Abstract:

Purpose: The aim of this study is to show the relationship between the functioning of tourism market subject to New Institutional Economics (NIE) in social terms. Furthermore, it aims to discover a need to identify relationships between the NIE theoretical framework and the phenomena and processes in tourism in the COVID-19 period.

Design/Methodology/Approach: This research was based on critical literature analysis, statistical data and participant observation in the tourism sector. Notably, the new perspective presented in this study allows identifying non-market phenomena and processes that accompany economic mechanisms. This approach could be an important direction for mitigating the effects of the COVID-19 pandemic in the tourism sector.

Findings: The study results showed that the diverse activities carried out by tourism sector subjects largely concern tangible and intangible public goods, however, these activities are not naturally compatible. Private tour operators have hidden goals—often short-term and particularistic—that frequently force public tourism institutions to adjust their activities. The importance in tourism of both formal and informal organisations is a prerequisite for strengthening the role of the state in achieving the social goals of tourism and support tourist enterprises which suffer under the COVID-19 pandemic. The novelty of the findings are connected with an attempt to explain a relationship between the functioning of tourism market subjects in uncertainty caused by COVID-19 and NIE assumptions in social terms.

Practical Implications: This study has implications for ways in which policymakers and managers could encourage tourism entities to focus on social aspects of tourism consumption. Social analysis concerning ‘new face’ of tourism under COVID-19 impact requires an interdisciplinary research and exploring the topic. The limitations of the study include little attention given to the specificity of the tourism market, including hotels, restaurants, air passenger transport in different countries of Europe.

Originality/Value: It is the first time that analysis of new institutional economics has been shown as a way of searching for inter-institutional co-operation in the field of tourism policy.

Keywords: New institutional economics, social effects of tourism, feedback in tourism, COVID-19 impact.

JEL codes: A11, O4, Z3.

Paper type: Research article.
1. Introduction

Tourism understood as the movement of people away from their place of permanent residence as well as a sector of the economy was directly affected by the effects of COVID-19 pandemic in 2020. The restrictions on the movement of people introduced in Poland in mid-March that year, as well as the restriction of activities in the field of hotel services since April, resulted in a significant decrease in the number of people using overnight stays in tourist accommodation establishments. The lifting of some of the restrictions in May did not restore the desired state of economic activity in the sector, as many accommodation facilities did not resume operation. This state of affairs caused a number of changes in the functioning of the sector of accommodation services.

Despite the gradual increase in the number of tourists using accommodation facilities, the use of the facilities did not reach the level of the corresponding periods of the previous year, and other products related to the use of accommodation facilities had to be modified as well, e.g. serving meals, offering comprehensive products for organizing leisure time, fitness or SPA & Wellness services. It can be said that tourist products, both in their utilitarian function (e.g. trips to learn to ski) and in non-use (e.g. all-inclusive stays), faced a challenge of a structural and/or functional change, thanks to which they could survive in the tourists’ awareness. These changes included, among others, shortening the period of demand outside the home, changing the destination taking into account COVID restrictions or the intensity of its spreading, as well as focusing on outdoor activities. This situation requires researchers to reflect on the reference of tourism as a sector of the economy to the assumptions of the new institutional economics, taking into account the conditions of uncertainty in which entrepreneurs of this sector have come to function and the forced restrictions on tourism consumption.

In the consumption phase, tourism products are a source of satisfaction for consumers. Therefore, according to the neoclassical theory of economics, these products can be assumed to have value and price; however, some elements of a tourism product price are ‘derivatives’ dependent only on the existence of a given component. For example, a tourist visiting an art gallery pays the price for a comprehensive tourist service, which takes into account the intangible value of the admired paintings. This comprehensive tourist service has its own specificity. The market value to view a specific painting, despite it not being purchased, is expressed in price. While the tourist does not, directly or indirectly, use the artist’s painting, it is a potential source of the tourist’s satisfaction (Marciszewska, 2009).

The first type of value (tangible product) is defined in the literature as a utility value, while the second type (intangible product) is a non-utility value, which is difficult to define clearly (Żylicz 2007). In most tourist services (products), these types of values can be distinguished, and their awareness is a condition for accurately recognizing consumer preferences.
Economists often focus on the utility values of products, which is one of the reasons for the scarcity of literature on non-utility values (emotions, satisfaction, and experiences during and after consumption). Therefore, this gap is a premise for research on the non-utility value, as a demand-shaping factor useful from the social perspective. Developing the tourism sector of the economy is based on both utility and non-utility values; however, the latter is often the main ‘driving force’ of consumption. This regularity also draws attention to a need to design an economic mechanism for products offered to tourists—albeit without the utility value.

The aim of this research is to show the social aspects of the activities undertaken on the tourism market and their relation to the new institutional economics (NIE) assumptions on the one hand and to the consequences of the COVID-19 pandemic on the other hand. To achieve this goal, the following research problem was presented: can the functioning of the tourism sector be explained based on the NIE theory when it is influenced by consequences of COVID-19 pandemic? The solution required identifying the theoretical problems based on:

- the nature of NIE,
- the relationship between NIE and the tourism sector.

As a result of the analysis of the current economic situation of the tourism sector in Poland and the social consequences of the pandemic, it was considered necessary to:

- discover a need to modify tourism products as a result of the impact of the COVID 19 pandemic on consumption;
- show the gap between the claims of the New Institutional Economics and the functioning of tourism entities in a pandemic.

2. Literature review

2.1 New Institutional Economics (NIE)

An institution is an effect of evolution in societies that underlies institutional economics development. It is characterized, among others, by its interdisciplinary and holistic approach to studying economic processes. According to this idea, economic processes can only be explained by taking broader social processes into account. This approach focuses on the need to use achievements in disciplines such as sociology, anthropology, psychology, organizational theory, political science, and law to advance economic development. Institutions influence economic entities while simultaneously being subject to evolution, which entails participation from both man, with his creativity, and the state.

Therefore, institutional economics does not disregard human (and society) influence on management processes; it indicates feedback. Changes in the natural environment occur gradually and encompass institutions (and society), hence the category of
institutional change. Institutional economics, as a science, is used to examine how people satisfy their needs in different economies by considering economic behaviors as specific to a given place and time.

New institutional economics (NIE) is an economic approach that attempts to extend economics by focusing on the institutions that underlie economic activity and efficiency. NIE is interpreted in two ways. Fiedor (2019) defines it in a broader sense as follows: “NIE is based on the criteria of economic rationality; the assumptions of methodological individualism; an analysis of formal and informal institutions of economic and political life; as well as an analysis—again in the categories of economic rationality—of various socio-economic systems, relationships between these systems, and the functioning of the economy.” According to Fiedor (2019), this definition is an attempt at theoretical analysis of institutions within mainstream economics, which the early institutionalism referred to as criticism of the basic methodological assumptions and categories of neoclassical economics. A narrower approach to understanding NIE entails the analysis of broadly understood institutions, mainly with reference to the transaction costs theory and the property rights theory.

Comparing the above approaches to NIE, first, the broader approach allows for a multi-faceted analysis of the tourism phenomenon in dynamic terms. This approach considers the relationship between socio-economic systems and the functioning of the tourism economy, as well as the economic rationality of subjects in this sector and in other institutions. However, the economic rationality of institutions (formal and informal) must consider the social aspects of their institutional activities, which result, among others, from the state functions. This is in line with the proposition by Fiedor (2009) that “in considering the functions and objectives of the state, one should take into account the costs and benefits achieved by individual participants in the ‘regulatory game’ and activities for macroeconomic stability”. The possibility of achieving social goals while maintaining the principle of economic rationality is reflected, among others, in the theory of economic and social mechanism design.

2.2 Theory of Economic and Social Mechanism Design

Maciejczak (2019) asserted that the foundation of the theory of economic mechanism design is attributed to E. Maskin. According to E. Maskin, this theory allows convergence between the expected effects of actions and the results desired to achieve a given goal. Concerning its contribution to the development of the economic theory, it is important to note that the application of the theory of mechanism design can effectively regulate processes in the economy. From a social perspective, it is significant that this theory indicates a possibility of ‘synchronizing’ social goals with economic rationalization and the existence of feedback between them—provided these goals have been previously set. Therefore, the theory of economic mechanism design contains premises for the parallel implementation of social and economic functions of tourist services as manifestations of governance
dichotomy, and the government must ensure the country functions in a manner that will lead to the implementation of both of these functions. As an integral part of the economy, the tourism sector must function in compliance with the principles of economic rationality and efficiency—while generating social processes—to ensure tourist services satisfy the consumers’ needs.

Hence, including social aspects in the theory of economic mechanism design is imperative; this enables a compromise in achieving economic and social goals and in resolving emerging contradictions. The assumptions of the theory of economic mechanism design indicate that private property and rationality are important criteria for the economic functioning of subjects. Despite this assumption, social institutions expand their activities to ensure an adequate flow and use of information so that their motives of action conform to the objectives of subjects operating as private owners. This trend is also notable in the tourism sector, where private agents often act on a variety of motives in conformance with social institutions, such as churches, nursing homes, museums, and other subjects based on public property.

The analysis of processes in emerging tourism markets and their impact on the global economy should focus on the design of the market–society relationship. All components (both market and non-market elements) form a single institutional system and create premises where the boundaries between what is economic and what is social are blurred. Thus, socio-economic mechanisms are developed by combining the implementation of market goals, subordinated to the criteria of economic efficiency, with social goals. Tourism is subject to these mechanisms.

2.3 Tourism as a Social Phenomenon and NIE: Selected Views

The development of tourism is based on institutional functions with different types of ownership and nature of activities; however, researchers in many countries dismiss these relationships. Additionally, while this problem is cognitively important, NIE is not perceived as a theory that would comprehensively explain the processes and relationships in the tourism sector. Among others, Vucetic (2012) highlighted the lack of scientific discussion on this topic in Montenegro: while the country’s tourism policy derives its assumptions from NIE, the links between various subjects in the tourism sector (various groups of stakeholders) indicate the possibility of achieving better results from this sector’s activities in many respects.

In contrast, Ghafele and Gibert (2012) emphasized the value of reducing uncertainty through institutional cooperation and maximizing profit by introducing a collective trademark for attractive tourist sites. Zhang (2011) considered the theoretical framework of new institutional economics in an attempt to delineate assumptions made in the management research of tourism destination governance. He pointed out two important elements of the research process, systematization of concepts and terms (leading to the analysis of impacts) and methodology (conditioning the analysis of change). The research model proposed in this study details the necessary
actions, however, subjective transparency as to who should take these actions is lacking.

Previous attempts to analyze various aspects of tourism development based on the NIE theoretical framework were fragmentary. Additionally, they did not exhaust the NIE basic assumption that the analysis of all NIE trends is based on the broadly understood institutional environment and transaction costs resulting from conditions in this environment (Rosińska, 2008). According to Rosińska (2008), “a common feature of all representatives of new institutional economics is also a belief that it is impossible to analyze economic, political, and social phenomena and bypass the aspect of the institutional environment.” For this approach, defining the institutional environment of the tourism sector is especially significant when analyzing its phenomena.

However, from the perspective of a tourism enterprise, a closer environment is also shaped by the institutions within the sector. Valentinov and Baum (2008) emphasized that development of tourism in rural areas of Eastern and Central European countries requires cooperation with organizations of the third sector—particularly touristic associations and unions (they are closer institutional environments for small companies operating in rural areas). The approaches by the aforementioned authors follow the need for research not only on the development of the institutional economics theory in the third sector but also on its impact on the rural tourism market. They perceive the role of the third sector subjects as an opportunity to mitigate the market failures of agritourism companies (or those operating in rural areas) and identify three problems:

- transaction costs related to obtaining information can be reduced through cooperation with local and regional touristic associations;
- marketing strategies developed simultaneously with these associations will reduce the market risk of agritourism companies and their costs of management;
- building positive relationships with various institutions at the local level as well as with local companies and communities is easier for touristic organizations of the third sector.

The above perspective suggests that market failures in tourism can be mitigated if many different institutions cooperate for the benefit of this sector. Cooperation of commercial entities, local governments, and non-profit organizations, from within the sector as well as from its environment, allows this mitigation. Additionally, this is achieved by using organizational innovations that, on the one hand, would enable institutions to adapt to changes in the environment and, on the other hand, would trigger new phenomena and processes in the sector.
3. Tourism Sector and Inter-Institutional Cooperation in COVID-19 Pandemic

The year 2020 is characterized by the deformation of some socio-economic processes, which in many countries were caused by the impact of COVID-19 pandemic. In the case of the tourism sector, the development trend of the first twenty years of the 21st century may have collapsed. The restrictions introduced by many countries, including Poland, aimed at stopping the spread of the coronavirus hit the tourist sector and resulted in slowing down consumption in the hotel and catering industry and in significantly limiting the sale of tourist events – both in foreign and domestic traffic. The decline in consumption as a result of administrative restrictions, on the one hand, and social responsibility, on the other, stopped the production of tourist services, which was severely experienced by the sector. In air transport, the number of passengers and revenues from the sale of services plummeted. Almost 11.4 percent decrease in passenger traffic was recorded in the first quarter of 2020 by Gdańsk Airport. “Coronavirus slowed down the march for further increases. In January, the number of passengers at Gdańsk Airport increased by 17.4 percent (compared to January 2019), in February by 14.3 percent (compared to February 2019), to fall by 59.8 percent in March (compared to March 2019). In the entire first quarter of 2020, the Gdańsk airport handled 887,010 passengers, while in the comparable period of the previous year there were over a million passengers” https://dlapilota.pl/wiadomosci/pap/wi-kwartale-ruch-pasazerski-na-gdanskim-lotnisku-spadl-o-114-.

The suspension of air traffic in mid-March last year resulted in 23 % lower traffic in the first quarter than in the comparable period of 2019. Worse still, in the first half of 2020 there was a decrease in the number of passengers by 63.3% compared to the corresponding period of 2019: 901,299 passengers compared to their number of 2,455,622 in the first half of 2019, https://ulc.gov.pl/_download/regulation_ryniku/statystyka/2qw2020/by_airports_2qw_2020.pdf.

The dynamics of the number of passengers in air transport on the national scale in Poland was similar (-63.9%). Passenger service at the L. Wałęsa airport in Gdańsk in the second quarter uncovers the economic drama of these services; the decrease was as much as 98.8% compared to the first quarter of 2019 – 17 892 in the first quarter of 2020 compared to 1,457,190 in the corresponding period of 2019, and on the national scale this indicator reached the level of 99.0%. https://ulc.gov.pl/_download/regul_ryniku/statistics/2kw2020/wg_portow_lotniczych_2kw2020.pdf.

These changes in air services are closely related to the "freezing" of the tourism sector for all types of entities. Inbound tourism to the region was mainly focused on business travel, and it was unlikely to be related to leisure intentionally. “In the first half of 2020, 7.3 million tourists used tourist accommodation facilities, who were
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provided with 19.4 million overnight stays. Compared to the corresponding period of 2019, it was lower by 54.3% and 51.5%, respectively. Compared to the first half of 2019, the occupancy rate of bed places also decreased from 37.6% to 23.8%.”


Among the total number of tourists staying overnight in the first half of that year, 84.6% were domestic tourists (6.2 million), while 15.4% foreign tourists (1.1 million), and compared to the same period of the previous year, this was less by 51.5% and 65.5%, respectively. Tourists from Europe predominated in the total number of foreign tourists – 966,000 (85.5%); most of them came from Germany (270,000), Great Britain (122,000) as well as France and Italy (over 30,000 each). There was a decrease of 54.3% of tourists using overnight stays in 2020 compared to the same period of the previous year (GUS. Baza noclegowa i jej wykorzystanie w I półroczu 2020).

As illustrated above in general terms, the negative changes in both air passenger traffic and the use of accommodation facilities – both in the Pomeranian Voivodeship and the whole country – reveal the threats to a fast recovery of the inbound tourist traffic arriving in Poland from abroad and to the Pomeranian Voivodeship from other regions of the country. However, there is no research on the plans of the owners of non-functioning accommodation or catering facilities for at least the coming year. The observation of this sector and the owners’ reactions to further administrative constraints caused by new waves of COVID-19 allow supposing that there might be an outflow of staff from tourism to other sectors of the economy (e.g. building, trade and even agriculture), where work will bring real opportunities to meet the social and economic needs of the family. The uncertainty that accompanies making decision by owners and managers of tourism enterprises will force implementing innovation to make tourism products attractive in the resurgent “new” tourism market. Organizational innovation, including the possibility of “freeing up” inter-institutional cooperation initiatives, is likely to gain particular importance.

Organizational innovation refers to the need to perceive the tourism sector as a system based on the interaction between all institutions, not only tourism institutions, that operate in its environment, and it embraces the need for change, both in the sector’s existing internal ties and in its relationships with institutions in closer and further environments. Therefore, the focus is not only on economic ties but also on the joint achievement of social goals from the perspective of the specific tourist region and the tourist. Such a broad approach to organizational innovation of the tourism sector allows it to ‘escape’ from the inability to achieve simultaneous social goals and economic rationalization—provided these goals have been previously set.
In this situation, the institution of a tourism cluster, based only on this sector’s subjects, seems insufficient because of possible internal conflicts of interest, e.g., buyers competing for the same segment while demand is limited. On the other hand, collaboration of the tourism sector with institutions from other sectors allows for a fuller realization of social goals while achieving the desired economic effects. For instance, a promotional campaign for new tourism products conducted simultaneously with promotion of new products in the automotive sector may not only expand the scope to address the action but also reduce marketing costs.

Using the institutional definitions proposed by North (cited in: Woźniak-Jęchorek 2013, 13), NIE paves way for the definitions of tourism sector institutions, which include:

- legal or customary rules of conduct for employees in the tourism sector,
- subjects of the tourism sector: tourism enterprises of all types, local governments and administrative structures at all levels shaping the tourism policy, tourism organizations at various levels, the Polish Chamber of Tourism,
- tourists complying (or not complying) with the rules of ‘coexistence’ with other service consumers as defined by the law or customs.

Analysis of the processes of regional tourism-market functions and their impact on the broadly understood social interest should focus on the shape and significance of the market–society relationship. Among the general assumptions of NIE, the market also contains non-market elements that jointly form a peculiar institutional system, in which market components coexist with pro-social activities, and the emerging mechanisms can have both economic and social effects. The tourism service market also requires an innovative approach, so that products can adopt a social function in the consumption process. The economic effect on tourism enterprises largely depends on organizational changes, which may be based on the human intellect capacity without involving additional investments.

In this concept, it is essential to focus on creating new markets, which—considered as a specific institutional system—also bring non-market values that lead to social development. Therefore, innovations cover the process of adopting new ideas and transforming them into a market offer or modifying it. Thus interpreted innovation can be a criterion for assessing a company’s competitive ability—both in economic and social terms. The social effects resulting from consumption of tourism products, produced in the customer-tourist service process, among others, are influenced by organizational innovations. A new approach will enhance tourist satisfaction, and the company will gain a reputable image and strengthen its market position.

The development of the tourism sector largely depends on the policy of the state and regions in this very specific time influenced by the COVID-19 pandemic. Following the perspective by Łęgiędž (2013), it can be assumed that the tourism policy expects
practical guidelines, rather than a theoretical framework, of new institutional economics, ‘which has a limited impact on economic development research.’ However, taking into account the atypical relationship of 2020-2021 between the economy as a whole, on the one hand, and the tourism sector, on the other, it seems that the reference of the latter to the criteria of economic rationality may reveal a gap between the NIE assumptions and the principles of functioning (or rather non-functioning) of many tourist entities. Understandably, this is caused by phenomena stemming from the coronavirus pandemic, unprecedented in our country (but also in other regions of the globe).

4. Conclusion

Organizational innovation is a specific factor in the development of tourist services, which co-creates an incomplete theory of institutional changes. Implementing this innovation requires research on the current institutional impact on the tourism phenomenon, which is an important yet unrecognized research area. The variability of institutional behaviors is associated with the need for an innovative approach to tourist service processes in the post-COVID-19 times. Changes should focus on many aspects of tourist services, such as service reliability and flexibility regarding individual clients, and the clients’ ability to choose the best options to meet their needs.

Other changes include proper communication to eliminate any mutual lack of understanding between tourists and service providers, physical safety, discretion to ensure a sense of comfort among tourists, and the staff’s outgoing personality and professional honesty—both during and after the tourist service consumption. Each of the above aspects directly or indirectly shapes tourist services. Changes in the above components should be derivatives of the institutional impact—in the tourist enterprise environment or in the entire sector. Therefore, to accomplish parallelism in achieving economic and social goals through tourism after the COVID-19 pandemic, the challenge lies in redefining the ties within institutions and organizations as well as with the subjects in the environment.

Future research should focus on the relationship between tourism enterprises and organizations, on the one hand, and entities outside the sector, on the other hand. Such studies could also examine the impact of tourism on the socio-economic environment on a regional and macro scale. Potential benefits for neighboring regions should be considered in building the new tourism policy and strategy. Although we could shed light on the relationship between tourism as a human activity and the theoretical framework of NIE, there are limitations to the study.

Tourism enterprises and organizations are still analyzed mainly within the sector. On the demand side, research on the non-utility value as a useful factor from a social perspective is needed to reflect how tourism activity and consumption influence the economic conditions of a region and its social life. The economic rationality of
The importance in tourism of both types of organizations—formal (e.g., national and regional tourist organizations, tourism administration at various levels) and informal (e.g., ties of people with places of religious worship or cultural institutions)—is a prerequisite for strengthening the role of the state in achieving the social goals of tourism while striving to achieve the assumed economic effects of tourist enterprises which suffer under the COVID-19 pandemic.

Cooperation among different organizations in the tourism sector and among other branches of economy has not been sufficiently studied. This makes it difficult to provide a diagnosis of the impact of tourism after COVID-19 pandemic and to improve the social aspects of the tourism policy as well as its fuller implementation. Researching inter-institutional ties in the context of the ability to create non-market values through tourism is an interdisciplinary research challenge for the near future.

References:


