Tourism and Its Economic Impact in Italy: 
A Study of Industry Concentration and Quality of Life

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Abstract

This thesis analyzes the impact that tourism’s concentrated regional industrial growth has on citizens’ quality of life in Milan, Venice, Florence and Rome. A careful examination of tourist destinations suggests that the promotion of the tourism industry might lead to negative externalities such as increased pressure on urban facilities and scattering of local human capital and economic resources. In order to maintain a city’s culture, art and heritage, regional governments and private institutions have promoted these assets for consumption by visitors. Paradoxically, in many cases, this has put valued cultural assets at risk of degradation and has eroded the quality of life for local residents. This thesis will evaluate the ability of tourism to provide a sustainable solution for economic development, as measured by its ability to contribute to citizens’ accessibility to a high quality of life. By examining Italy’s top four tourist destinations, I will consider the relative market share of tourism-related industries in the provinces that encompass these cities. In addition to market share, quality of life indicators including household assessment of change in economic situation, employment levels and educational achievement will be used to assess the hypothesis that over-investment in tourism leads to a homogenous industrial structure and lower quality of life for citizens. From this research it is evident that tourism and higher quality of life are related in these four cities when measuring unemployment rates and household assessment of change in economic situation. Low levels of educational attainment demonstrate one way tourism may lead to lower quality of life where industry concentration is greater. Tourism can spur economic development and bring income to places with natural and cultural resources that can be shared. However, commodifying these resources leaves places vulnerable in a number of ways that provincial governments must consider.
## Contents

Introduction .................................................................................................................. 3

Background ................................................................................................................... 4
  Tourism in Italy ............................................................................................................ 4
  Cultural Heritage in Italy ........................................................................................... 6
  Geographic Location ................................................................................................... 7

Population Size ........................................................................................................... 9
  Milan .......................................................................................................................... 10
  Venice ......................................................................................................................... 11
  Florence ...................................................................................................................... 13
  Rome .......................................................................................................................... 14

Economic Impacts of Tourism .................................................................................... 16
Measuring Tourism ....................................................................................................... 16
Tourism and its Social Impacts ................................................................................... 17
Sustainable Tourism Management .............................................................................. 18
Industrial Diversification and Regional Development ................................................ 19

Methodology ................................................................................................................ 21

Study Areas by Level of Geography ........................................................................... 21
Research Design ........................................................................................................... 22

Concentration in Tourism Industry Indicators .............................................................. 23
Concentration of Employment in Tourism and Quality of Life Measures ..................... 26
  Employment in Tourism and the Unemployment Rate .............................................. 26
  Tourism Employment and the Population with Post-Secondary Degree ................... 27
  Tourism Employment and Household Assessment of Change in Economic Situation . 27

Concentration of Enterprise in Tourism and Quality of Life Measures ....................... 27
  Enterprises in Tourism and the Unemployment Rate .............................................. 27
  Tourism Enterprise and the Population with Post-Secondary Degree ........................ 28

Tourism Enterprise and Household Assessment of Change in Economic Situation ....... 29
Limitations ..................................................................................................................... 30

Conclusions ................................................................................................................. 30

Recommendations ....................................................................................................... 32
Future Research .......................................................................................................... 33

Appendix ..................................................................................................................... 38
Introduction

For the past century, tourism has grown to a multi-billion dollar industry enabling millions of people to move across the globe to experience new places. At its best, tourism makes culture, art and history accessible to a greater number of people. It can facilitate the interaction of diverse groups so that they may learn from each other while building new experiences in places far from home. Many local governments hope that tourism can also generate income, promote local businesses and help fund infrastructure improvements. However, at its worst, tourism can inhibit the daily life of residents by degrading the built environment, causing overcrowding and raising prices of goods and services (Russo 2001). Furthermore, tourism is both seasonal and cyclical, leaving destinations vulnerable to fluctuations in popularity.

Tourism is a major international industry whose century-long growth has led to many positive and negative externalities in receiving locations.\(^1\) In fact, tourists play a significant role in the local economies of destination cities because their presence brings disposable income. European “heritage” or “art” cities in particular have benefitted from an increase in tourism; since the turn of the twentieth century, tourism thus has grown as a popular development strategy in these mature economies. Italy, known for its rich artistic and cultural traditions from the Roman Empire to the Renaissance to modern fashion and design is home to four of the world’s most visited art cities: Milan, Venice, Florence and Rome. These cities' local government leaders have structured economic development strategies around the idea that the tourism industry offers an opportunity to earn revenue to support the local economy, preserve art heritage resources and promote local businesses.

This thesis analyzes the impact that tourism’s concentrated regional industrial growth has on citizens’ quality of life. If industries related to tourism grow together, is there a cost for locals? I will review literature on measuring tourism and its economic and social impacts as a way to examine the effect of the concentration of tourism enterprise and employment on the quality of life in the four most-visited Italian cities. To further evaluate the economic and social impacts of tourism, I will use agglomeration theory to analyze tourism through its localization and relative share of a regional economy.

A careful examination of these destinations suggests that the promotion of the tourism industry might lead to negative externalities such as increased pressure on urban facilities and scattering of local human capital and economic resources (Russo 2001). Regional governments and private institutions have promoted these assets for consumption by visitors in order to maintain a city’s culture, art and heritage.

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\(^1\) The European Commission defines tourism as, “the activities of persons traveling to and staying in places outside their usual environment for not more than one complete year for leisure, business and other purposes,” (European Commission 2003, p. 5).
Paradoxically, in many cases, this has put valued cultural assets at risk of degradation and has eroded the quality of life for local residents. For example, smaller art cities like Venice have struggled with tourism, which has provided income to support its preservation while also contributing to pollution, population decline and local economic stagnation (Borg 1996).

This thesis will evaluate the ability of tourism to provide a sustainable solution for economic development, as measured by its ability to contribute to citizens’ accessibility to a high quality of life in Italy. By examining Italy’s top four tourist destinations (Rome, Milan, Venice and Florence), it will consider the relative market share of tourism-related industries in the provinces that encompass these cities. In addition to market share, quality of life indicators including household assessment of change in economic situation, employment levels and educational achievement will be used to assess the hypothesis that over-investment in tourism leads to a homogenous industrial structure and lower quality of life for citizens. To analyze the level of tourism industry concentration and its effect on citizens’ quality of life, I will first present background on cultural heritage in Italy and the cities being studied, then review the literature on quantifying the tourism sector, understanding its economic impacts and analyzing the relationship between industry heterogeneity and quality of life of residents of these places. This will be followed by an outline of the methodology, data analysis and conclusions.

Policy makers examining economic development strategies who consider promoting tourism in their cities should evaluate not only the immediate revenue gains from tourists, but also the potential long-term effects. Many regional economists suggest that industry heterogeneity is key to long-term sustainability. Regional economies can achieve long term sustainability by providing an assortment of industries that contribute sufficient diversity of goods and services in order to sustain everyday life of citizens (Potter & Watts 2011). When considering the full breadth of the tourism life cycle, over-development of this service industry may constrict an area in the same way that manufacturing industry specialization once did. The focus of policy makers and government officials should primarily be on the well-being of their constituents. Studying and mitigating negative externalities of tourism should be a primary concern of local officials before increasing promotional activities. Careful consideration of the effects of tourism on the quality of life of citizens will include managing resources in order to accommodate tourism that boosts economic growth without preventing citizens from accessing the necessities of daily life.

**Background**

*Tourism in Italy*

In 2003 the European Commission estimated that approximately 8 million people were employed in tourism in Europe, a 2 million-person increase from the previous
decade. From the perspective of tourism demand, the World Tourism Organization estimates that in 2013 nearly 1.1 billion people traveled worldwide. This number has consistently increased, and a five percent jump in tourist arrivals was recorded from 2012 (UNWTO 2014). This five percent increase included 52 million additional tourists, of whom more than half (29 million) arrived in destinations across Europe. Within Europe, Southern and Mediterranean Europe experienced the largest number of tourist arrivals. This increase has paralleled economic growth globally. Tourism requires disposable income and, as a result, tourists represent an international flow of capital. In 2013 tourism accounted for $1.4 trillion in export earnings, and has consistently ranked as one of the most important industries to the world economy for more than half a century. In Europe, tourist receipts amounted to $458 billion in 2013 (UNWTO 2014).

Tourism is a significant portion of Italy’s national economy and has been the focus of government policy for economic development. Italy’s first Tourism Satellite Account for the year 2010 cited €82.833 million in value-added produced by tourism related industries or 6% of the national value-added (ISTAT 2012).

Italy’s historic cities have been important destinations to travelers for centuries. European tourism in the form of the “Grand Tour” for educated young men became an important rite of passage as early as the 18th century (MacCannell 1976). Mass tourism began in the mid-19th century, when English entrepreneur Thomas Cook began organizing tours to cultural sites in major continental European cities which often included Italian cities acclaimed for their architectural antiquity (Black 1997). Since this time, Italy’s tourism sector has grown steadily and its investment in tourism promotion has increased. As a result, the tourism sector has become a significant part of the country’s national and regional economies.

In 2013, Italy was the third most visited country in Europe (fifth in the world), with 47.7 million tourists (UNWTO 2014). Among major destinations for cultural tourism are the country’s “art cities”: Turin, Milan, Venice, Bologna, Ferrara, Florence, Perugia, Rome, Naples and Palermo (National Tourism Agency 2014). From these cities, four (Rome, Milan, Venice and Florence) made the list of the top 100 international destinations in 2013. In 2012, Euromonitor, an independent research institution specializing in market analysis for the international tourism industry, ranked tourist arrivals in cities internationally. Four Italian cities made the list. Rome ranked twelfth with 8.67 million tourists (a 13.9 percent growth from 2011), Milan ranked 42nd with 3.32 million tourist arrivals (a 0.3 percent decrease from 2011), Venice ranked 45th with 3.16

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2 Euromonitor uses data sourced from national statistics, airport arrivals, hotel and accommodation stays in addition to secondary sources including official sources such as governmental and inter-governmental organizations as well as international specialist trade press and trade associations. Industry study groups and semi-official sources, major operators’ and travel retailers’ reports and online databases as well as financial, business and mainstream press are included among their sources to establish world rankings. For the four Italian cities ranked, Euromonitor lists hotel accommodations and airport arrivals as its resource method.
million tourist arrivals (a 0.9 percent increase from 2011), and Florence ranked 89th with 1.83 million tourist arrivals (a 0.9 percent increase from 2011). As shown in Figure 1, tourist arrivals in 2011 were highest during the summer months. Domestic tourism was a major part of the national tourism industry, contributing to the annual peak of tourist arrivals during August (ISTAT 2011).

Figure 1. Tourism Arrivals in Italy by Month (2011)

Data Source: ISTAT (2011) Industry and Services Census

Cultural Heritage in Italy

Many of Italy’s major tourist destinations are historic places, often protected as world heritage sites. The four most visited destinations in Italy- Milan, Venice, Florence and Rome- are art cities known for attracting visitors for the quality and abundance of their cultural heritage (Ashworth 1990; Borg Costa and Gotti 1996). The cultural heritage of these cities results from centuries of civilization on the Italian peninsula. From the time of the Roman Empire, wealth flowed into the country and the population grew rapidly. After the fall of Rome in the 8th century, many regions’ political powers grew and new ruling governments were established with cities as their social, political and economic centers. As a result, Milan, Venice, Florence and Rome all experienced different periods of prosperity leading to individual identities stemming from traditions, art and culture largely independent of each other. Italy’s twenty regions were independent of one another until the country was unified in 1861. These regions have maintained some political
autonomy and are roughly the equivalent of American states. The current political structure in Italy also includes provincial governments, similar to counties in the United States. Municipalities or comuni are the most localized geographic boundary with political representation. This is an important cultural boundary in Italy, where many people believe the strongest sense of loyalty is to their municipality’s “bell tower,” a concept known as campanilimso (Hale 2006). Today, Italy’s tradition of distinct local identities is manifest in the culture, politics, food and language of its cities. Additionally, the centrality of city life in prosperous periods of Italian history led to patronage of the arts and architecture, resulting in a variety of visible histories that have become iconic symbols of cultural tourism internationally.

These cities vary across a number of factors that will be significant in this research. Milan, Venice, Florence and Rome represent four of the top seven largest urban populations in Italy, and are the most touristed destinations in the country. Throughout history, the four cities have varied in industry location, concentration and specialization.

Geographic Location

Economic development in Italy has occurred unevenly throughout the country since the economic boom following World War II. Italy is a peninsula in the Mediterranean Sea, extending from the Alps in the north to just northeast of the coast of Tunisia at its most southern point. The country is made up of twenty independent regions, two of which are the islands of Sardinia and Sicily off the country’s southwest coast. Southern Italy, also known as the “Mezzogiorno,” spans from just south of Rome to Sicily.

Southern Italy has remained agricultural and lags economically behind the industrialized north. Tourism in Italy has grown from the northeast regions across the country to the west and then south. This has resulted in a less-developed, service-oriented tourism sector in southern Italy (Lazzeretti and Capone 2009). All four provinces studied in this thesis are in the “northern” or “central” parts of Italy. According to the Italian National Institute of Statistics (ISTAT), Milan is in the northwest territory, Venice is in the northeast territory, and Florence and Rome are in the central territory. Rome is the farthest south of the four provinces studied.

This research will examine the how tourism relates to quality of life, a concept that is intrinsically linked to geographic location in Italy. Quality of life in northern Italy differs greatly from quality of life in the southern part of the country. Italy south of Rome lacks physical and social connectivity to the industrialized north (Lazzeretti and Capone 2008). Economic development of this territory has lagged since the country’s unification in 1861, resulting in a dualism in quality of life. This was further exacerbated following the country’s post-World War II economic boom. Political corruption and mismanagement, as well as protectionist policies of northern industry, have contributed
to territorial disparity (Gagliardi and Percoco 2011). Figures 2 and 3 demonstrate this imbalance through the reported household income by quintile and unemployment rates. Southern Italy and the Islands have higher rates of unemployment (13.6) and a greater percentage of the population in the 20th percentile.

Figure 2. Territorial Household Income by Quintile (2011)

Figure 3. Territorial Unemployment Rate (2011)

This thesis analyzes provinces in the northern and central territories, but some quality of life disparity is expected based on their north-south location on the Italian peninsula. Milan and Venice are located in Northern territories (northwestern and northeastern respectively). Florence and Milan are located in central Italy, however, the
province of Rome is located at the border of central and southern Italy (see Appendix Figure 1). When divided territorially, northern Italy recorded the lowest unemployment rate in 2011. Territorial averages increase as one moves south. As a result, the unemployment rates reported here likely reflect higher rates in the southern part of the country.

All four cities are located in northern or central territories, so it is likely that all will have quality of life indicators at or above the national averages. Rome’s relative location may cause lower quality of life according to the measures studied. A number of policies have been put in place to improve the geographic disparity and some see tourism as an opportunity to spur economic development in the lagging south (Lazzeretti and Capone 2009).

Population Size

The four most heavily touristed cities in Italy fall into two distinct categories according to their resident population. Milan and Rome are the largest provinces in the country and both have over 1 million inhabitants in their capital municipalities. Venice and Florence are smaller provinces with fewer than 1 million inhabitants each and populations below 400,000 in the capital municipalities.

Table 1. Residential Population at the Provincial and Municipal Level (2011)

<table>
<thead>
<tr>
<th>Province</th>
<th>Residential Population</th>
<th>Municipality</th>
<th>Residential Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milan</td>
<td>3,906,726</td>
<td>Milan</td>
<td>1,242,123</td>
</tr>
<tr>
<td>Venice</td>
<td>844,606</td>
<td>Venice</td>
<td>261,362</td>
</tr>
<tr>
<td>Florence</td>
<td>977,088</td>
<td>Florence</td>
<td>358,079</td>
</tr>
<tr>
<td>Rome</td>
<td>4,061,543</td>
<td>Rome</td>
<td>2,617,175</td>
</tr>
</tbody>
</table>

Data source: ISTAT Population Census "Dataset: Residential Population on January 1 by sex, province and year" 2008-2013

Rome and Milan are significant for the larger function of the Italian national economy. Rome is the seat of the Italian government and Milan is an important node in the industrial north. Both cities are home to important national organizations, institutions and enterprises that significantly impact the Italian economy as a whole. On the other hand, Florence and Venice are smaller in population and host fewer major institutions and industries.

Given the smaller residential populations, Venice and Florence have a higher ratio of tourists to residents than Milan and Rome (see Figure 4). In 2011 the average ratio in Italy was 1.75 tourists to residents. Every city included in this study exceeds that ratio. Venice has the highest tourist to resident ratio and Milan has the lowest. Florence is second highest and Rome follows. The relationship between city size and the effect of
tourism concentration on quality of life is an important consideration, as it is possible that smaller cities experience the concentration of the tourism industry in a way that leads to a lower quality of life for citizens, as the local economy becomes dominated by one industry that relies on seasonal visitors and serves people who are not residents.

Figure 4. Ratio of Tourists to Residents (2011)

Data Source: ISTAT 2011 Population and Housing Census

The following section will review the background of the four provinces. These cities will be presented according to ISTAT’s organizational system, in order of their territorial location from farthest north to farthest south. As such, the order will be: Milan, Venice, Florence, Rome.

Milan

The province of Milan is located in the northwestern Lombardy region and is home to approximately 3.2 million inhabitants in its 134 municipalities. The city of Milan, capital of the surrounding Lombardy region, is the second largest city in Italy with 1.3 million people (ISTAT 2011). Over its nearly 2,500 year history, Milan has experienced significant periods that have formed it as the center of commerce, culture, politics, and industry in Italy. Founded as an early Celtic settlement, Milan emerged as the capital of the Western Roman Empire during the 4th and 5th centuries. After a period of foreign
governance, the local Visconti and Sforza families established a municipal dukedom that was responsible for the patronage of some of the city’s most famous works of art including the Gothic Duomo (UNESCO 2014). Reconstructed after significant damage following World War II, Milan reemerged as the center of design and industry. Milan is home to numerous universities and approximately 185,000 students, helping to maintain an active synergy between its design, engineering and industrial strengths. Today Milan is considered Italy’s economic center, and is one of the country’s best examples of the successful blend of modern design and cultural heritage. Milan is the center of Italy’s finance, design, automotive, publishing, and television and media industries.

As an international center of the fashion industry, Milan brings many tourists to the city for shopping and trade shows. The church Santa Maria delle Grazie, which hosts Leonardo Da Vinci’s Last Supper, is Milan’s only UNESCO World Heritage site. Other major attractions in the city are shown in Table 1.

Table 1. Top Attractions in Milan

<table>
<thead>
<tr>
<th>Site</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duomo di Milano</td>
<td>Church/Religious Institution</td>
</tr>
<tr>
<td>Galleria Vittorio Emmanuele II - Ottagono</td>
<td>Shopping Center</td>
</tr>
<tr>
<td>Sforza Castle</td>
<td>Museum</td>
</tr>
<tr>
<td>Basilica di Sant'Ambrogio</td>
<td>Church/Religious Institution</td>
</tr>
<tr>
<td>La Scala</td>
<td>Theater</td>
</tr>
</tbody>
</table>

Data Source: www.tourism.milan.it, accessed March, 2015

**Venice**

The province of Venice is located in the northeastern Veneto region and has a population of 863,133 people in its 24 municipalities (ISTAT 2011). The municipality of Venice has 265,060 inhabitants, and is comprised of over 100 small islands separated by canals in the Venice Lagoon (Comune di Venezia, 2012). Populated since the period of the Roman Empire, Venice grew as an important commercial port under the regional kingdom of Lombardy until gaining independence by the 7th century and establishing itself as an independent republic. The Republic of
Venice grew as a Mediterranean maritime power in the 10th century, encompassing numerous port cities in the eastern Mediterranean in addition to territories on the Italian peninsula. The city of Venice was the political, cultural and economic center of the Republic and served as seat of the Republic’s dukedom until 1797 (Buchan 1923). During this period, the city of Venice and its surrounding lagoon became a center for bulk imports of grain, silk, and spices after establishing extensive trade routes. Its regional dominance afforded significant cultural development. Throughout the period of its republic, Venice cultivated a tradition of art and artisan craftsmanship, including local expertise in trades and industries complementary to shipbuilding. By the 14th century the wealth generated through trade, raw materials and industry was also invested in patronage of the arts. During the Renaissance period, Venetian art blended Gothic and Classical styles, creating the iconic architectural citiescape which attracts millions of tourists today (UNESCO 2012).

Following the decline of the Republic of Venice and the unification of Italy in 1861, Venice has become synonymous with tourism. Since the decline of the Republic of Venice, the city and its surrounding lagoon have survived almost exclusively as a tourist attraction according to the local government’s 2014 report on tourism (Miraglia 2014). The city is renowned for its natural and architectural beauty, making it one of the most desirable tourist destinations in the world. However, Venice has struggled with tourism. In the same annual report, the city government questioned the ability of tourism to contribute to the well-being of the city and cited litter, crowding of important public spaces and increased prices for daily goods as some of the most pressing issues (Miraglia 2014). Apart from tourism, some of the main industries in Venice are chemical, gas and energy processing as well as materials engineering including iron and steel.

UNESCO lists Venice and its lagoon as a world heritage site. Among the most significant tourist attractions in Venice are a number of important festivals including its Carnival, the International Film Festival in August and the Biennale Art Exhibition. In addition to its many open-air attractions, ticketed sites in Venice also attract tourists. The city’s local tourism promotion agency lists the following five places for art and culture as those “not to be missed” (see Table 2).
Table 2. Top Attractions in Venice

<table>
<thead>
<tr>
<th>Site</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Mark’s Basilica</td>
<td>Church/Religious Institution</td>
</tr>
<tr>
<td>Santa Maria Gloriosa dei Frari Basilica</td>
<td>Church/Religious Institution</td>
</tr>
<tr>
<td>Museo Civico Correr</td>
<td>Museum</td>
</tr>
<tr>
<td>Doge’s Palace</td>
<td>Museum</td>
</tr>
<tr>
<td>Rialto Bridge</td>
<td>Outdoor location</td>
</tr>
</tbody>
</table>


*Florence*

The province of Florence is located in the central region of Tuscany. The province is nestled in the Arno Valley of the Apennine hills of central Italy and includes 44 municipalities, with a total population of 998,098 (ISTAT 2011). The municipality of Florence has 377,207 residents and is the capital city of the Tuscan region. Florence, today, is widely recognized as a symbol of the Italian Renaissance and originated as an Etruscan settlement that was conquered and governed as a Roman city until the empire’s collapse in the 8th century. In the Middle Ages, Florence emerged as a center for banking and commerce. As the region accumulated wealth, patronage of the arts from local families helped Florence establish itself as a cultural center at the advent of the Renaissance (Fei 1995). During this period, Florentine artists produced many of the city’s defining architectural and artistic elements that attract tourists today.

By the 17th century, the city’s urban form was fully articulated. Florence changed little until its brief reign as the Italian capital following unification in the mid-19th century. The city has faced a number of challenges since industrialization; tourism during this period has been both a source of economic growth and a threat to the city’s environment. UNESCO declared the city a world heritage site in 1982 and Florence is now eponymous with its celebrated renaissance art. Famous sculpture, paintings, frescoes and tombs,
many of which were funded by the major patrons who commissioned the palazzos and churches that house them, form a major part of the touristic draw. Today, major industries in Florence include textiles, metalwork and pharmaceuticals.

The Tourism Agency of Florence (APT) lists a number of major open-air tourist sites as attractions for visitors to the city. These include the Ponte Vecchio and Piazza della Signoria, with its Palazzo Vecchio, the Fountain of Neptune, and the Loggia della Signoria in addition to ticketed attractions (See Table 3.)

Table 3. Top Attractions in Florence

<table>
<thead>
<tr>
<th>Site</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Il Duomo, Baptistery, Giotto’s Tower</td>
<td>Church/ Religious institution</td>
</tr>
<tr>
<td>Uffizi Gallery</td>
<td>Museum</td>
</tr>
<tr>
<td>Accademia</td>
<td>Museum</td>
</tr>
<tr>
<td>Basilica di Santa Croce</td>
<td>Church/ Religious institution</td>
</tr>
<tr>
<td>Palazzo Pitti</td>
<td>Palace</td>
</tr>
</tbody>
</table>

Data Source: Tourism Agency of Florence Agenzia per Turismo (APT) http://www.afirenze.info/visitare-firenze accessed March 2015

**Rome**

The capital of its surrounding region of Lazio and the Republic of Italy, Rome has been an innovative political and artistic hub since the founding of the Roman Empire in 753 BC. The Roman Empire officially remained until the 8th century AD, despite stagnation in the late empire and early medieval periods. Rome, however, resurfaced as an important political and cultural center. The wealth and political significance built during the height of the Empire continuously generated work opportunities, drawing artists from all over the Italian peninsula. As a result, Rome is an amalgam of some of Italy’s most significant periods, which has led to its moniker, “the Eternal City”. Today Rome is the seat of the country’s parliament. It is Italy’s largest city and the fourth largest city in the European Union with a population of
2.6 million people. The province of Rome includes 27 municipalities and has a total population of 4.3 million people (ISTAT 2011).

Vatican City, an independent city-state and home to the Roman Catholic Church, is located inside the city’s boundaries and attracts millions of pilgrims to St. Peter’s Basilica and its museums. The city also hosts sites of interest from nearly every major period of Italian history. During the fascist period, Rome was reinvented as a symbol of Italy’s legacy to imperial greatness, inspiring a large restoration of major monuments. The city grew significantly with many additions to its existing physical form. As the center for subsequent significant post-war growth, Rome cemented its tourist destination status (Provincia di Roma 2014). In 1990, UNESCO recognized the historic center of Rome and Vatican City as world heritage sites (UNESCO 2012).

Rome is the seat of the Italian national government, and is also home to the country’s film industry. Other major industries located in Rome include a host of service industries such as telecommunications, aerospace and defense.

The ruins of ancient Rome are scattered throughout the historic center and form a tourist itinerary that is part of the city’s open-air appeal. The city’s famous piazzas also contribute to a network of inter-connected open spaces. Table 4 displays the official tourism website of Rome’s listing of the following as attractions “not to be missed”.

Table 4. Top Attractions in Rome

<table>
<thead>
<tr>
<th>Site</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coliseum and the Fora</td>
<td>Ancient Ruins/Museum</td>
</tr>
<tr>
<td>Vatican Museums and St. Peter’s Basilica</td>
<td>Museum, Church/Religious Institution</td>
</tr>
<tr>
<td>Pantheon</td>
<td>Church/Ancient Ruins</td>
</tr>
<tr>
<td>Villa Borghese Gallery</td>
<td>Museum</td>
</tr>
<tr>
<td>Capitoline Museums</td>
<td>Museum</td>
</tr>
</tbody>
</table>

Data Source: Rome Tourism Turismo Roma: Sito Turistico Ufficiale. “Da non perdere”
http://www.turismoroma.it/itinerari/da_non_perdere accessed March 2015

These four cities comprise the most visited destinations in Italy, but vary across a number of important factors from regional history and cultural tradition to industrial and political concentration. Accounting for industrial, geographic and population differences will be a significant aim of this thesis when quantifying the dialectical relationship between tourism promotion and its consequences based on the role of industry heterogeneity in determining quality of life.
Literature Review

Economic Impacts of Tourism

Tourism is a growing industry in the world’s economy. In Italy, the arrival of millions of tourists annually has shifted the landscape of industry in the regional economies of heavily touristed art cities. However, the value of tourism to the receiving economy has been disputed (Massidda and Mattana 2013). In the tourism sector, hotels, transit services and recreation industries grow together. Due to its potential contribution to economic growth, tourism has been the subject of significant study. In order to determine the connection between tourism industry concentration and its effect on residents’ quality of life, this thesis will review literature on techniques for measuring tourism, the social impacts of tourism, sustainable management practices and the effect of industrial diversification on regional economic development.

Measuring Tourism

Tourism is a service defined by consumer demand, making it a complex sector to analyze. As multinational institutions began to recognize the potential value of tourism to economic growth in the 1970s, it was necessary to establish a means of analyzing the economic contributions of an industry that is a series of sectors connected by tourist demand.

Researchers have made a number of attempts to group economic inputs for analysis, including the Tourism Satellite Account (TSA), an approach formed by the World Travel and Tourism Council and recognized by the United Nations in 1999. The TSA produces a systematic evaluation of the economic and social impacts of tourism. Smith (2000) stated that the TSA’s success in analyzing the tourism industry lies in its identification of statistics that represent both supply and demand.

The first Tourism Satellite Account for Italy was conducted in 2010, published in 2012, and ranked the country internationally based on expenditure and revenue for industries related to tourism. The 2010 TSA for Italy calculated the value of tourist sector income by aggregating data from the following industry sectors: travel agencies, tour operators and other services; hotels; air transport; railway transport; water transport; road transport; food and beverage; sport and recreational services; country-specific and non specific characteristic goods; second homes; cultural services; and transport equipment rental (ISTAT 2012). Italy’s TSA reported internal tourism consumption amounted to €114 billion (US$154.07 billion). This expenditure was derived from 44.8% Italian tourism, 25.7% international tourism and 30.1% of the use of second homes for vacation.

3 All conversions were done for March 2015 at €1 = $1.09
The value-added produced by tourism-related industries was €82.8 million (US$90.48 million).

In addition to TSAs, researchers have used a number of other quantitative models to analyze the relationship between tourism and economic growth. In a survey of 117 countries, Sanchez-Rivero (2013) used Computable General Equilibrium (CGE) to find that tourism promoted economic growth and development only in countries with the lowest rankings in economic development. Calling upon Dwyer’s (2004) input-output study using CGE analysis, this study indicated that tourism does not automatically lead to economic growth. As Dwyer (2004) indicated, there are limitations to the TSA approach including its lack of timeliness and inconsistent use. Tourism Satellite Accounts only exist for 24 nations and, for the most part, this analysis is only performed at the national level.

Further analysis of the correlation between tourism and economic growth has centered around the “Tourism Led Growth Hypothesis” (TLGH). Cortés-Jiménez and Pulina (2006) conducted a seminal study in this field by using cointegration techniques and the Granger Causality test to determine if one time-series can be used to forecast another. The results of their study of Spain and Italy yielded mixed results, finding that while exports cause growth in the long-run for both countries, only Spain experienced long-run growth as a result of tourism. In their analysis of South Tyrol, Italy, using the Granger Causality test, Brida and Risso (2009) found that tourism positively affects economic growth, but economic growth does not affect tourism. Similar methodologies have resulted in findings that positively correlate tourism and economic growth, including Balaguer and Cantavella-Jorda (2002) in Spain, Dritsakis (2004) in Greece and Gunduz and Hatemi-J (2005) in Turkey. Conversely, a number of studies have used similar analysis and yielded different results. Katircioglu (2008) analyzed the relationship between economic growth and tourism in Turkey. His research rejected the TLGH, despite earlier research by Gunduz and Hatemi-J (2005), which found bidirectional causality in the Turkish economy. Similar to Katircioglu (2009), Oh (2005) also found that tourism expansion has not led to South Korea’s economic growth. Lack of consensus on the issue of the economic impact of tourism is the result of the diversity of measures and its relationship to other sectors.

*Tourism and its Social Impacts*

The United Nations World Tourism Organization ranked Italy 5th as a tourist destination, accounting for 4.5% of the world’s tourism flow in 2007, but only ranked 173 out of 176 in mid-year growth rates (WTTC 2007). Bernini and Guizzardi (2010) use this disparity to argue that tourism is a labor-intensive sector in Italy that does not proportionately contribute to national GDP. This critique of tourism as a means of economic development also alludes to the tourism industry’s effect on quality of life in
tourist destinations. According to those who support tourism as a means of spurring economic growth, the industry’s connection to international trade (Massidda and Mattana 2010) and its emphasis on local infrastructure investments help tourist destinations develop (Brida and Risso 2009; Bernini and Guizzardi 2009). Brida and Risso (2009) emphasize the effects of tourism in generating employment and increased income as well as a number of benefits associated with agglomeration theory including knowledge spillover, positive economies of scale and research and development stimulus. Bernini and Guizzardi (2009) argue that art cities have more consistent flows of international tourism and, as a result, they are more capable of handling the demands of tourism.

However, a number of studies have cited important concerns regarding the impact of tourist industry concentration on quality of life for residents, particularly in historic cities. Ashworth (1990) argues that concerns over cultural heritage conservation include obsessive preservation of cities to the point of making them incapable of change and unsupportive of modern lifestyles. The author states, "History has become heritage, heritage has become an urban resource, and this resource supplies a major 'history/heritage industry', which shapes not merely the form but the functioning and purpose of the 'commodified' city" (P. 2). Popp (2011) echoes this assertion in her exploration of the consequences of overcrowding in historic cities using Florence as a case study. She finds that negative over-crowding and positive "good crowding" are both present in the experience of the urban tourist. In her study, negative over-crowding is more common along "beaten path" uses. Commentators cited excursionists and tour groups as main culprits in overcrowding and in a number of cases noted total displacement of businesses and residents. These findings refer back on Russo's (2001) concept of the vicious circle, and suggest that tourism can have negative effects on the built environment in historic cities as well as the daily life of residents (Popp 2011).

**Sustainable Tourism Management**

The literature on the tourism industry has also focused on finding a means of managing sustainability in order to extract maximum economic benefit without compromising a destination’s integrity (Maitland 2005; Borg, Costa and Gotti 1996). Borg, Costa and Gotti (1996) note that tourism services are comprised of many components that require coordination by local governments and cooperation with private enterprises. In order to promote sustainable tourism practices in art cities, it is necessary to support cooperative efforts between the public and private sectors (Borg, Costa and Gotti 1996).

Studying competition and productivity in the hotel industry in Italy, Bernini and Guizzardi (2009) found that as enterprises became larger, increasing investment in fixed assets was less profitable than increasing investment in human capital. This argues for expansion through mergers among small and medium enterprises. This discussion
extends beyond hotel enterprises through the authors' argument for implementing policy to form networks among tourism industry businesses in Italian destinations. Art cities (as well as seaside destinations) are examples of the positive effects of associative agencies and tourism networks in supporting hotel firm efficiencies (Bernini and Guizzardi 2009).

**Industrial Diversification and Regional Development**

Cultural tourism is an inherently localized activity, lending itself to analysis through theories of industry agglomeration. Following Marshall’s (1920) theory of the benefits of agglomeration, authors have analyzed industry clusters’ ability to lead to increasing returns to scale. Krugman (1993) and Ellison and Glaeser (1997) affirmed Marshall’s argument that decreased transportation costs, increased access to skilled labor, and knowledge spillovers lead to increasing returns to scale, bringing economic prosperity for the host regional economy. However, homogeneity associated with localized industrial clusters can have negative effects on regional economies. Potter and Watts (2011) returned to Marshall’s original work to analyze the life cycle of agglomeration concluding that, over time, agglomeration can lead to decreasing returns to scale and lower quality of life for citizens. These contrasting findings have fueled the debate over the value of localizing firms in a globalizing economy.

The literature on industry agglomeration diverges in its geographic focus. Some authors have examined a region’s economy and the number of industries in a particular location, while others have analyzed the location of industries globally. While the majority of literature on industry clustering relates to manufacturing, there is a growing body of work for service sectors. Jackson and Murphy (2006) studied industry clustering by applying Porter’s analysis of industry location and competitiveness through the “Diamond Model” to the case of agglomeration in the tourism sector in regional Australia. They proposed that business clusters could improve Australian regions’ ability to promote competition in the tourism sector. They found that business clustering could be effective provided the region had a variety of industrial sectors and market segments as well as “appropriate levels of social capital” including strong local leadership. Beyond their findings, this study established a precedent for applying the theory of agglomeration economics to the tourism industry.

The literature exploring the intersection of tourism and agglomeration economics also includes Chan, Lin, & Wang’s (2012) analysis of Taiwan’s travel and tourism industry, which found that agglomeration enhanced competition in tourism-related industry and improved labor productivity, but was less effective in employment creation than if it followed a uniform national distribution. Novelli, Schmitz and Spencer (2005) similarly found that there is potential for a network and cluster framework of small and medium enterprises (SMEs) to improve operations and competition in the tourism industry. Clusters differ from the traditional theoretical framework of agglomeration...
(Marshall 1920) in terms of scale and structure. Michael (2003) applied this framework to the tourism context, finding that clusters enable small businesses to compete globally by working together locally. Novelli, Schmitz and Spencer (2005) argued that this is an important concept in the tourism industry and has the potential to benefit small and medium enterprises (SMEs) through increased flexibility, knowledge spillover and shared market intelligence. According to this logic, clusters encourage co-located, complementary firms to engage in strategic alliances that share knowledge, resources and technologies. Clusters of SMEs in the tourism industry thus highlight the value of a destination by enhancing cooperation of SMEs in order to build a successful tourism product in the locality. The promotion of clusters, according to Novelli, Schmitz and Spencer (2005) encourages the beneficial combination of services and products for an improved tourist experience. Clustering of SMEs diagonally across related sectors can not only improve the business function of the destination but also the tourist experience by influencing businesses' willingness to cooperate to form trust, ties and social capital (Novelli, Schmitz and Spencer 2005).

Lazzeretti and Capone (2008) apply the industrial district approach to the tourism industry, introducing the concept of the tourist district by using the location quotient to determine the agglomeration of tourism industry. The authors employ an analysis of local tourist systems based on workers' commutes. This geographic boundary aggregates municipalities associated with tourist districts, thus crossing political boundaries such as province and region. The authors found that Milan, Venice Florence and Rome were four of the top six growing tourist systems in Italy. According to their analysis, well-performing tourist systems generate a spillover effect and increase tourism concentration in adjacent areas.

Zeng and Zhu (2011) analyze the connection between tourism and industrial agglomeration through a general equilibrium analysis. The results of this study suggest that tourism has varying effects on industrialization. While benefits include attracting manufacturing firms due to increased income generated by tourists, the authors observed differing effects on labor. Related to Zeng and Zhu’s (2011) study is the work of defining co-agglomeration. In an analysis of the causes of agglomeration, regional economists (Ellison, Glaeser and Kerr, 2007) observed co-agglomeration when industry clustering supports co-localization and growth of related industries in the same regional economy.

By nature, tourism-oriented businesses will co-locate geographically. The concentration of these businesses may have significant consequences for the quality of life of residents in tourist destinations. Overall, a body of research argues for the economic benefit of tourist destinations through agglomeration and clustering in the tourism industry (Michael 2003; Novelli, Schmitz and Spencer 2005). However, agglomeration has also arguably had negative long-term effects on the vitality of regional economies (Potter and Watts 2011; Zeng and Zhu 2011). Existing literature on the negative social effects of tourism on host regions (Ashworth 1990; Borg, Costa and Gotti
1996; Massidda and Mattana 2012; Popp 2011) indicate the necessity for policy makers to consider the social externalities of a tourism-focused approach to economic development.

**Methodology**

*Study Areas by Level of Geography*

This thesis will study the effects of the concentration of tourism in the provincial economy on Italy’s four most popular tourist destinations: Milan, Venice, Florence and Rome. In Italy’s census, these four cities are characterized as *comuni* or municipalities. Each city is located in a province of the same name. These provinces are roughly equivalent politically to counties in the United States. The responsibility of the province as a governing body is to connect its constituents, services and infrastructure to the municipal, regional and national governments (www.provincia.roma.it, accessed March 2015). Provinces are then aggregated regionally; each city studied is in a different one of Italy’s 20 regions. This thesis examines indicators of tourism concentration and quality of life at the provincial level, except for household assessment of change in economic situation, where data are only available regionally.

Table 5. Regional, Provincial and Municipal Populations (2011)

<table>
<thead>
<tr>
<th>Region</th>
<th>Province</th>
<th>Municipality</th>
<th>Total Number of Municipalities in Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lombardy</td>
<td>Milan 9,917,714</td>
<td>Milan 3,906,726</td>
<td>Milan 1,242,123</td>
</tr>
<tr>
<td></td>
<td>Veneto 4,937,854</td>
<td>Venice 844,606</td>
<td>Venice 261,362</td>
</tr>
<tr>
<td>Tuscany</td>
<td>Florence 3,749,813</td>
<td>Florence 977,088</td>
<td>Florence 358,079</td>
</tr>
<tr>
<td>Lazio</td>
<td>Rome 5,723,688</td>
<td>Rome 4,061,543</td>
<td>Rome 2,617,175</td>
</tr>
</tbody>
</table>

Data Source: ISTAT 2011 Population and Housing Census

The provinces Milan and Rome contain the largest percentage of their regions’ populations – 39% and 70% respectively - and also include many more municipalities in their geographic boundaries than Florence and Venice.

In order to determine the impact of tourism on local economies, I examined the impact of tourism on the province through the share of tourism industry (using industry sector data) and employment in tourism sector industries of each province. This will provide a picture of how important the tourism industry is to the provincial economy. In order to analyze the impacts this has on the quality of life of citizens in these geographic areas, rates of unemployment, percent of the population with post-secondary degree and
household assessment of change in economic situation compared to the previous year were used.

This thesis uses the number of enterprises in tourism and the number of employees in tourism enterprises to determine the level of provincial concentration. The argument that industrial agglomeration has negative consequences for regional economies would stand in the case of the tourist industry if the data show that cities with higher concentration of tourism enterprise and employment also have lower quality of life.

As part of the process of designing and completing this research, I went through the Institutional Review Boards (IRB) process at Columbia University’s Human Resource Protection Office. I completed an online human subjects protection training and submitted a protocol outlining the design and purpose of this research. The proposal was approved in January, 2015.

Research Design

The research design is a quantitative, descriptive comparative analysis of four Italian cities. It examines the role of the tourism industry in economic development and its consequences for citizens’ quality of life. In order to empirically evaluate this connection, the research uses data-sets downloaded from the online Italian National Institute of Statistics (ISTAT) into tables and charts to analyze the effect of tourism industry concentration on the quality of life in the provinces of Milan, Venice, Florence and Rome.

Evidence

Industry data from the online “data warehouse” of the Italian National Institute of Statistics (ISTAT) for Italy’s 2011 Industry and Services Census enables us to assess the geographical concentration of tourism industry enterprises and their number of employees. The number of tourist sector enterprises as a percent of total enterprises and the concentration of employment in the tourism industry describe the tourism industry’s relative weight in a provincial economy. Data regarding household assessment of change in economic situation, rates of unemployment and educational attainment serve as indicators of citizens’ quality of life.

The 2011 Industry and Services Census is a database including information on businesses and non-profit and public institutions that is divided into four sections: statistical register of active enterprises (ASIA), survey of non-profit institutions, survey of public institutions, and sample survey of businesses. This information is accessible through ISTAT’s data warehouse website: http://dati-censimentoindustriaeservizi.istat.it/. These data have a census reference date of December 31, 2011. The most relevant data for this research come from the statistical register of active enterprises (ASIA) and the survey of businesses. ASIA collects information on business and related employment and in 2011 new administrative sources were used to include more demographic information about the
employed population. The survey of businesses uses a mixed survey technique, making use of a sample survey of small and medium sized businesses (fewer than 20 employees) and a census coverage survey of large enterprises (20 or more employees). The 2011 Population and Housing Census (accessible at http://dati-censimentopopolazione.istat.it/) provides data on population, employment and unemployment and household economic situation.

Concentration in Tourism Industry Indicators

Tourism is a complex industry to analyze because it sprawls across a number of service-oriented sectors. In order to quantify the effect of tourism industry concentration, this thesis follows the methodology of Italy’s Tourism Satellite Account (ISTAT 2012) and Lazzeretti and Capone’s (2008) “tourism filiere” in choosing categories from the Statistical Classification of Economic Activities in the European Community (NACE). Based on these models, this thesis uses the sectors in Table 6:

Table 6. Tourism Related Industries by NACE 2007 Category

<table>
<thead>
<tr>
<th>NACE 2007 Category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H49.1</strong> - Passenger rail transport, interurban</td>
</tr>
<tr>
<td><strong>H49.3</strong> - Other passenger land transport</td>
</tr>
<tr>
<td><strong>H50.1</strong> - Sea and coastal passenger water transport</td>
</tr>
<tr>
<td><strong>H50.3</strong> - Inland passenger water transport</td>
</tr>
<tr>
<td><strong>H51.1</strong> - Passenger air transport</td>
</tr>
<tr>
<td><strong>I</strong> - Accommodation and food service activities</td>
</tr>
<tr>
<td><strong>L</strong> - Real estate activities</td>
</tr>
<tr>
<td><strong>N77.1</strong>.1 - Renting and leasing of cars and light motor vehicles</td>
</tr>
<tr>
<td><strong>N77.2</strong> - Renting and leasing of personal and household goods</td>
</tr>
<tr>
<td><strong>N79</strong> - Travel agency, tour operator and other reservation service and related activities</td>
</tr>
<tr>
<td><strong>N82.3</strong> - Organization of conventions and trade shows</td>
</tr>
<tr>
<td><strong>R</strong> - Arts, entertainment and recreation</td>
</tr>
</tbody>
</table>

Using these NACE 2007 categories, the number of enterprises in the tourism industry was divided by the total number of enterprises at the provincial level. The same process was taken for the number of employees in these enterprises. Users and customers of these businesses are not all tourists and I did not attempt to determine the share of users who are tourists.

Quality of Life Measures

This thesis examines quality of life at the provincial level through three measures: unemployment rate, percentage of the population with a post-secondary degree and household assessment of change in economic situation from the previous year. The
following quality of life indicators reflect the economic climate in the study area while also giving a basic sense for how enterprise and employment in the tourism industry affect the daily lives of local residents.

The unemployment rate assesses the effect of the concentration of the tourism industry on the number of people in the province who are unable to find employment. As a basic means of determining quality of life, the unemployment rate is important in understanding how well-matched the job market is to the need for employment. In cases where unemployment rates are comparatively high, this may indicate a lower quality of life, and with the concentration of tourism employment, may suggest a connection between the two.

The level of educational achievement as measured by the percentage of the population with a post-secondary degree (university or higher) also assesses the level of disparity between the supply and demand for jobs in each province. In the case of high rates of post-secondary degree attainment, quality of life may be higher due to greater economic stability of students without income during their education. Cities with higher educational attainment are more likely to attract high paying businesses. The tourism sector is notorious for low-wage jobs which require little education.

Though ISTAT collects data on household income at the national level, this information is unavailable for the studied provinces. However, at the regional level, the quality of life indicator “Household Assessment of Economic Situation Compared to Previous Year” is available for 2011 (http://dati.istat.it/, accessed March, 2015). The indicator comes from the sample survey "Aspects of daily life" and is a part of an integrated system of social surveys - The Multipurpose Surveys on Household. This survey collects data on topics useful to study the quality of life including the degree of satisfaction of respondents’ conditions, economic situation, the area in which they live, and the functioning of all public utility services. It prompts households to choose “much or little improved”, “the same”, “a bit worse”, or “much worse”. These data were aggregated into two categories “positive response” (much or little improved and the same) and “negative response” (a bit worse or much worse). This indicator provides a means of comparing the level of tourism concentration and the regional assessment of household economic situation. For areas with higher percentage positive responses, it is assumed that the quality of life is higher.

Findings

Analyzing and interpreting the evidence

The following data are presented in a series of tables and graphs that illustrate the effects the tourism industry’s provincial concentration has on the quality of life in the same geographic area. The following sections assess the comparison between these measures, beginning first with the relationship between employment in tourism industry
enterprise and quality of life, followed by the comparison between the number of enterprises in the tourism industry and quality of life measures using graphs to demonstrate trends across the four provinces studied. This provides a basis for understanding the impact of tourism on local quality of life for residents. These data are compared to concentration and quality of life measures at the national level as a means of evaluating their relative weight.

Figure 5 shows the level of tourism industry concentration in Milan, Venice, Florence and Rome. The indicators used are percentage of enterprises in tourism related sectors and percentage of the total workforce employed in these enterprises. In both indicators, Venice has the highest tourism industry concentration, and Rome has the lowest. Milan has the second highest percentage of enterprises in the tourism industry, but Florence exceeds Milan in concentration of employees in these enterprises.

Figure 5. Tourism Concentration: Percentage of Employment and Enterprises in the Tourism Industry (2011)

Data Source: ISTAT 2011 Industry and Trade Census

There is a correlation between the two concentration measures for the tourism industry. In every city but Rome, the concentration of tourism enterprises is higher than the tourism employment concentration. Cities with greater tourism concentrations have a higher quality of life according to: unemployment rates and household assessment of change in economic situation. Cities with higher concentrations of tourism industry enterprises have lower rates of unemployment and higher percentages of the population which assess their economic situation as the same or improved from the previous year. However, these cities also consistently report lower percentages of the population with post-secondary degrees. Venice and Milan, the cities with the highest concentrations in
tourism industry enterprise, have populations with lower percentage of people with post-secondary degrees than the national average.

When comparing the concentration of workforce employed in tourism enterprises in Venice and Rome, the same trends hold. However, Milan has a lower rate of tourism employment concentration than Florence, causing an inconsistency with the concentration of enterprise.

Table 7. Comparison of Concentration and Quality of Life Measures (2011)

<table>
<thead>
<tr>
<th>Concentration Measures</th>
<th>Quality of Life Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment in Tourism (%)</strong></td>
<td><strong>Enterprises in Tourism (%)</strong></td>
</tr>
<tr>
<td>Milan</td>
<td>11.4</td>
</tr>
<tr>
<td>Venice</td>
<td>18</td>
</tr>
<tr>
<td>Florence</td>
<td>13.3</td>
</tr>
<tr>
<td>Rome</td>
<td>6.5</td>
</tr>
<tr>
<td>Italy</td>
<td>12.1</td>
</tr>
</tbody>
</table>

Data Sources: ISTAT Industry and Trade Census, Housing and Population Census (2011)

**Concentration of Employment in Tourism and Quality of Life Measures**

**Employment in Tourism and the Unemployment Rate**

In Florence and Venice, employment in tourism is higher than the national percentage (12.1). In Venice, where tourism employment is most heavily concentrated (18 percent of total employment), the unemployment rate is the lowest in the cities studied (5.38 percent) and falls below the national rate of unemployment (8.41 percent). Florence, the city with the next highest rate of tourism employment concentration, is above the national average with 13.3 percent of employees working in tourist sector enterprises. The unemployment rate in Florence is the second lowest of the areas studied at 6.0 percent.

Milan has the second lowest concentration of tourism employment, falling below the national average at 11.4 percent of employees working in tourism enterprises. The unemployment rate in Milan is 6.0 percent, which is the second lowest in the four cities studied. Rome has the lowest concentration of employment in the cities studied with only 6.5 percent of workers employed in the tourism industry, however Rome also has the highest rate of unemployment and is the only city with an unemployment rate that exceeds the national average.
Venice and Rome represent the two poles in these indicators. Rome has the highest unemployment and the lowest concentration of tourism employment while Venice has the lowest unemployment rate and the highest concentration of tourism employment. This could indicate that the higher rates in tourism employment are related to lower overall rates of unemployment, meaning that the concentration of the tourism industry in this case has a positive effect on the quality of life. However, data from Milan and Florence do not support this claim. Florence has a higher concentration of tourism employment than Milan, but it also has a higher unemployment rate.

This indicator does not show a higher overall quality of life in larger cities than smaller ones, but it does support a higher concentration of tourism in smaller cities Venice and Florence.

Tourism Employment and the Population with Post-Secondary Degree

Venice has the highest concentration of tourism employment and the lowest percentage of the population with post-secondary degree (15.0 percent). Rome, the only city with a percentage of the population with a post-secondary degree (21.0) higher than the national average (17.9) also has the lowest concentration of employment in tourism. Milan has the second lowest percentage of the population with post-secondary degree (17.5), but also has the second lowest concentration of tourism employment, while Florence has a greater concentration of tourism employment and a correspondingly higher percentage of the population with a post-secondary degree (18.9).

Tourism Employment and Household Assessment of Change in Economic Situation

Venice and Rome follow the same trend; they represent opposite limits of the data in household assessment of change in economic situation. In Venice, the city with the highest concentration of tourism employment, the highest percentage of households reports a positive change (improved or stayed the same) in their household economic situation (65.5). Rome, the city with the lowest employment concentration in tourism industry has the lowest percentage of positive change in the household economic situation reported (56.8).

Concentration of Enterprise in Tourism and Quality of Life Measures

Enterprises in Tourism and the Unemployment Rate

Milan, Venice and Florence all have higher concentrations of tourism enterprises than Italy as a whole (14.6 percent). Venice has the highest concentration of enterprises in tourism industries of the four cities studied (20.4 percent).
As Figure 6 shows, the concentration of tourism enterprise in these four cities is inversely related to the unemployment rate. Venice has the highest concentration of tourism enterprises (20.5) and the lowest unemployment rate. Rome is the only city with a concentration in tourism enterprise lower than the national average and is also the only city with an unemployment rate higher than the nation as a whole. In the case of tourism enterprise concentration, this finding is supported by data from Milan and Florence, cities lying in the middle of the spectrum. Venice is followed by Milan (17.3 percent) and Florence (15.0 percent) with the second and third highest concentration of tourism enterprises, as well as and the second and third lowest unemployment rates respectively.

Tourism Enterprise and the Population with Post-Secondary Degree

Cities with the highest concentration of tourism enterprise report the lowest percentage of the population with post-secondary degree. This trend is demonstrated in Figure 7 below.
Figure 7. The Concentration of Tourism and Percentage of the Population with Post-Secondary Degree

The same trend is observed in the concentration of tourism enterprise and household assessment of the change in economic situation since the previous year. The trend shows that cities with higher concentrations in tourism industry enterprise have a higher quality of life according to this indicator.

Data Source: ISTAT 2011 Industry and Trade Census, Population and Housing Census

Tourism Enterprise and Household Assessment of Change in Economic Situation

The same trend is observed in the concentration of tourism enterprise and household assessment of the change in economic situation since the previous year. The trend shows that cities with higher concentrations in tourism industry enterprise have a higher quality of life according to this indicator.
Figure 8. Household Assessment of Change in Economic Situation

Data Source: ISTAT 2011 Population and Housing Census

Limitations

This thesis presents data on tourism industry concentration and three quality of life indicators: unemployment rate, level of education, assessment of change in household economic situation. These data have a number of limitations. Access to data was a limitation of this research. The difference in the level of geography for the household assessment of change in economic situation means that this indicator includes a larger population than other indicators and as a result cannot be as directly compared.

For the tourism concentration data, the sectors studied are not exclusively used by tourists. Additionally, it is not possible to differentiate who among the users of these industry sectors is and is not a tourist. As a result, these data also account for some local demand and may overestimate the concentration of tourism in each city. The quality of life indicators present only a part of the picture. In order to better evaluate the quality of life in the top tourist destinations in Italy, it would be necessary to also include data accounting for income, health, shelter quality, crime, economic conditions, security and leisure.

Conclusions

According to the data examined in the previous section, cities with higher concentrations of employees in tourism enterprises showed higher quality of life according to two indicators: assessment of change in household economic situation and
unemployment rates than cities with lower concentration of tourism employees. With the exception of Milan, this correlation held true for the number of tourism enterprises and quality of life as well. However, the percentage of the population with post-secondary degrees had an inverse relationship to the concentration of employees in the tourism industry. This follows the logic that tourism-related employment coincides with lower levels of education and lower pay. This indicator suggests a lower quality of life in cities with greater levels of concentration in tourism industry employment.

Rome reported the highest unemployment rate and most negative assessment of change in household economic situation. Considering the disparity in quality of life between northern and southern Italy, one possible explanation for lower quality of life indicators (higher unemployment rate and higher negative assessment of change in household economic situation) is the city’s location at the border of the southern territory.

Population size in the studied provinces plays an important role in the concentration measures observed in the data presented. Larger cities are more likely to have diversified economies. The concentration of tourism employment in Venice and Florence reflects this skew.

Connected to the population size is another important consideration: the city’s specializations in other industries. Milan is the financial center of Italy, home of the stock exchange and the highest GDP per capita in the country (ISTAT 2011). Rome is the country’s political center and home of the national government. As a result, supporting institutions, businesses and interests are likely to locate in these cities with larger work forces and connections to important national institutions. On the other hand, Venice and Florence are smaller cities which do not host institutions, businesses and organizations associated with Italy at large. These cities show a greater concentration in tourism industry employment because there are fewer opportunities for workers in other industries.

This study shows that the concentration of tourism industry employment corresponds to low levels of unemployment, high levels of positive assessment of household economic situation and low levels of educational attainment. Smaller cities Venice and Florence demonstrated the highest levels of tourism industry employment and correspondingly lower levels of unemployment, negative change in household economic situation and educational attainment. Overall, the four cities studied have varying levels of employment and enterprise concentration in tourism. However, as four of the 100 most visited cities in the world, these provinces have a responsibility to promote sustainable tourism. Tourism as a means of economic development is a strategy that should be pursued, but only with consideration for its consequences on local residents.

Tourism is a strategy for economic development that relies on outsiders’ income for the benefit of locals. This leaves cities that depend on tourism susceptible to forces outside of their control. As a result, in cases where tourism is promoted as a strategy for
economic development, it is important for local policy makers to consider simultaneous strategies that protect the quality of life for citizens.

Recommendations

From this study it is evident that tourism and higher quality of life are related when measuring unemployment rates and household assessment of change in economic situation. Tourism can spur economic development and bring income to places with natural and cultural resources that can be shared. However, commodifying these resources leaves places vulnerable in a number of ways that provincial governments must consider.

1- Provincial governments should work with regional and local governments to make policies that mitigate negative externalities of tourism concentration and promote high quality of life for residents rather than relying on visitors’ investment to fund infrastructure and other basic goods and services.

2- Provincial governments should manage tourism activities to promote sustainable economic development and protect local cultural heritage by including local representatives on planning teams to ensure development projects are compatible with local communities’ needs. Planning agencies such as municipal and regional departments of city planning and transportation can also help mitigate over concentration by distributing promotional activities regionally.

Tourism as an economic development strategy preferences a managerial class. This research found an inverse correlation between the level of education and concentration of employment in tourism in the cities studied suggesting the majority of jobs in tourism industry enterprises require little education and offer lower pay.

3- Local governments should seek policies to improve the quality of employment in tourism including minimum wage control and potential partnerships with local organizations to promote the development of goods and services outside of the tourism industry.

In addition, policy makers should consider the disproportionate benefits of tourism for economic development. Tourism benefits business owners rather than the workers, who have lower levels of education and receive lower wages.

4- When discussing economic development that results from the tourism industry, policy makers must weigh the relative benefits for these two groups and encourage tourism promotion only when it results in a heterogeneous provision of employment resources, and does not interfere with the growth and sustenance of non-tourism enterprise.
Future Research

Further research on this topic should focus on change over time, particularly among workers in tourism industry enterprises. This is particularly important since tourism tends to be seasonal. Additionally, a spatial analysis of quality of life shifts, including location of housing and rates of relocation could account for displacement potentially caused by tourism uses will help policy makers quantify the consequences of tourism industry concentration. Reifying a place for its distinctive culture, tradition or architecture has potentially negative consequences on residents. Tourism is a strategy that seeks to objectify the local place, its residents and their culture. The tension between preservation of historical monuments and cultural practices can often be at odds with social progress and a modern lifestyle. Tourism should not be the only way to promote preservation of place and tradition, nor should it be pursued as the sole strategy for local development of infrastructure, and other daily life necessities that have been cited as beneficial outcomes of tourist destinations. Places should serve the people who live there, contribute to tax bases and populate the city’s future.

The types of jobs offered in the tourism industry require lower levels of education. Lower levels of unemployment in cities with high tourism concentrations may also relate to immigration. A study of immigration and tourist-industry employment could provide a valuable look into the quality of life in cities with a higher concentration of tourism.

Whether tourism concentration ultimately leads to greater competition between residents and tourists should continue to be monitored in order to create policy that benefits residents and prioritizes their needs over those of visitors. However, in places with lower quality of life and significant natural resources, as are abundant in southern Italy, it is possible that tourism and place-promotion could benefit areas with struggling local economies and high rates of unemployment. Government officials in cities with considerable tourism-focused economic development agendas should organize research directed at monitoring the concentration of tourism enterprises and the quality of life in their districts in order to better understand their evolving relationship. Officials should coordinate these studies in developed tourist destinations like Milan, Venice, Florence and Rome with emerging sites for future tourist industry development in order to ensure sustainable progress.
Bibliography


Appendix

Appendix Figure 1. Location of Study Areas