“Demographic change as an opportunity for the European travel industry”

Some 842 million persons travelled internationally in 2006. It’s an impressive figure, but would be higher still if we count domestic travel, which in many cases is several times greater than travel between countries.

The world tourism sector has received a number of shocks in recent years, contributing to “zero growth” from 2001 to 2003, but followed by a sharp rebound in 2004-2006. As a whole, this exceptional period has been marked by a return to traditional rates of growth: about 4% per year.

On the strength of this growth, and as predicted by the World Tourism Organization back in 1995, international arrivals are poised to reach the extraordinary figure of 1.1 billion by 2010, and nearly 1.6 billion by 2020. The world market stands to be radically transformed in the process. By 2020, China, for instance, will have been the world’s leading tourist destination for several years, and some 100 million Chinese will be travelling abroad each year — considerably more than the 40 million who do so today and more than twice the number of Japanese who travel internationally.

This increase has been shaped by numerous and diverse economic, social, cultural, and increasingly environmental phenomena, which in some cases have accentuated, and in other cases slowed the rate of growth. Complex and varied demographic trends are among the most important such factors, but to remain within my allotted time, I will confine my remarks to three.

1. **Growth in world population: inescapable, impressive, but differentiated**

The latest review of the world demographic situation, conducted by the United Nations last year, indicates that between 2006 and 2050, world population will grow by 2.5 billion — from 6.7 billion to 9.2 billion. The increase in population alone during that 43-year period equals the entire world population of 1950. Most of that growth will come in the world’s least developed regions, whose total population will rise to 7.9 billion by 2050. Population levels in the developed regions will remain stable at
about 1.2 billion. If not for the impact of migration, however, those levels would decline.

These aggregate figures mask a complex reality. The number of children per household will fall — irrespective of development level. The employed population will rise, though less and less rapidly, to peak around 2040 and stabilize thereafter. The population over 60 years of age is projected to explode in all parts of the world, but especially in Asia. In Europe the over-60 population will increase from today’s level of about 152 million, or 20 percent of the total, to some 200 million in 2050 — one-third of the total.

This aging of the population will not occur homogeneously. The oldest seniors’ share of the population will rise even more rapidly than that of the over-60 age group as a whole. By 2050, 20% of the world’s over-60 population will be 80 or older. The over-100 population will have multiplied by a factor of 13, so all of us here have some chance of being among them! Today, women make up the majority of seniors: there are 69 men for every 100 women over the age of 60, and 43 for every 100 over the age of 80. Men are therefore married in greater proportions than women, a trend expected to continue.

The United Nations estimates that by 2050, one out of every five people in the world will be 60 or over, compared with one out of every nine today. By 2150 it will be one out of every three, but as John Maynard Keynes so aptly put it: “in the long run, we’ll all be dead”.

One thing we know from the start: the world tourism market generated today by developed countries will tend to grow more slowly than the world’s population, as a certain stability sets in among the generating regions: Europe, North America, industrialized Northeast Asia. Moreover, the propensity of seniors to travel, while increasing, is still less than that of the working age population. The increase in international arrivals predicted by UNWTO for 2020 will come largely from new emerging markets, especially in Asia.

The interaction between demographic growth and increased tourist flows is complicated.

First of all, growth in population will be uneven among the OECD countries, which are the main generating markets today. Among those countries, distinctions can be drawn among three groups of countries between now and 2020: those with relatively vigorous growth, such as the United States; those with moderate growth (Canada, France, the United Kingdom); and finally those with zero or slightly negative growth (the Nordic countries, Italy, Japan). After 2020, however, population growth everywhere should decline further, and countries like Germany should move into negative growth figures. It is important to bear in mind that population increases in these countries will come essentially from immigration, and the newly arrived immigrants behave very differently than established residents, with a lower-than-average propensity to travel.

As the IPK study conducted for this meeting shows, Germany and Great Britain, for instance, despite their slow demographic growth, will remain significant generating markets for European and world travel, whereas the growth in international holiday travel by Americans will be more moderate, despite that country’s stronger growth in population.
In global terms, however, the greatest demographic and sociological impact will come from Asia and the Pacific, where China and India are preparing to follow the path taken by Japan and the newly industrialized countries of the Republic of Korea, Taiwan, Singapore, Hong Kong, and even Malaysia.

Access to domestic and international travel for the upper middle and upper classes of these countries will unquestionably be the driving force in world tourism for the next 15 years. The long-term forecast issued by UNWTO in 1995, and confirmed as extraordinarily accurate by developments over these past 10 years, indicates that by 2020, annual growth rates in the Asian generating markets will reach 6.5 per cent, compared with average world growth of 4.1 per cent, 3.4 per cent in Europe, and 3.1 per cent in the Americas. According to UNWTO, the Chinese generating market will rank fourth in the world by 2020, after Germany, Japan, and the United States, and ahead of the United Kingdom. But we have become accustomed to surprises from the Chinese, and they are not easily denied first place in any field!

In an initial stage, the clientele from these new sources, which will also include the vigorous generating market that Russia has become, will stay mainly in their own regions. Like the Japanese 30 years ago, the new visitors from China will stay within the Pacific Rim. Many are already going to South Korea, Vietnam, Thailand, Cambodia, and many other places. Only during a second stage will they get away and cross the oceans in large numbers. In my view, the ability of European destinations to attract these visitors represents a more important long-term factor for those destinations than the evolution of intraregional flows within the continent or transatlantic flows from the United States.

Overall, owing to global demographic and economic trends, Europe is destined to forfeit some of its market share. According to UNWTO, Europe accounted for 60 per cent of world arrivals in 1990 and 54.2 per cent in 2006, and that trend will continue. By 2020 it will only be about 46 per cent. Europe’s loss of world market share is inevitable. As a more mature destination in a globalized market, this continent cannot be expected to see the same explosive growth observed in other regions, only now getting started in the tourism sector. The only question that matters is whether this relative decline — inevitable as a consequence of globalization in the tourism sector — will be greater than it needs to be. The answer, unfortunately, appears to be that it will. Whereas major destinations like China and India conduct vigorous public tourism development policies at national and local levels, Europe not only fails to act in concert, but cannot even reach agreement on the necessary legal foundation for a Community tourism policy.

2. The senior market will become a major component of domestic and international tourism

According to some estimates, 200 out of the 842 million people who travel internationally today are over the age of 60 — two thirds of them in Europe.

The phenomenon of senior leisure and tourism is a new and significant reality in today’s world, at least for the industrialized countries. But the picture changes fast and we will be seeing a veritable cultural and social revolution during the years just ahead.

Whereas current growth in international tourism is around 4 per cent per year, holiday departures by travellers over 60 are increasing by 10 per cent every year.
The projected tripling of world international arrivals during the period 1995-2020, to finally exceed 1.5 billion, will be far surpassed by a veritable explosion in senior pleasure travel. Some of the major operators, hotel chains, and airlines have understood this and offer services and customer loyalty programs geared to this type of clientele.

These changes have already started and are characterized by two important factors.

First, this aging phenomenon, now confined mainly to Europe, North America, and Japan, will spread to other parts of the world, starting with the new generating markets of East Asia and the Pacific and Latin America. By 2050, the population of Asia over 60 will triple, to reach 900 million!

Second, we are on the brink of unprecedented demographic change: the generation born immediately after the Second World War, the “baby boomers” — a cohort of which I, like others in this room, am proud or, depending on the day, dismayed to be a member — will reach retirement age in the major tourism generating markets. Over the last year or two, these baby boomers, conceived during the euphoria of victory and reconstruction, have started to retire — but it is an active retirement, and they travel.

Here you have a demographic, social, and cultural phenomenon of a scope without precedent in history: an impressively large social group, culturally quite different in many ways from the generations preceding it — much more open to the world. It is a group whose children “have left the nest”, who usually own their homes, and for these reasons have sufficient disposable income to satisfy their desire to travel. Most of them are in good health and are attracted as much by sports and recreational activities as by spa tourism, cultural tourism, cruises, or ecotourism.

Like the term “baby boomers”, the seemingly paradoxical expression “active aging” — as coined by the United Nations Conference in 2002 — is entirely apt in the context of leisure activity.

The economic impact of this phenomenon is considerable, far beyond what the figures I mentioned earlier might suggest.

That is because, first of all, the level of spending per tourist stay is high for this age group. With fewer dependents, senior travellers often enjoy high levels of discretionary purchasing power, even though their nominal income, particularly in terms of salary, is less than when they were employed. Second, because they have fewer constraints and more free time, they can travel during low seasons — a phenomenon that helps to smooth departure flows throughout the year, extend the open period for accommodations, and reduce pressures on transport and recreational infrastructure.

They are travellers of a new kind. They have specific needs as well as expectations.

Their specific needs relate in some cases to impaired mobility, particularly on foot, or impaired vision or hearing; the conditions for their visit must be adapted accordingly. Their needs relate also to the accessibility of sites, monuments and other attractions; the need to follow special dietary regimes during travel; or the ability to continue receiving appropriate medical care, even while on holiday. It is
important to offer seniors equal leisure and travel opportunities, just as they are offered equal opportunities in other walks of life. Article 24 of the Universal Declaration of Human Rights, enshrining the right to rest and recreation, should apply without discrimination to all age groups in society. The World Tourism Organization underscored this principle in the Global Code of Ethics for Tourism, which it adopted in 1999, and which the United Nations General Assembly endorsed in 2001.

So there are specific needs, but also specific expectations. When it comes to leisure and culture, seniors have a scale of values that often differs from that of other age groups. Most try to make their holidays meaningful — a special opportunity for enriching contact, as part of a group. They are particularly attracted to organized travel packages and are typically motivated by a spirit of discovery and even sometimes adventure — so culture and learning are high priorities for these travellers. And yet, on the other hand, their greatest concerns have to do with physical safety, food safety, sanitation, and the quality of accommodations. These factors require priority consideration as well.

I would like to illustrate this overall point by describing two cases concerning two of the largest generating markets.

The first is Germany, whose population in 2045 will be considerably less than it is today (75 million compared with 82 million). By 2045-2050, life expectancy for Germans will be seven and a half years longer, and some 300,000 migrants will be entering the country each year. Obviously, the German-speaking population and the immigrant community behave differently when it comes to tourism and leisure.

Looking at the first group, which today accounts for about 65 million people, there is a 75% propensity to travel, which comes to 49 million departures. If this propensity were to remain constant, the projected demographic decline will reduce this figure by 8 million. But with the boom in the seniors market, travel by the 60-64 age group will in fact decline only slightly, and for seniors over 75, the explosion will be spectacular. Fifty years from now, Germany will have 5 million additional travellers over the age of 75, most of them travelling abroad.

Japan is another striking example. Until 1964, Japanese citizens did not have the right to leave their country. Twenty-five years later, Japanese travellers were spending more abroad than any other nationality.

The United Nations projects that the population of Japan, which was 127 million in 2000, will decline by 4 million as early as 2025. The age pyramid for the Japanese population is such that it is aging faster than many others: the over-60 population is projected to increase from 36 million, i.e. 27 per cent of the total in 2006, to 47 million, or 42 per cent of the total, in 2050.

Important things to bear in mind about Japanese tourists are first that most travel abroad and second that male and female Japanese tourists behave quite differently. A phenomenon specific to Japan is that of “office ladies”, single, young professional women, obliged to live at home in view of the high cost of separate housing. For this reason they often enjoy considerable levels of disposable purchasing power. But alas, once these charming “office ladies” become honoured wives and mothers, they stopped travelling!

In terms of the propensity to travel abroad, therefore, there are considerable differences not only between men and women, but also among women — between
the young and the less young. Overall, the number of men travelling abroad is
expected to increase by about half by 2025 in the over-60 age group and by a factor
of 2.5 among men over 65. The increase will be slightly less in the case of women,
but still quite impressive.

By 2025, looking at both sexes combined, we should be seeing an additional
800,000 departures by travellers in the 60-64 age group and a phenomenal increase
of 2.7 million by travellers over 75.

In terms of the working-age population, the phenomenon of foreign travel by
our young “office ladies” is expected to dwindle — much to the regret of male
bachelors in the countries they visit! Another noteworthy phenomenon is also
expected to wane: marriage and honeymoon travel by young Japanese. Given the
tradition in Japan of offering sumptuous wedding receptions and gifts for invited
guests, getting married there can be expensive. So there is a natural temptation to
take the vows in Australia, Hawaii, and even France. But as the population ages and
the number of marriages declines, this delightful practice appears destined to taper
off.

We could draw many conclusions from these two examples. But first and
foremost among them is the importance of a totally new phenomenon: travel by older
seniors, that is, those over 75 or 80.

3. Tourism and migration

As of 2005, 191 million migrants, accounting for 3 per cent of world population,
have set up residence in countries other than their own. This proportion has risen
slightly in recent decades (the figure was 2.5 per cent in 1960) but has been much
higher during other periods of history. In 1913, for instance, migrants represented
about 10 per cent of world population.

Sixty percent of all migrants live in developed countries: 64 million in Europe,
53 million in Asia, 45 million in North America. Three-fourths of all migrants are
concentrated in 28 countries, and one-fourth in the United States.

An increasing overlap between migration and tourism calls for some
comparisons as to relative scale. Whereas 800 million tourists spent approximately
$681 billion in the countries they visited in 2005, the world’s roughly 200 million
expatriates remitted about $232 billion to their countries of origin, about $167 million
of which went to developing countries. In other words, and acknowledging that a visit
of a few days cannot be easily compared to a long-term stay for purposes of
employment, it can be observed that international tourism, at the global level,
represents a demographic and sociological phenomenon about three times greater
than that of international migration.

Statistically speaking, tourists are not migrants, and migrants are not tourists.
According to the definition adopted by the United Nations Statistical Commission,
those who travel for professional reasons and then return home are considered
tourists, on business travel. Those who set up residence in other countries,
particularly in order to work there, are considered migrants

So the concepts are quite clear. But in practice, statistical measurement of
these flows is not always so simple. Everyone knows about the many “pseudo”
tourists, who more or less plan in advance to take advantage of their tourist visas to set up residence elsewhere.

It is impossible to speak exhaustively on such a complex subject — the phenomena of tourism and migration stem from a common, often deeply ingrained motivation: curiosity and a thirst for discovery, for experiencing new worlds. This quest for the unknown is not new. St. Augustine wrote that “The world is a book. He who travels not, reads but one page.” The American student who seeks discovery in China and the young man from Mali who seeks his fortune in Europe may have little in common, in terms of their cultures and ways of life, but they both have the same motivation to encounter others — like themselves or very different — in other lands.

Let me distinguish five aspects of this complex interrelationship.

First, the pressure of immigration, particularly if not controlled, can generate increasing apprehension in the countries of destination, often provoking hostility, particularly in countries where employment conditions are difficult.

This then leads to increasingly severe physical or legal barriers to these movements, particularly in the developed countries. The proliferation of increasingly selective visas, the hardening of immigration regulations, the rising bar faced by foreign students are a few examples of measures being taken by governments—not against tourism per se, of course, but not without detriment to it. For this reason, the World Tourism Organization is now studying the feasibility of an international convention to facilitate tourist travel and loosen some of these constraints for “true” tourists.

Aside from their direct effects, these protection measures can also alter how potential visitors perceive a given destination. This would explain the decline in international visits to the United States after September 11 and the decisions taken in the wake of that trauma. By 2006, visits to the U.S. still remained below 2000 levels — which seems paradoxical given the country’s many millions of illegal immigrants, particularly from Latin America, and the currently weak dollar, which normally would be attracting tourists.

A second aspect I would like to highlight concerns phenomena often described as “diasporas”. In a second stage, the presence of immigrant communities generates new tourist flows. The descendents of immigrants to developed countries often long to discover the lands their ancestors left behind decades or centuries ago (the Australians back to Great Britain, Irish-Americans back to Ireland...).

In the shorter term, other mechanisms are at work. A community of recently installed immigrants will attract visits by relatives or friends from their countries of origin, just as the new immigrants themselves will want to return home from time to time, to sustain their roots there.

These two phenomena, both historical and recent, can combine in interesting ways. Spain, for instance, is regularly visited by tourists from Latin America, whose Spanish ancestors emigrated there centuries ago. But Spain is also home to many newly arrived immigrants from Latin America (Ecuador, Bolivia, the Dominican Republic...), generating travel in both directions.

Tourism motivated in these ways, sometimes referred to as “ethnic” tourism, can form the basis for the development of truly viable tourism products. By way of
example, the World Tourism Organization has been working jointly with UNESCO on a project entitled “the Slave Route”, to encourage Afro-descendent North Americans to visit the continent from which, under tragic conditions, their ancestors were taken to America.

The third aspect I should like to highlight relates to the growing communities of developed country retirees who are choosing to set up residence abroad and thus enjoy the climatic, economic, and sometimes fiscal advantages offered by various countries.

The English discovered the charms of the Côte d’Azur long ago, giving their name to the famous seaside promenade in Nice. Similarly, residences in Florida for retirees from the northern United States are hardly a new phenomenon. But this movement is now expanding geographically to encompass various developing countries as well. Thus, northern European retirees not only continue to move to Tuscany, the Balearics, and the Costa del Sol, but increasingly retire in Tunisia and southern Morocco as well. The phenomenon has begun to spread to Cyprus, Turkey, and Egypt, and is intensifying in the Caribbean. The shores of the Mediterranean are now sprinkled with Japanese retirement communities.

This type of establishment is not without its problems, however. The presence of such retirees is often quite temporary, of the third type (a few months a year, particularly in winter). This of course limits their economic contribution to the community. In particular, it often takes the form of accommodation in private homes, resulting in considerable population density along or near the shore and necessitating disproportionate amounts of additional infrastructure (roads, water supply, sanitation...). Such communities are often accompanied by the construction of golf courses, as a means to make the real estate investments more profitable. This can impose a heavy drain on water resources, and many such secondary residence communities are located in regions with serious shortages already.

A fourth aspect, though perhaps less expansive in scope, is also noteworthy. It concerns the ownership of multiple residences. Considering the ease of travel and the spectacular reduction in air fares we have seen with the advent of low-cost airlines, a growing number of people are dividing their time among several places of residence. The development of “telecommuting” and the use of new information technologies are encouraging this phenomenon. Some tens of thousands of German and British citizens, for instance, live on the Balearics—some retired but others still working, dividing their time on a weekly or monthly basis between that residence and another in their own country.

And one final aspect I’d like to mention: a tendency for tourism, in certain cases, to bring about the return of migrants to their regions of origin. Many whose ancestors fled the poverty of their homelands — in Ireland, southern Italy, southern Portugal, or the eastern Mediterranean — have not forgotten them. Not all of their roots have been severed, and now that these areas are the focus of significant tourism development, it is natural that the children or grandchildren of emigrants from these lands should return to them and to try their hand at the new jobs now being created there. Winter sports, particularly in the Alps, have fostered this type of return to rural villages, left behind by the children of earlier generations but now in full rejuvenation.

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Tourism is a complex economic, social, and cultural phenomenon. Demographic factors are an important part of it and are best not underestimated.