



Presidency Paper

G7 Tourism Working Group Main Takeaways

Preamble

The 2024 Italian Presidency has put tourism on the G7 agenda for the first time.

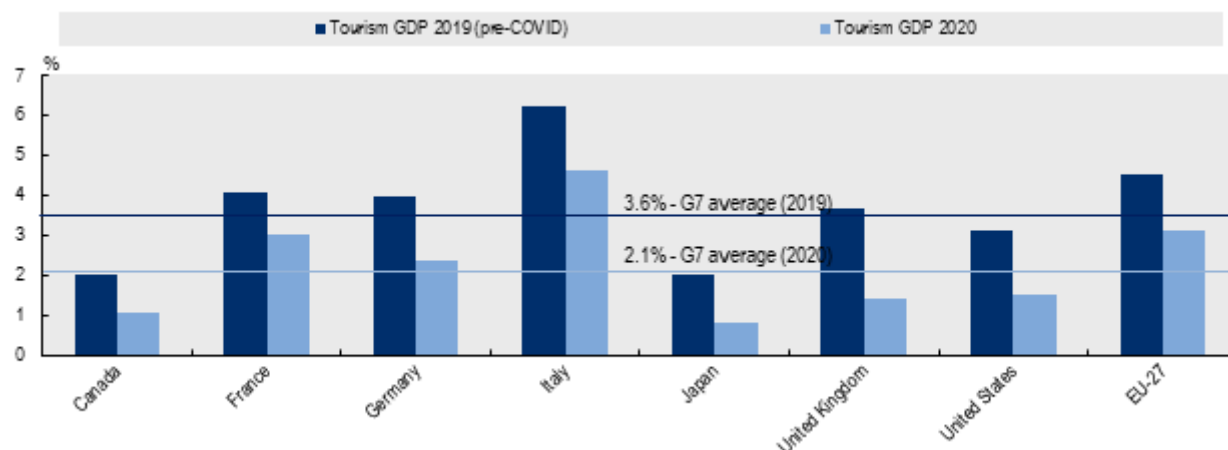
The present document reports the Presidency's main takeaways on the work performed in the framework of the G7 tourism working group meetings.

G7 members, with the support of the Organisation for Economic Co-operation and Development ("OECD"), have been focusing on the challenges and opportunities for tourism, in a view to finding a common ground to address new trends and evolutions.

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As highlighted by the OECD, tourism has a key role to play in fostering economic and social development. Worth recalling, prior to the COVID-19 pandemic, tourism accounted for 3.6% of GDP on average across G7 countries.

Figure. Direct contribution of tourism GDP in G7 members, pre-COVID and 2020



Note: Italy is not included in the 2020 average. GDP is shown for France and Japan. Canada, Germany, Italy, United Kingdom and United States show GVA. The 2020 figure for Italy is an estimate. EU-27 figures include France, Germany and Italy estimates. The G7 average shows the average for G7 countries with available data. EU-27 is not included in the average.

Source: OECD Database, Eurostat, Italian Ministry of Tourism.

The OECD has estimated that tourism generated 16.2% of service exports across G7 countries in 2022 (10.8% in 2020), while remaining 6.3 percentage points down on pre-pandemic share.

The available figures outline that tourism demand across G7 members has proven resilient, bouncing back after the pandemic, supported by the exceptional measures taken by governments.

The pandemic also led to a shift in consumer behaviours and accelerated innovation facilitated by digital technologies. This had led to changes in the organization of work, production and lifestyle bringing new risks and opportunities for the tourism economy.

Consistently with residential housing tendencies, tourist accommodations have increasingly turned into places of family self-sufficiency that internalize communication and information services for work and leisure, making some former patterns of work organization appear obsolete. Urban and suburban spaces have then been reorganized.

Tourism also outlines new trends, for example, in the management of cultural heritage, heading to new models, based on IT and artificial intelligence (“AI”). Such an evolution is also stimulating the surfacing of new professions and job opportunities. In this respect, an increasingly digitized tourism provides unexplored opportunities and challenges for both business development and labour markets.

Moreover, tourism is witnessing the growth of demand for forms of tourism, outdoor tourism, where the active experience and the interaction with nature and local culture are at the focus of the journey. This model, along with all the tourism industry, shall cope with the uncertainties related to climate change, having a significant impact on future tourist habits.

Social media have also had a significant impact on tourism, by enabling destinations and businesses to gain potential global visibility.

Meanwhile, as stated by the OECD paper, tourism is an increasingly important leverage to pursue sustainable development goals (“SDGs”). In this respect, reference can be made to the role of tourism in the promotion of decent work and economic growth (SDG 8), more inclusive and accessible tourism to reduce inequalities (SDG 10) and the sustainable use of marine and ocean resources (SDG 14). Tourism can also contribute to achieving other SDGs, such as creating more sustainable cities and communities (SDG 11), supporting innovation and infrastructure (SDG 9), promoting gender equality (SDG 5), strengthening partnerships for development (SDG 17), also at international level, improving health and wellbeing (SDG 3), quality education (SDG 4) and peace (SDG 16).

The tourism industry has, therefore, significant opportunities ahead, insofar as it can meet and take advantage of the new demands stemming from a changing environment, while contributing to the achievement of SDGs. It needs to adapt to major transitions and could also be a driver of the green transition.

Against this backdrop and in light of the OECD paper, the G7 has identified three major drivers of tourism development in the near future:

- The opportunities of AI;
- The changes of the labour market;
- Sustainability.

1. The opportunities of AI

As acknowledged by the OECD research, new technologies, such as AI and extended reality (XR), can influence the way people plan and experience travel.

On the supply side, new technologies enable the offer of new tourism products and services, serving new clients and improving business. Digitalization of the economy can thus spur innovation and productivity growth. Indeed, while the core of the tourism industry remains the provision of a human experience, the ongoing digitalization can change the way it is offered.

AI technologies and tools are implemented in the tourism sector in several areas. Indeed, AI can support the creation of diversified contents, expanding the offer and improving the tourists' experience.

Predictive AI can improve the management of tourists' flows, enabling the supply chain to tailor the offer, so as to meet the demand in a more accurate manner. An enhanced flows management can pave the way to a more consistent distribution throughout the year, leading to the provision of better customer experience.

New technologies are also capable of facilitating information flows and of easing up customers' planning. In turn, this can mitigate market malfunctions stemming from information asymmetries, enforcing merit-based competition on the tourist services market.

Accordingly, tourists will acquire a deeper knowledge of new destinations. AI will increase the possibility to provide visibility to less famous areas and thus create new markets, spreading visitors and benefits.

While aspects of AI technologies such as high energy intensity need to be considered, AI can also contribute to tourism sustainability. In this regard, AI can play a relevant role in promoting sustainable tourism practices through its ability to manage operations more efficiently, including energy efficiency, waste reduction, workforce allocation, or predicting tourist behaviours and flows. In this respect, AI can also support the refinement of current business models.

AI is also changing work's organisation. On the one hand, the digitalization can facilitate the provision of certain services, e.g. logistics and operations. On the other hand, AI opens a broad variety of new job opportunities, in connection with the development of IT software, content creation and market development. The technological advancement will trigger the demand for new skills and training.

Moreover, the expansion of tourism offer can entail an additional market growth, making room for further employment opportunities. According to estimates by the World Travel and Tourism Council, overall venture capital investment in generative AI solutions reached the amount of \$12 billion in the first six months of 2023 alone. At present, AI is considered a prolific area of investment also in the tourism business.

AI can, therefore, greatly benefit the tourism industry. However, its development requires to be regulated, in order to exploit its full potential and prevent risks of negative externalities and predatory behaviours. The pace of change, that is likely to continue, requires to be accompanied by supporting measures.

Furthermore, the development of AI will increasingly require investments to ensure suitable digital infrastructures, on a large scale. Smaller businesses, the backbone of the tourism economy, may benefit from additional support, in order to overcome the barriers to digital uptake. The latter may include hardware costs, infrastructure gaps and inadequate privacy protection, as well as the lack of the necessary skills. Indeed, the digital transformation demands that business owners and tourism workforce have the digital literacy and the technical skills required to keep pace with the digital transition.

Besides, predictive AI requires to frame platforms and data hubs. As AI matures and the regulatory environment evolves at national and international level, tourism policy makers shall engage with these developments, also with regard to data protection. Regulators shall address the surfacing concerns of AI and IT, in order to reinforce their reliability and their capability of supporting tourists' decision-making. In this perspective, the issue of fake reviews deserves special attention, since it may mislead tourists and enable frauds.

In light of the above, we welcome the OECD proposal to support MSMEs and workers in the adoption of new and advanced technologies, as well as to foster infrastructural development, while establishing the necessary regulatory and policy tools, in order to ensure that AI is solely oriented to the common good and not to the detriment of human rights.

2. The changes of the labour market

Tourism can play an important role in activating positive processes of economic development through job creation.

According to OECD estimates, the tourism industry is a significant employer, accounting for on average 6.1% of employment in G7 countries prior to COVID-19. It is therefore deemed important to protect the workforce of tourism, as a leverage for economic development.

The tourism labour market has a high potential for further development, considering the new opportunities stemming from AI and the evolution of tourism supply and demand along with the possibility of market growth. The labour market would therefore benefit from support to innovation and entrepreneurship.

Tourism professions require a varied and unique set of skills, encompassing technical, transversal and social skills. It is also worth highlighting the uniqueness of the human factor in tourism, from the perspective of both the traveller and the worker. Policy actions can thus be directed to train the workforce, in a view to develop high level technical skills (e.g. destination management, digitalisation and new techs) and transversal skills (e.g. interpersonal and communication skills, cultural awareness, problem-solving abilities, and flexibility).

This will lead businesses to adopt innovative economic processes that are fundamental to fuel the tourism 5.0 ecosystem. Training young people and reskilling the tourism workforce to meet the needs of new jobs generated in the transition process appear to be of utmost importance.

In a broader perspective, notwithstanding the urgency of preventing and addressing illegal shadow businesses in breach of social rights, policy makers are required to face the shortcomings of tourist jobs. In fact, as the OECD has pointed out, the appeal of jobs in tourism may be burdened amid several issues, including working conditions in the sector (e.g. work-life balance), which are frequently associated with unstable, low-wage work.

Without prejudice to the enforcement of labour law regulations, it is also important to favour a model that expands tourism to peripheric areas and throughout the whole year, with a view to spreading its benefits also across local communities and all seasons. The often unstable, irregular and seasonal nature of tourism work can indeed be a barrier for long-term employment in the sector.

Measures to extend seasons, also through marketing and new product innovation, can help safeguard employment in tourism and create more stable, long-term positions in the sector, to the benefit of individuals and of their employers, as well as local communities.

3. Sustainability

The tourism industry ought to pursue sustainability from several perspectives, including social, environmental and economic facets. Tourism policies need to be aligned with the UN 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) as well as with relevant international instruments such as the Paris Agreement and the Global Biodiversity Framework.

First, environmental sustainability is paramount for tourism policies. The latter shall take into account emissions reduction goals, promoting sound environmental practices and encouraging minimal resource consumption and waste, protection of biodiversity, avoidance of degradation of the natural environment. The OECD paper, pointing out the possible impact of climate change on habits, services demand and crisis management, has stressed the importance of developing an environmental-friendly model. AI can contribute to this goal, easing a more accurate consumption of natural resources and ecologically oriented decisions.

More sustainable practices can be developed all along the value chain, contributing to overall climate goals, optimizing resources consumption and embracing circular economy models. Indeed, the tourism sector can support the transformation towards climate neutrality, strengthening sustainable practices on the supply side and at the same time raising awareness of climate-friendly tourism on the demand side. In this regard, raising tourists' awareness and encouraging sustainable tourism experiences can also be important.

Reference can also be made to outdoor tourism as an opportunity to inspire people for nature and encourage green behaviours. Moreover, outdoor tourism can lead tourists to explore new destinations.

In order to be sustainable, tourism shall also be inclusive and accessible. This requires the removal of physical barriers to the highest possible extent, in order to spread the benefits to all the population.

Finally, a fully inclusive model requires to ensure the economic sustainability of tourism. As highlighted by the OECD, success should not be solely measured on visitor numbers, but it should rather be assessed based on a holistic perspective, taking into account all the positive impacts that tourism can deliver at the destination level.

Within the boundaries of economic viability, the tourism industry shall therefore target a long-term comprehensively sustainable model, in a view to spread its benefits also to marginalized communities and SMEs, to the benefit of the whole supply chain.