

# **Impact of Tourism on Generation of Employment in Sri Lanka: A Time Series Analysis**

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## **ABSTRACT**

Tourism is a major source of foreign direct inflow to the host country as stated in the tourism-led growth hypothesis in Economics. Time series OLS estimations have been used to estimate the ‘static model’ of the contemporaneous relationship between tourist arrivals (T) and tourist employment (E). The novelty of the model is structural changes in Sri Lanka have been added to the model as a dummy variable. Bai-Perron tests of L+1 vs. L were performed to determine the breakpoints of two variables in the linear relationship. Model adequacy test, residual analysis and stability analysis have been applied to select the best model among all estimated models. Break unit root test confirmed these two variables as stationary with the structural breaks in 1983, 2004 and 2013. All significant independent variables have positive effects on the dependent variable. Tourist arrivals at the current time period and the previous year make a significant effect on tourism employment. Tourism is an important sector to develop the employability of Sri Lanka as a small Arcadian country. Tourism employment is a good point to pay the attention to reducing unemployment and achieving tourism-led growth in Sri Lanka. It is possible to establish an insurance system for the people who work in the tourism industry.

**Key Words;** Tourism, Tourism employment, Sri Lanka, Covid 19, Time series analysis