled labor pool. In Pittsfield for example, 49.8% of its total employment is generated by what Richard Florida termed as *Super Creative Class* i.e. very high professional and occupational jobs including chief executives in sales and publications, computer and information systems, business and financial occupations, legal occupations, and health care practitioners.

Similarly, in Barnstable 27% of its employment was generated by the super creative class. Unlike Pittsfield, the reason for Flagstaff's high percent tourism employment share may be more connected to the diverse amenities available in the MSA to attract retirement migrants. Retiree- friendly Flagstaff has attracted high migration flows because of its reasonable home prices, high amenities, and recreation-oriented programs. The rate of population 65 years or older has increased by 46.3% in Flagstaff between 1990 and 2000.

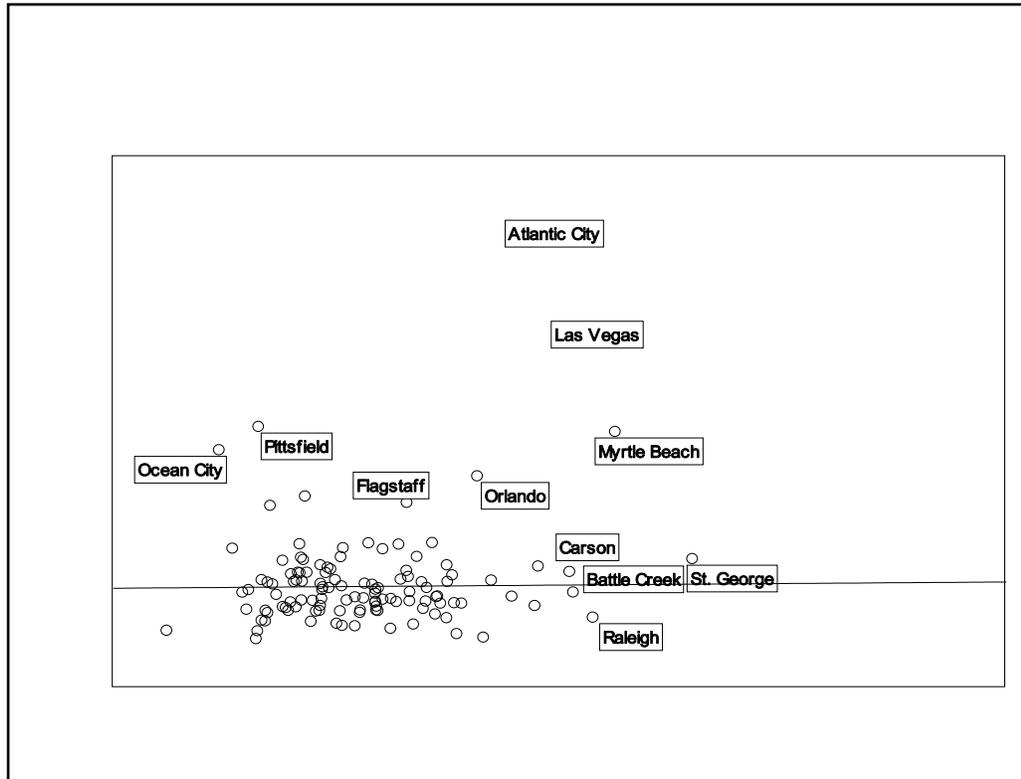
#### **4.4.4. Tourism Employment (%) and Population Growth Rate (2000-2006) (%) by MSA**

Population growth rates are straightforward measures that capture whether a metropolitan area is growing, stagnating, or declining. Maintaining net population increases over time suggests that community is prosperous and able to attract and keep workers. Conversely, cities that have experienced substantial population losses over time may be unable to retain workers which may be a "red flag" for prospective businesses. While tourism is frequently touted as a growth industry, it is less clear if expanding

tourism markets are systematically located in fast growing metropolitan markets in terms of population change.

The scatter diagram of the percentage of percent tourism employment and percent population growth (2000-2006) by MSA (Figure 4.13) indicated that a random relationship existed between the two variables. The Spearman's correlation coefficient between the two variables was 0.06 and was not statistically significant. Nevertheless, some MSA economies with high levels of tourism specialization did experience high population growth rates including Atlantic City, Las Vegas, and Myrtle Beach. This can be partly attributed to the fact that these MSAs, in addition to being major tourist destinations with high levels of tourism employment are also major retirement migration destinations.

The high concentration of amenities, gaming, sports, and the reasonable cost of living have acted to attract large numbers of retirees. However, other MSAs with high levels of percent tourism specialization have suffered population losses for the period 2000-2006 including both Pittsfield and Ocean City. Pittsfield lost population for the period 2000-2006 at a faster rate than the state wide rate for Massachusetts. Many of those who out-migrated were young people with high-tech skills. The population losses in Pittsfield, according to the Census Bureau, were attributable to rising housing costs and a loss of jobs due to heavy deindustrialization. Ocean City, on other hand, suffered population losses at a time when New Jersey experienced overall population gains. The MSA lost 1.1% of its population from 2000 to 2006 (Wu 2010).



**Figure 4.13 Tourism Employment (%) and Population Growth (%) by MSA, 2006**

Data Source: U.S. Bureau of Labor Statistics and U.S. Census Bureau, 2006

According to Garden State Smart Growth, an advocacy organization, this can partly be attributed, to a decline in the number of residential building permits since most of the land was already developed, and also to the higher prices of gasoline. It may also be possible, in these large resort economies that the population losses are mitigated by part-time second home residents that are not counted as permanent residents in the official population data.

#### **4.5. Tourism Employment and Percent Creative Class Employment by MSA**

This section of the dissertation aims to examine some key issues of urban regeneration and the role of culture, creativity, and tourism. In recent years, the level of research interest concerning the development of cultural and creative industrial districts as drivers of local economic development has become of increasing importance (Smith 2007). In their quest for distinctiveness, some MSAs are beginning to replace and supplement culture-led development strategies (i.e. monuments, art collections, performance spaces, and shopping streets) with creative development (i.e. advertising, cinema, clothing fashion, and video games), in part, because the creative industries are often viewed as dynamic and have a greater appeal than more conventional cultural development (Richards and Wilson 2007).

##### **4.5.1. The Rise of the Creative Turn in Tourism**

It has been observed that the theme of creativity is currently of great significance for tourism and leisure. This section will critically examine the developing relationships between tourism and creativity and the articulation of the creative turn in tourism. In his book *Rise of the Creative Class*, Richard Florida makes a compelling argument that regional development now depends on knowledge and ideas, that certain occupations specialize in this task, and that people in these occupations are drawn to areas providing a high quality of life. He further argued that MSAs that have the highest level of economic innovation and economic growth are those that attract disproportionate numbers of the creative class.

The interface between tourism and creativity according to Richards and Wilson (2007) includes creative spaces and places and the contribution of the creative industries in the creation of these tourist experiences. MSAs, therefore, have increasingly become dependent on animation and liveliness to attract and retain the creative class. Creative tourism involves elevated levels of interaction, in which the visitor has an educational, emotional, social, and participative interaction with place, its living culture, and the people who live there. The remainder of this dissertation, therefore, will examine in detail whether MSA economies that specialize in tourism and generate a larger percent tourism employment also simultaneously attract larger percent employment of creative class workers.

#### **4.5.2. The Spatial Distribution of the Creative Class by MSA**

Based on Florida's (2002) definition, the creative class in the United States generated 37 million jobs in the 285 MSAs included in this analysis which represented 38.6% of total MSA employment in 2006. Figure 4.14 illustrates the spatial distribution of the percent creative class employment by MSA for 2006. Only 65 MSAs generated equal to or greater than the national average in terms of the creative class percent employment (i.e. 38.6%). And only three MSAs generated 50% or more creative class workers including Boulder (50.1%), Washington DC (50.1%) and San Jose (51.1%). Table 4.14 illustrates the top ten MSAs in terms of percent creative class employment for 2006.

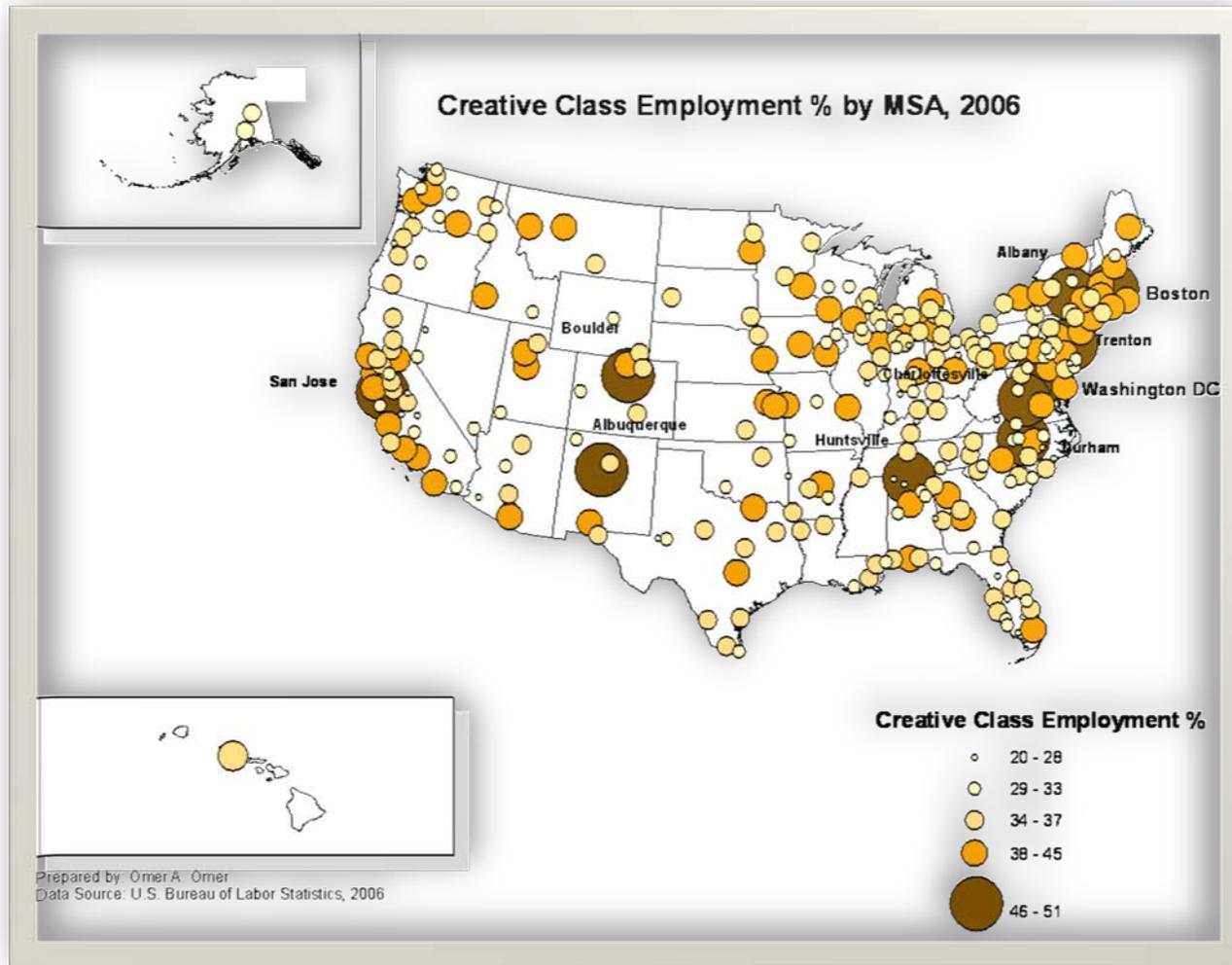


Figure 4.14 Creative Class Employment (%) by MSA, 2006

**Table 4.14 Top Ten MSAs Ranked by Creative Class Employment (%), 2006**

<b>MSA</b>	<b>Create Class Employment %</b>
San Jose	51.1
Washington DC	50.1
Boulder	50.1
Durham	49.1
Huntsville	47.7
Boston	46.5
Charlottesville	46.1
Trenton-Ewing	45.5
Albuquerque	45.5
Albany	44.9

Data Source: U.S. Bureau of Economic Analysis, 2006

Seven of the top ten MSAs were located in the Sun Belt and only three were located in Rust Belt states including Boston, Trenton, and Albany. Nearly the entire top ten MSAs featured in Table 4.14 were medium or small sized MSAs with a total population of only a million or less (except for Washington DC and Boston).

These MSAs generally share many similar characteristics including that their populations are ethnically and culturally diverse. Most of these MSAs also host a variety of high tech industries and are homes to major universities, colleges, and research centers. For example, the Trenton-Ewing MSA includes Princeton University while the Albany MSA ranked second among medium-sized cities based on the number of creative workers, the presence of high tech firms, and the level of diversity in the labor pool (Florida 2002). Similarly, San Jose is widely considered to be the high tech capital of the world. One of the main reasons that San Jose has the highest creative class percent employment is the proliferation of more than 6,000 tech companies including Cisco Systems, Adobe, and eBay.

Furthermore, 35% of the San Jose MSA population was foreign born and according to the University of California, Indian and Chinese entrepreneurs owned and managed over 3,500 companies in 2006, accounting for \$23.1 billion in revenues and more than 88,000 jobs. However, San Jose ranked only 155<sup>th</sup> in terms of percent tourism employment (i.e.3.9%) and 66% of these jobs were generated by tourism supporting services rather than the direct providers. Additionally, tourism average wages in San Jose were only \$29,067 compared to average creative class wages of \$59,990 and a per capita income of \$53,533.

Washington DC is ranked second in the top ten MSAs with the highest creative class percent employment. It is also home to various high-tech industries, biotech firms, and a slew of universities. One in every eight Washington DC workers was employed by the federal government. The government also generated additional demand for law firms, lobbyists, and aerospace and defense companies. While Washington DC generated a creative class average wage of \$52,430 and per capita income of \$51,207, it generated an average tourism wage of only \$28,993 and only ranked 95<sup>th</sup> in percent tourism employment (i.e.4.7%).

Good examples of creative class college-based metropolitan areas included Boulder, Durham and Charlottesville. Boulder is the home of the main campus of the University of Colorado and also hosts various high tech companies including Sun Microsystems, IBM, Ball Aerospace and Technologies Corp, and the National Oceanic and Atmospheric Administration. By contrast, Boulder did not have a large tourism economy and ranked 112<sup>th</sup> in percent tourism employment (i.e.4.5%). Similarly the

Durham MSA in North Carolina is another example of a creative-class college-based MSA. Known as the city of medicine, Durham has made a name for itself in hi-tech and biotech industries. The MSA is also home to prominent universities such as Duke and the University of North Carolina at Chapel Hill. However, Durham ranked only 228<sup>th</sup> in percent tourism employment (i.e. 3%) and generated an average tourism wage of only \$17,385 compared to an average creative class wage of \$45,170. That said, the central idea of the creative class theory is that in the new knowledge economy, innovative companies are attracted to regions where the creative class likes to visit and live. The central concern of Florida's work was on the quality of place. He suggested that the creative class is attracted to

the combination of the built environment and the natural environment.... the vibrancy of street life, café culture, arts, music and people engaging in outdoor activities... altogether, a lot of active, exciting , creative endeavors. (Florida 2002:232).

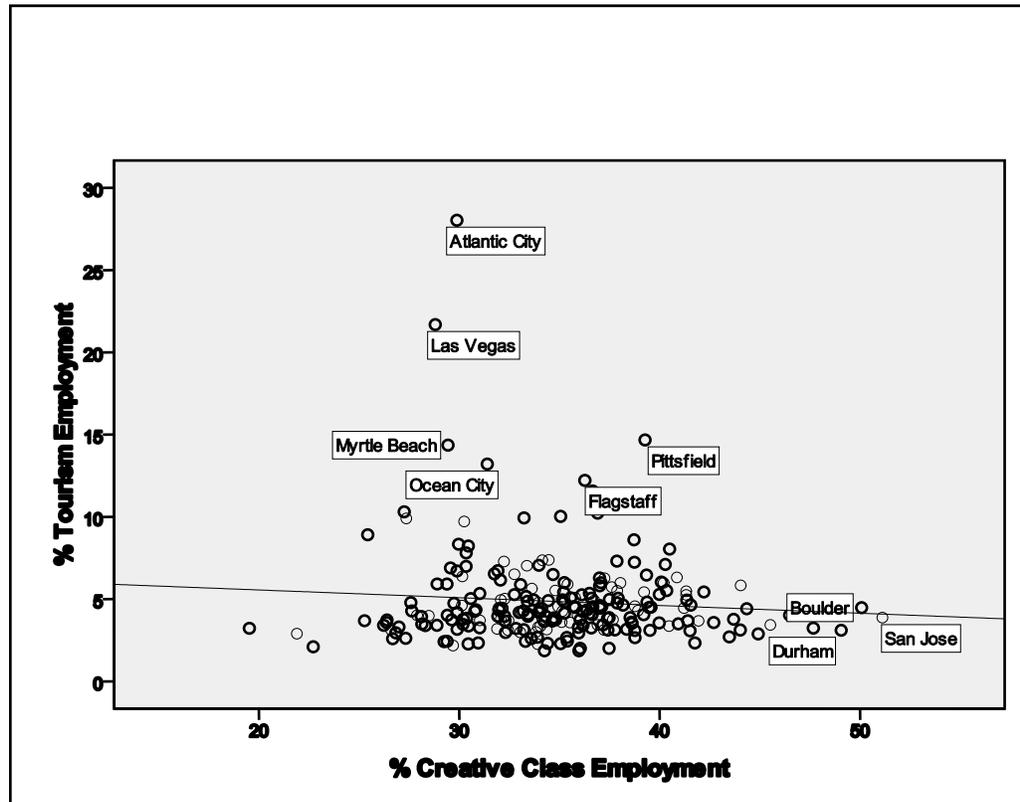
As a result cities now have to pay attention to their attractiveness and from this follows the question: How can MSAs encourage the creative class to flourish? Economic developers heeded Florida's call and have shifted their attention from attracting business through incentives to attracting people through developing "cool" places. Civic leaders around the country have adopted new economic development strategies to attract the creative class. Some key features designed to attract the creative class have included creative open space, unique urban amenities, a vibrant street life, live music venues, top-notch entertainment, and accessible restaurants and drinking places. The shift toward the creative economy has brought increased attention to the role of arts and culture in an

MSA economy. The perception was that communities with rich cultural, social, and recreational opportunities have been shown to attract mostly young professionals with disposable income to live and work in an area. Consequently, the development of arts and culture is now believed to maximize the economic benefits of the creative class.

#### **4.5.3. Percent Tourism Employment and Percent Creative Class by MSA**

That said, the data does not fully support the notion that MSAs with high percent tourism employment specializations also attract disproportionate levels of the creative class. The scatter diagram (Figure 4.15) of percent tourism employment and percent of creative class employment by MSA indicated that no statistically significant relationship existed between the two variables with a Spearman's correlation coefficient of -0.04. The general tendency of the scatter diagram indicates that the relationship between the two variables is largely random. This finding contradicts the notion that tourism is closely bound to the creative class. All of the top ten MSAs with the highest creative class employment rate generated 4% or less in tourism employment terms and tourism also generated 2% or less of the total wage bill in these top ten MSAs. For example, Huntsville, Alabama ranked 5<sup>th</sup> in percent creative class employment (47.7%) but tourism generated only 3% of its total employment and generated only 0.8% of its total wages and salaries. By contrast, MSAs with the highest percent tourism employment performed poorly regarding creative class employment. Atlantic City for example, generated the highest percent tourism employment (28.03%), but only ranked 245<sup>th</sup> in terms of percent creative class employment (29.9%). It is worth noting, nevertheless, that Atlantic City did

generate a higher percent of creative class employment than overall percent tourism employment.



**Figure 4.15 Tourism Employment (%) and Creative Class Employment (%), 2006**

Data Source: U.S. Bureau of Economic Analysis and Bureau of Labor Statistics, 2006

This may be partially because the two variables are not mutually exclusive. Additionally, the creative class definition is much broader and includes many more industries than does the tourism industry. Similarly, Las Vegas ranked second in percent tourism employment but it ranked 258<sup>th</sup> in percent creative class employment. Overall, there is a general perception that the creative class is attracted to areas that

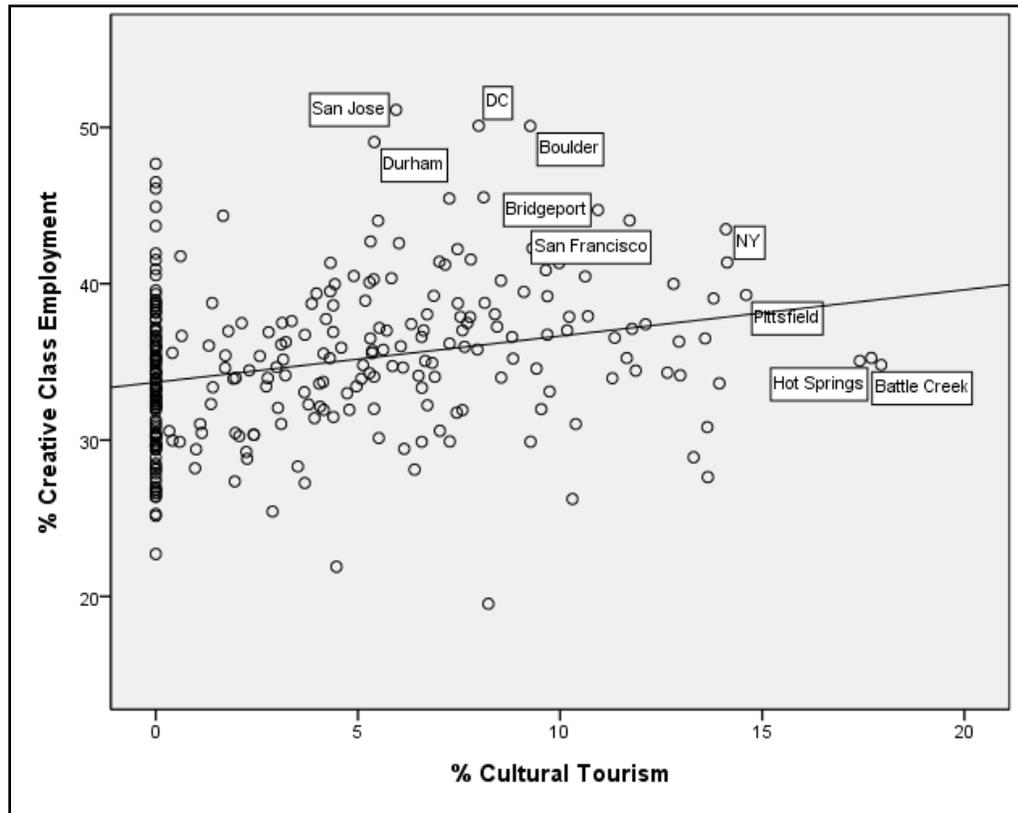
specialize in tourism but the data in this dissertation contradicted this notion. However, there may be a meaningful positive relationship between percent tourism employment and percent creative class employment at a more detailed disaggregate NAICS code level of analysis and /or at the city scale or even at the level of neighborhoods.

#### **4.5.4. Percent Cultural Tourism Employment and Percent Creative Class by MSA**

In the last two decades or so, cultural tourism has become more wide spread and is considered by many to be an effective vehicle for stimulating creativity in a metropolitan economy (Florida 2002). Some policy makers believe that in urban and regional revitalization terms, it is very important to preserve cultural heritage and leverage the creative use of culture. In a globalizing world, places increasingly need to be creative in order to maintain their distinctiveness and continue to attract tourists. Consequently, there is an increasing emphases being placed on the development of intangible cultural resources and creativity (Richard and Wilson 2006). Much of the current thinking about the “creative” also has its roots in the study of industry clusters and production networks, emphasizing the need for creative businesses to feed off one another to develop their products and ideas. The notion of creative clusters is often utilized to develop strategies of culture-led urban regeneration. The concept of creativity is also promoted by Florida’s (2002) work in which he argued that the growth potential of a metropolitan area is derived from their attractiveness to what he termed the *creative class*. This argument also generated a strong interest among urban planners and policy makers and resonated with the push to develop creative cities associated with cultural clusters (Peck 2005). These creative clusters included cultural infrastructure, promoting

cultural diversity, and redeveloping derelict industrial-era sites, such as warehouses, for uses such as residential apartments, arts centers, and business incubators (Mommas 2009).

Cultural tourism is not just associated with high culture, but it includes many popular attractions such as living heritage, recent nostalgia, and the everyday life of local communities. The resources associated with cultural tourism have now expanded to include contemporary culture. What constitutes cultural tourism are cultural industries that are directly concerned with the creation, production, and distribution of goods and services that are cultural in nature and have the potential for wealth and job creation through the generation and exploitation of cultural value. Cultural tourism industries in this dissertation are defined as those industries that included performing arts, spectator sports, plus related industries that produce and promote live presentations involving the performances of actors, singers, dancers, musical groups and artists, athletes, and other entertainers (i.e. NAICS 711). It also composed of industries that include museums, historical sites, and similar institutions engaged in the preservation and exhibition of objects, sites, and natural wonders of historical, cultural, and/or educational value (i.e. NAICS 712). The purpose of this analysis in (Figure 4.16) is to examine if a positive relationship exists between percent creative class employment and percent cultural tourism employment by MSA. The scatter diagram of percent creative class employment and the percent cultural tourism employment by MSA (Figure 4.16) indicated that a moderate relationship existed between the two variables.



**Figure 4.16 Creative Class (%) and Cultural Tourism Employment (%), 2006**

Data Source: U.S. Bureau of Economic Analysis and Bureau of Labor Statistics, 2006

The Spearman's correlation coefficient between the two variables was 0.30 at the 1% level of significance. . Although there is some overlap between some of the industries included in the definition of cultural tourism and the creative class workers in SOC 2700 which includes arts, design, entertainment and performers, sports, and media and communication workers, the SOC 2700 labor share of total creative class employment only accounts for 5.4% of all workers. The suggestion is that the overlap is limited and, therefore, other factors might be influencing the relationship.

Although the correlation coefficient showed a moderately positive relationship existed between the two variables, there are some MSAs that generated a high percent creative class employment (e.g. San Jose and Durham) that had disproportionately small cultural tourism labor pools. By contrast, New York and San Francisco both performed very well in terms of percent creative class employment and cultural percent tourism employment. This can be partially attributable to the fact that both metropolitan areas are global centers of commercial activity and centers for financial and professional services. According to the literature, creative and cultural tourism tend to aggregate and cluster in global financial centers because of their sophisticated and diverse cultural features and the creative attributes of the resident population.

Similarly, Pittsfield and Hot Springs are two good examples of how cultural tourism can elevate creativity. Pittsfield, for example, was once at the heart of America's wool industry but has suffered severe industrial decline in the last few decades. With an abundance of large empty industrial buildings including Victorian and ornate storefronts, Pittsfield's alternative future is now seen by some economic developers as the "Brooklyn of the Berkshires" where they are now counting more on cultural tourism for its future.

Cultural tourism, according to the director of the Office of Cultural Development in Pittsfield, is not only a direct job-creator and an economic engine, but it makes the area an attractive place for other industries to come. Now Pittsfield planners, abandoning decades of efforts to lure a new generation of industrial jobs, have focused on an arts-driven strategy (Roche 2006). For example, *The Boston Globe* (2010) has recently reported that the arts have saved Pittsfield since "once-vacant buildings in downtown

Pittsfield are filling with galleries, theaters, residences, and restaurants. North Street, the city's long-depressed main drag, now hosts regular street festivals, open houses, and art shows that draw thousands of residents and visitors. People are starting to believe that Pittsfield is an attraction, rather than a moribund pit stop on the way from Tanglewood to Mass MoCA" (one of the largest centers for contemporary visual and performing arts in the country).

Since 2007, the Berkshire Creative Economy Council (Berkshire Creative)-a public-private partnership with a mission to stimulate new job growth and economic opportunity in the region by sparking innovation collaboration between artists, designers, cultural institutions and business- has released a series of reports articulating a strategy that leverages the cultural tourism industry as a way to enhance creativity. According to a Berkshire Creative economic report (2009), the cultural institutions' economic role in the Berkshires is broader than believed and that the creative sector serves as a tool for revitalizing the downtown area and serves as an influential amenity to attract other businesses and residents to the area. These cultural institutions include the cultural powerhouses, museums, historic homes and theatres, and theater companies that have grown and developed into international icons attracting millions and creating jobs.

Hot Springs is another example where a small town with a wide range of cultural tourism establishments was able to cultivate and attract a higher percent employment of creative class employment. Spa tourism has long been the pillar of Hot Springs' economy where generations of visitors have bathed in its therapeutic waters and enjoyed horseracing, casinos, and other forms of entertainment. But the waning popularity of

thermal springs and the closing of the casinos in the 1960s, prompted the area's planners to reposition its tourism industry. Historic bathhouses were renovated to showcase the colorful history. New establishments were built to supplement the hot springs with contemporary relaxation therapies and skin treatments. In the midst of these developments, cultural tourism has emerged as an increasingly prominent part of Hot Springs' tourism mix. In addition to the annual musical festivals, the cultural appeal is further abetted by the art galleries and antique shops that have sprung up in restored buildings of the area's historic downtown also joined by restaurants and entertainment spots.

#### **4.6. Summary and Overall Implications**

The overall finding of this chapter was that the perception of tourism industry as a panacea to address and solve urban plights and the general theoretical perception that tourism can be the key ingredient and a favored tool in solving all urban problems resulted from the industrial decline is cast in doubt in this dissertation. Although the analyses suggested a positive statistical correlation existed between high percent tourism employment specialization and tourism average wage by MSA i.e. as tourism specialization increases, tourism average wage increases in the same fashion, the overall tourism average wage appears to lag behind when compared to total average wage or per capita income by MSA. The findings also showed a statistically significant correlation exists between overall tourism average wage and some of the cultural tourism and direct provider employment shares such as air transportation industry (i.e., a correlation coefficient of 0.37). It would seem that metropolitan economies looking to leverage the

tourism industry to elevate economic performance and wages might focus on high end cultural tourism and air transport-based tourism and perhaps put less emphasis on restaurant and bar-based tourism development.

## **CHAPTER V**

### **CONCLUSIONS**

This dissertation is one of the first comprehensive national assessments of the economic geography of tourism supply-side by U.S. metropolitan area. The dissertation examined 285 MSAs and it documented the spatial distribution and variation of the tourism industry in the United States by MSA in 2006. The dissertation aggregated and analyzed the tourism production system i.e. number of employment, number of establishments, and average wage for tourism-based industries by MSA. It utilized the North American Industrial Classification System to calculate the percent of tourism demand ratios of the tourism-based industries. In the year 2006, the urban tourism industry generated 5% of total MSA employment and \$130 billion in total wages. Although the general perception is that the direct tourism industry providers are more important than the supporting tourism services, the empirical results showed that a broad equivalency exists where the direct providers generated 47% of tourism employment and the supporting services generated 53% of total jobs. Additionally, the findings suggested that average tourism firm size tends to be relatively small implying that for every mega hotel chain or a large airline, there are many more small businesses that generate limited employment by establishment. The findings also highlighted an acute geographic

concentration of tourism production driven by economies of scale and scope where the top ten MSAs in terms of percent employment accounted for 40% of all tourism jobs. Also, a select few metropolitan areas generated the largest bulk of both tourism employment and establishments. It is also appeared that the economic geography of the urban tourism industry is highly clustered and geographically concentrated. The findings showed that MSAs with high levels of tourism specializations clustered in three main regions: the North East, South East, and Southwest. The dissertation did not look at the explicit inter-linkages that exist between specific tourism-based industries which may be a useful future avenue of research.

The dissertation also identified four major tourism MSA typologies: casino-based, coastal resort, warm weather retirement resorts, and natural resource gateway MSAs. The findings also showed that the three leading industries (i.e. accommodation, food and drinking services, and amusement and gambling) of the twelve tourism-based industries analyzed in this dissertation generated two thirds of the total tourism employment. What was surprising in these findings was that the amusement and gambling industry generated 18% of national MSA tourism employment suggesting that, although selective in location and concentrated in only a few MSAs, it is a significant job generator nevertheless. The analysis also showed that overall tourism wages are generally low i.e. (\$27,853). The low wages in tourism can partly be attributed to the part-time and seasonal nature of many tourism jobs and to the limited number of skilled workers. Tips have also been used to rationalize low wages in many tourism-based industries. In food and drinking services for example, workers are frequently paid very low wages since tipping is theorized to make

up the shortfall. Although tourism wages are found to be generally low they varied nevertheless by MSA and wages were highly influenced by the level of concentration and specialization partly due to the effect of economies of scale and agglomeration. It was apparent that many of the MSAs that generated high levels of tourism specialization in their economies also featured as better paid tourism labor pools including Las Vegas, Atlantic City, and Honolulu. But it was also apparent that the tourism-based industries that generated the most tourism employment were not the highest paying industries including accommodation and food and drinking services.

The analysis also supported the notion that the tourism industry's overall impact on the broader socio-economic indicators of quality of life was largely random suggesting that the general notion in the existing established theoretical work that tourism can be a panacea for an urban economies' ills needs to be re-evaluated and questioned. The overall results cast doubt on the notion that tourism can be an industry that propels growth in a metropolitan economy or that tourism can be a new economic growth engine. Although the tourist industry can be a major job generator, it also tends to produce a large number of minimum wage jobs, with little career opportunity, that also tend to be seasonal and part-time jobs that leaves workers underemployed.

In the contemporary knowledge-based economy, the promotion of industrial clusters and the cultivation and/or the attraction of the creative class are often seen by urban planners and economic developers as vital components of any economic strategy. These two elements are widely considered as factors that can generate dynamism by promoting sophisticated industry networks that accelerate the pace of innovation and

growth. Clusters of services developed through the promotion of cultural and creative industries are also frequently seen as growth poles of prosperities since they have become a key feature of job creation and income generation. This dissertation was an attempt to empirically test whether those MSAs that generate disproportionate levels of percent tourism employment can also become growth clusters of above average tourism wages and incomes and whether they can also elevate overall quality of life. Despite the existence of a wealth of literature and theoretical frameworks that often connected significant tourism labor markets to a flourishing creative class, the empirical analysis has shown that an apparently random relationship exists between the tourism employment and percent creative class employment by MSA contradicting the notion that tourism is closely bound to creative class. All of the top MSAs that generated high creative class percent employment generated very minimal percent tourism employment. By contrast, the top MSAs that generated high tourism employment rates lagged behind in creative class percent employment including Atlantic City and Las Vegas. Much of the general rationale that tourism amenities and natural resource gateway towns can become creative class magnets and, in turn, evolve into growth poles from which economic development and prosperity can trickle down to the whole regional economy is cast in doubt in this dissertation.

That said, a much precise measure of tourism focused on cultural tourism indicated that where MSAs have a high level of cultural tourism employment, these same places tend to generate disproportionate levels of creative workers. Cultural tourism has recently become wide spread and considered to be an effective vehicle for stimulating

economic growth in urban and regional economies. This argument has generated a strong debate among urban planners and policy makers and resulted in a race to develop creative clusters associated with culture. These creative clusters often incorporated cultural infrastructure, promoting diversity, and redeveloping dilapidated industrial buildings. Cultural tourism industries also included performing arts and spectator sports in addition to live presentations of dancers, singers, and musical groups. The analysis has shown that that an apparent moderately significant correlation existed between percent creative class and cultural tourism employment suggesting that culturally-oriented tourism amenities may be an effective strategy to attract the creative class in some instances. It appears that cultural tourism can be a key ingredient in leveraging creativity where metropolitan areas that develop targeted clusters of cultural tourism industries and amenities may tend to feature high percent shares of creative class employment. MSAs such as New York and San Francisco performed very well in terms of creative class employment and percent cultural tourism employment. This can be partially attributable to the fact that both of these MSAs are global centers for commercial activity and financial and professional services. It is established in the literature that the creative class tends to cluster in global centers and financial capitals with sophisticated, diverse, and creative resident populations.

Although this dissertation has shed light on the geography of the tourism industry by MSA, this type of analysis should also be conducted at a more disaggregated level of analysis i.e. at the city scale or neighborhood level. There is a growing literature focused on disentangling the relationship that exists between urban change and neighborhood-

based tourism especially for downtown regeneration. Some leaders of many cities now adopted tourism as strategy to revitalize downtowns and construct space for the enjoyment of visitors. Some cities developed tourism enclaves or as Judd termed “tourist bubble”, to envelop the traveler from the rest of the city where crime and urban decay make parts of the city inhospitable to visitors. Baltimore’s inner harbor place provides an excellent example of a tourist enclave carved out of a previously deteriorated and dilapidated part of the urban environment.

Culture and creativity as drivers of development are established features of the urban policy agenda. Of course, it is understood that there is a significant overlap in the definition of cultural and creative tourism, but a much better working definition of creative tourism may generate a better understanding of how creative tourism impacts the labor market pools of the creative class. To examine the interplay of culture, creativity and city planning, a detailed case study and a detailed analysis of the historical evolution of cultural and creative tourism in places like Pittsfield, Hot Springs, and Santa Fe would be helpful. Key research questions could include how did these metropolitan areas develop targeted policies towards cultural and creative tourism? Were those strategies accidental or were they developed in connection with a broader creative class theoretical agenda? What are the key features in these metropolitan that allow cultural and creative tourism to flourish? Given the American orientation of this research, future research could also review the role of culture and creativity for urban and regional development in Europe and the developing world. Although the overall value of the tourist industry in a metropolitan economy can be questioned, it is clear that in a select few places or more

targeted locales, tourism can indeed transform a metropolitan economy and elevate creativity.

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