Comparisons of Productivity among European Sectors and Cyprus:
The Case of Tourism Sector
Theofanis Mamuneas a,∗ and Elena Kettentib
aDepartment of Economics, University of Cyprus, bEconomics Research Centre, University of Cyprus

Abstract
The importance of the tourism industry for economic, social and cultural development in Europe and the role of tourism as a driver of development are well known. The major objective of this study is to compare the output and productivity differences of the tourism industry among Cyprus and 20 European countries, for the period 2000-2012. We observe that in most of the countries the major contributor to output differences is traditional inputs (labor force and investment). After controlling for the size of the labor force and investment we observe that quality of services and the government expenditures on safety, culture and infrastructure have a positive contribution to the output difference. As expected, quality of the environment captured by waste generated has a negative contribution to output. Finally, with respect to productivity differences we see that its contribution varies and it’s a significant one. Cyprus is below the average with respect to output. As in the other countries, major role comes from traditional inputs. It seems though that government expenditures and quality of services are not sufficient to place Cyprus in a better position. The quality of the environment though is better, contributing to the decrease in the output gap difference. Cyprus needs to find ways to increase the productivity of the tourism sector in order to become more competitive.

Keywords: Tourism, Multilateral Comparisons, Productivity, Services, Environment, Safety, Infrastructure, Growth.

∗ Corresponding author. Address: Department of Economics University of Cyprus, P.O. Box 20537, 1678 Nicosia, Cyprus. E-mail: tmamuneas@ucy.ac.cy.