

CAPTURING THE GAINS



*economic and social upgrading
in global production networks*

**Poverty and local linkages in the tourism
value chain: a study of upland economies
in China and India**

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Abstract

The paper deals with the role of tourism in reducing poverty in upland economies. Taking cases from China and India, it explores the local segments of the tourism value chain, or the local linkages of tourism. In assessing the impact on poverty it looks at both the local share of tourist expenditure and the size of the tourism sector. Local benefits are looked at from the points of view of both women and men as service providers. The paper brings out the important role of tourism as a form of non-farm employment in reducing poverty in upland economies.

Keywords: Tourism, local linkages, upland economies, poverty reduction, role of non-farm employment, women in tourism

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Introduction

This is a study of the impacts of tourism on two upland economies, the indigenous people-dominated Lijiang Prefecture in the Yunnan Province of China, and the Himalayan state of Uttarakhand in India. Our central concern is with poverty reduction and the ways in which this might occur through tourism in rural upland economies. This paper is based on field investigations over a number of years in villages and the old town of Dayan in Lijiang Prefecture, including field trips in March 2011 and March 2012.¹ The fieldwork and analysis of tourism in the state of Uttarakhand in India was undertaken in May-June 2011.²

Economic constraints and poverty in the uplands

Poverty in the emerging economies of China and India is disproportionately concentrated in the uplands. In China the indigenous peoples, who live in the uplands, made up about 40 percent of the absolute poor in 2000, though they were less than nine percent of the population (Nathan et al, 2012). In Uttarakhand the incidence of poverty was around 39 percent in 2004-05, and it is one of the poorest states in India (see IHD, 2011 for an analysis of poverty in Uttarakhand).

What is common in upland economies is that there are very narrow limits to developing the usually accepted key production sectors of agriculture and industry. In the case of agriculture, the mountain soils are thin and have poor water retention capacity; additionally there is little irrigation. The one type of agriculture in which the uplands can compete with the plains is that of temperate fruits and off-season vegetables.

In the case of industry, the difficulties of mountain transport mean that, even with a good road infrastructure, transport costs in the mountains are higher than in the plains. The Government of India tried to offset this disadvantage by offering tax concessions to those investing in the mountain state of Uttarakhand. But it is no surprise that all the resulting investment in the state took place in its two narrow plains' districts and not in the mountainous areas.

This situation, of poor agriculture and unfavourable conditions for manufacture, leaves services as one sector for possible growth. Services are not as natural resource-dependent as the other two sectors. Some services, such as restaurants or hospitality in general, are also relatively more labour-using. Of course, there are different types of services, with varying skill requirements. The quintessential modern sectors of IT and IT-enabled services (ITES, such as call centres), in fact, allow mountain areas to overcome the disadvantages of distance and poor roads. Broadband connection with reliable power supply is more easily set up than transport infrastructure. On the other hand, tourism requires a good transport and accommodation infrastructure. However much of a mixed bag services might be, depending on local capabilities, some service sector could be developed in upland economies to provide services, including recreational services required by those in external economies, whether domestic or international. Expansion of these service sectors could, in turn, lead to an increase in income in the resource-constrained upland areas.

¹ Yu Yin and Miao Yun were able research assistants in China.

² Fieldwork and the analysis of tourism in Uttarakhand were supported by IFAD, Rome, as an input into a new rural development project in the state. Nandu Awasthi and Man Singh Panwar helped as research assistants in this work.

In Yunnan Province, for instance, the gap between farmers' net per capita incomes in the ethnic minority areas (such as Lijiang Prefecture) and majority areas went down from 38 percent in 1995 to just 10 percent in 2004 (Nathan et al, 2012). What accounts for the reduction in the income gap between minority and non-minority areas? Our analysis is that for the one million people in Lijiang Prefecture, at least, the reduction in this gap is due to the growth of tourism. In the villages we investigated, tourism now accounts for at least half of village income and for some villages around Lugu lake, virtually all of the village income. Indeed, it accounts for most of the income growth in these villages. Involving most households, the widely distributed income growth from tourism has virtually eliminated poverty from these villages.

The results of tourism in the state of Uttarakhand may not be as dramatic, but they are significant. In the investigated villages, tourism combined with migration and migrants' remittances to jointly reduce poverty to much lower than the state average. Tourism is the one non-farm economic activity in the area and has again been the source of most local economic growth in tourism-related areas.

Tourism and local linkages

Tourism inevitably involves the use of some resources, land and labour. Does this mean that there are fewer resources left for local income? It would be so if all income from tourism were to 'leak' outside the region. As we will see later on, a situation of very high, if not full leakage, can occur under certain conditions, chiefly that where the tour operators (TOs) bring in all materials and labour from outside, barely using local labour or materials. In such an extreme scenario, which does exist in a number of destinations in Uttarakhand state, there is little local benefit from tourism. That is the kind of situation envisaged in the following statement:

Uttarakhand is a tourist's delight. Every district has a number of places of tourist attraction or pilgrimage, which encroach upon the local resources, thus rendering local people devoid of the resources. It would be worth estimating the effect or load that tourism industry imposes upon the resource availability for local population (WFP and Government of Uttarakhand, 2004: 109).

On the other hand, if there were sufficient local linkages in the value chain, then a higher portion of tourist spending would accrue as local income. The resulting use of labour in tourist-related facilities and services could provide an income higher than that from competing uses of land and labour. Of course, this would require that those working in tourism buy, rather than produce, the food they require. If the productivity of labour in tourism were in fact higher than in agriculture, then there would be a net gain to the local and state economy.

Table 1 below shows the per capita productivity in different economic sectors in Uttarakhand. The tourism-related sectors are construction; trade, hotels and restaurants; and transport and communications. It can be easily seen that shifting workers from agriculture to any of the tourism-related sectors in the table at least doubles per capita productivity. Of course, the contribution of this doubling of productivity to poverty reduction depends on the share of the increased income that poor workers are able to secure. That is a key concern in analysing the poverty-reducing impact of tourism.

Table 1: Uttarakhand: gross state domestic product per worker (2004-05)

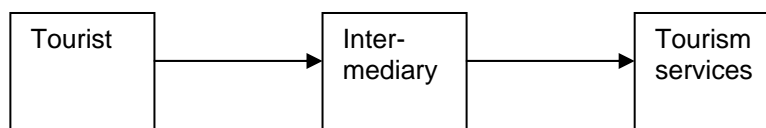
Agriculture	Rs. 10,669
Construction	Rs. 55,426
Trade, hotels and restaurants	Rs. 21,282
Transport and communications	Rs. 56,113

Source: CSO.

Structure of tourism value chain

In its simplest form, the tourism value chain can be represented as below:³

Figure 1: Tourism value chain



The tourism services are the 'tourist experience'. The core services are travel, accommodation, food and beverage, shopping, and excursions and entertainment. Excursions and entertainment are often the key part of the tourism experience; they are what distinguish one destination from the other.

Tourism is highly fragmented in being comprised of a number of services, as mentioned above. Inadequate information (about various services, their prices and availability), high transaction costs (in finding adequate service providers) and trust deficits (uncertainty over whether services contracted at a distance will in fact be provided) result in tourists seeking intermediaries. The function of the intermediary, or composite tour operator (TO) is to put together or integrate a tourist package, which includes all of the required services. The need to integrate a package as a tourist product leads to a high level of intermediation in tourism.

Integration occurs at two levels. One is that of the single destination, involving travel, accommodation and excursions. The other is that of multiple destinations. Multiple destination tourism is mainly a feature of foreign tourists, who in one visit would like to visit more than one destination. They might like to visit the Golden Triangle of Delhi-Agra-Jaipur, and also, say, Kerala or the Himalayan mountains of Uttarakhand. Similarly, in China too, where foreign tourists would visit the Golden Triangle of Beijing-Shanghai-Sian and also another location, say, the snow-covered mountains of Yunnan. The need for multiple destination integration means that operators/managers of single destinations cannot seek foreign tourists on their own. They usually have to work as sub-contractors of TOs based in, for India Delhi or Mumbai, and, for China Beijing or Shanghai. But this situation is changing and TOs in non-metropolitan centres, such as Jaipur and Kunming, are making their own links and developing their ability to put together multiple

³ This is a modification of the scheme in Alexandros Paraskevas, 2005.

location packages. In Indonesia, too, TOs in Sulawesi initially had to work as sub-contractors of agencies in Bali or Jakarta. But now at least one of them has developed contacts in other parts of Indonesia and is able to put together composite packages for multiple destinations in Indonesia.

Yet another initiative to develop the ability to integrate multiple destination tours is that of the 'Green Circuit' in India. As explained by Ecosphere, which runs a destination in the Himalayas (Lahaul-Spiti in Himachal Pradesh), five destination management companies with a commitment to community-based tourism (CBT) have come together to be able to offer multiple location packages. Green Circuit can directly deal with foreign TOs or individual tourists seeking to make their own packages.

What is seen in the above is that in carrying out integration there is a scale factor involved. The integration-cum-marketing of all services for just one destination in order to be able to provide a complete package would be expensive, but a higher scale or aggregation of destinations would bring down the cost of integration. This scale-sensitive factor means that managements of single destinations would find it difficult to compete with those managing multiple destinations.

The high proportion of tourist income accruing to TOs, often around one-third, makes it very tempting to try to set up a destination management enterprise that would directly deal with tourists and cut out the middle-man. For instance, the Assembly (Gram Sabha) of village Lata in Chamoli District, stated in its 'Eco Tourism Declaration' its intention of '... developing our own marketing network [that] will eliminate the middlemen and endeavour to reduce the travel costs of the tourist' (Equations, 2007: 48). The scale factor in being the intermediary over numerous producers and customers, however, would make it difficult for a single producer (destination) to cover the costs of such an attempt to eliminate intermediaries.

A few destination management and local TOs, such as the 'Green Circuit' mentioned above, have combined and developed the capacity to integrate multi-destination packages. Many developing country, national TOs, in both China and India, have this capacity. With direct contact now possible through the internet, developing country TOs are now able to access not only B2B (business-to-business) clients, but also the more lucrative B2C (business-to-consumer) clients. Group tourists (often composed of the older age groups of the retired) usually go to their own, origin-country TOs, who, in turn, sub-contract to developing country TOs. Individual tourists (FITS or Free Individual Tourists), including families, nowadays often contact the developing country TOs through the internet. As one Indian TO put it, 'Tourists from the developed countries know that their domestic TOs will sub-contract to Indian TOs, so they prefer to reduce the layers of intermediation, which also means reduced costs, and contact us directly.'

The internet surely is the technological development driving this change, since it enables tourists to directly contact destination country TOs. But along with this technology there are some other factors at work. One is the development of capabilities in developing country TOs, who have learnt the methods of putting together multi-destination packages. Another is the growth of trust in the ability of developing country TOs to provide the contracted packages. This, in turn, depends on the trust that contracts would be adhered to and that infrastructure exists to provide the contracted services. Trust has also come to depend on reviews by tourists, whether in *Lonely Planet* types of guides or internet-based social networking sites. In fact, all TOs we interviewed in India, China and Indonesia emphasized the role of social networking sites and the importance of reviews on these sites. The old word-of-mouth testimonials have been substantially replaced by testimonials on social networking sites.

Pathways by which tourism can reduce rural poverty

In looking at the tourism value chain, we started with the simplest, three-box representation, which stresses the role of the tour operator (TO) as the intermediary that both integrates the tour package and brings the tourist and the tourism service providers together. The tourism service, however, is also a complex bundle in itself, comprising many different services – travel, accommodation, food and beverages, excursions, shopping and entertainment. Since the focus here is on the rural impact of tourism, we will look specifically at those segments that have a rural location. The rural locations themselves can be divided into two types – those at the destination and those en route, or along the way. The second type of location, along the way, which is neither destination nor origin, is usually neglected in the tourism literature. But, as we shall see later, there can be significant impacts as tourists travel from origin to destination. Where the routes go through rural areas, which in Uttarakhand, is the case with the majority of the tourist routes, there are specific rural impacts along the route.

The extent to which tourism has an impact depends on the local linkages. Linkages can be in terms of materials and services provided. There can be a tourism system with very limited local linkages and, therefore, very slight impact on local incomes and poverty. For instance, some treks in Uttarakhand are organized by some Delhi-based tour operators (TOs) with hardly any local involvement. They lease a plot of land in the destination for Rs.30,000 to 40,000 for a season. A tent camp is set up with equipment brought in from outside. All staff, other than local guides, are trained staff brought in from outside. Most provisions too, other than fresh vegetables, are brought in. Local income would then be Rs.100,000, while the gross income of the TO would be around Rs.15,000,000. This would mean that local income is merely six percent of the gross income.

Home-stay in local villages, rather than in tents, could raise this income. Taking a charge of Rs.1,500/person/day, of which one-third would be given as commission to the TO, leaves a local income of Rs.1,000/person/day. With 150 person days in a season, that would be an income of Rs.150,000. This itself would raise local income to Rs.250,000 or 16 percent of gross tourist expenditure, which is more than double the earlier figure.

Other forms of destination impacts are through excursions, most commonly white-water rafting, hiking, and the horse or mule rides. As proportions of tourist expenditure they may be quite small; but when there is high volume associated with these activities, then there can be substantial impacts on poverty.

Assessing the impact on poverty

The share of income in a segment is a measure of the distribution of income in the value chain. This is a relative measure. But to assess the poverty impact of a value chain it is necessary to look at the absolute income earned in any particular segment. In the example given above, local income at the destination is about 16 percent of gross income in the value chain. But that figure does not tell us anything about the impact of local income on poverty reduction. For that purpose it is necessary to look at the income earned, say, per month and compare it with the poverty benchmark, say, \$60/person/month, which for a household of four persons would come to \$240/household/month or Rs.12,9000/household/month (at Rs.50 to the dollar).

Further, to assess the poverty-reducing impact it is necessary to look at both the scale and the extent of the impact. Home-stays, for instance, are relatively high income impacts, but the number

of households involved may be limited. In addition, home-stays are likely to benefit the better-off households in the community, who may already have above the poverty line incomes. Specialty tourism too tends to be high impact, but low volume. The amount of money spent per tourist in the destination may be high, but the numbers who benefit from this high expenditure are low.

On the other hand, mass tourism is a high volume activity, though the amount of money spent locally per person may be quite limited. Religious tourists, the quintessential mass tourists in Uttarakhand, are very large in numbers: at 20 million per year they are double the population of the state. The amount of discretionary, local spending by them may be just Rs.1,000/person/tour. But with 20 million persons involved, that comes to Rs.20 billion, which is a very substantial amount of income.⁴

To give a real example of the difference between the benefits of the two types of tourism, take the situation of Lijiang, Yunnan, China. Home-stays have substantially increased the income of the initial 43 households who own village guest houses and have raised the Moso village on Lugu Lake to being one of the 10 richest villages in the Prefecture. On the other hand, the relatively low-paying horse rides, repeated across many villages in the Prefecture, have helped raise many such villages too above poverty levels.

It is necessary to take account of both volume and unit price in assessing the impact of a tourism segment on poverty reduction. Looking at the distribution of shares of income across the value chain will not enable such an assessment of poverty impact. As a result of the two different measures of impact, one of relative distribution of income shares and the other of the absolute amounts earned, there may well be two different kinds of statements about the impact of tourism, statements which may both be true at the same time. One strand of analysis could point out that destination segments acquire relatively low shares of the total tourist income, often characterized as 'leakage'. The other strand of analysis could point to the increase in local incomes due to tourism and the poverty-reducing impact of local tourist expenditures. Which measure one uses depends on the objective of the analysis. If the objectives of the analysis were distribution and inequality, then shares of income would be the correct measure to use. However, if the objective of the analysis were poverty, then the correct measures would be the absolute income earned, which can be compared with the poverty benchmark.

Tourism and poverty reduction: field observations in Uttarakhand and Lijiang

There are two main paths through which tourism can impact on the rural economy. One is through the development of destination facilities, such as accommodation, food and excursions. Instead of all this being carried out by TOs, this could be provided and managed by local community organizations in the manner that has come to be called community based tourism (CBT), or by individual providers of the same services.

The other way in which tourism impacts on the rural economy is through the development of facilities for provision of services (food, rest, etc.) along the route taken by tourists. We will consider both of these in turn, based on field observations in Uttarakhand and Lijiang.

⁴ These figures are meant to just indicative of the nature of the issues involved. But they are also reasonably representative of the situation.

CBT guest-houses

In the first phase of the IFAD project in Uttarakhand, a rural CBT was developed in Bageswar. This involved a group of two villages (Supi and Jhuni) and one camp-site (Jaikuni), all near the Pindari Glacier. The CBT was funded by the project, while the project design was carried out by Villageways, which also has an exclusive contract to market the destination for 30 years. The CBT was given a loan of Rs.800,000 for the construction of two guest-houses in Supi and Jhuni, and Villageways gave a further loan of Rs.600,000 for setting up a five-tent campsite at Jaikuni.

The CBT employs 28 local persons, including three manager/housekeepers, 13 guides and five porters. Of the 18 porters and guides, 10 are women, which is very significant, given the general absence of women from tourism.

The CBT has an exclusive marketing arrangement with the UK-based Villageways. Tourists do not pay the CBT, rather they pay Villageways, which in turn passes on payment to the CBT. So far, in one season, the CBT has earned an income of Rs.1, 450,000 (or 14.5 lakhs or about USD32,000) from tourists, mainly foreigners.

The sharing of the income is as follows: Villageways, UK, keeps 25 percent of the price; while Villageways, India, keeps another 24 percent of the remaining. This means that about 44 percent of tourist income goes to promotion, marketing and management charges. Most of the rest (other than the train fare, which may be less than six percent) goes to the local economy, i.e. about 50 percent of total tourist spending goes to the local economy. Of total tourist income in the local economy, some 25 percent goes to the village economy, while another 25 percent goes to other local agencies, such as private hotels and independent taxi operators. The above breakdown does not include discretionary spending by tourists.

Participatory rural appraisal (PRA) discussions revealed that villagers of the two villages (Supi and Jhuni) thought that tourism now contributed almost one-third of village income. Since the tourism business has been operative for just about two-and-a-half years (in 2011), it may be too early to look for impacts on asset quality, such as house improvement. But there is no doubt that income from tourism is now an important part of the village economy and it has provided the growing part of the village economy.

Besides the direct income from tourism, there have been other indirect benefits. Most important is the improvement of sanitation and cleanliness in the villages. About 40 percent of houses were provided with toilets, but 60 percent still remain without toilets. Because of tourism there is, however, a greater awareness of the necessity of improving sanitation and cleanliness standards.

Village guest-houses

Provision of accommodation in guest-houses is a high-income earning segment of the tourism GVC. But constructing and managing a guest-house is not just a matter of having the capital required, but also of having the knowledge of how to manage a guest-house and provide the required services. This management knowledge takes some time to acquire. Discussions with some Naxi guest-house owners in Lijiang showed that this knowledge was often acquired through observation. The Naxi owners initially leased out their houses to Han entrepreneurs to run guest-houses. They observed what was being done and then, after the lease expired, took back the guest-house to run themselves.

This process was facilitated by the legal restrictions on sales of Naxi-owned houses to non-Naxi. The houses could be leased but not sold, so there was a way to get them back. In the Moso village on Lugu Lake, the village had its own regulation that required a local partner for any outside investor. These restrictions making possible local control over the guest-houses should be contrasted with the situation in the Great Wall region. In the village of Mutyanlu, a British Virgin Islands registered company, owned by an American and Chinese couple, had bought some peasant homes and redone them as guest-houses. Others too had bought such peasant houses. The peasant owners may have been paid a good price, but they had no possibility of subsequently re-establishing control over the house. This would be fine for those who desired to migrate, but not necessarily for others.

In the Mosuo village of Luoshui⁵ on Lugu Lake, in Yunnan, China, the guest-houses in which tourists stay are all owned, most wholly and a few partially, by local villagers. The poorer villagers whose houses were not located on the lake shore have not benefited as much from tourism, but they supply most of the other amenities, like horse and boat riding, that tourists require.

In Luoshui village, by 1996, tourism had replaced farming as the leading industry of the village and was the main source of income for most households. Luoshui is now known far and wide as a relatively wealthy tourist village and is, in fact, one of the 10 richest villages in Lijiang prefecture. Thirty-two out of 33 households on the lake front have built new wooden houses and acquired telephones, refrigerators, washing machines and television sets. Small appliances are increasingly popular. Each family has a flush toilet and some households even have water heated by solar energy equipment. This was the situation we saw in 2005. In 2012 such developments had spread through most of the village. There were cars in many houses, and motor-cycles in the rest.

A few guest-houses have also come up in the Naxi village of Yu Hu. They usually offer overnight stays. Guest-houses require a fair amount of investment and there will be a strong inequality factor in their development. Not many of the former peasants would be able to set up guest-houses. Having at least one family member working in a good urban job seems an important factor in being able to get the required capital. Once the owners learn how to manage a guest-house and provide the necessary services, the returns would be quite high. The village of Wen Hai got around the inequality problem by forming a cooperative to own and run the guest-houses.

Excursions

The villages of Shi Hu (at Lashe Lake) and Yu Hu (the village from which the botanist-ethnographer Joseph Rock conducted his studies in the 1930s and 40s) are half an hour and an hour away from Lijiang. They both receive large numbers of tourists for horse-rides, varying in duration from an hour to six hours and costing US\$50-100 per person. The excursions are mainly organized by tour companies who send the tourists. The tourists pay the company, who in turn, pay the villagers every month.

In Shi Hu village they reported that for eight months of the year they earn Y5,000-6,000 per month and for four months Y2,000-3,000. Out of 70 families in the village, 40 participate in the horse-rides⁶ and own three horses each. They rotate the use of horses for rides and share the income equally. Each family cares for its own set of three horses, which cost about Y16,000 per year for

⁵ The data on Luoshui village date back to the early 2000s, when we last visited this village. But already by then it had become one of the richest villages in Lijiang Prefecture.

⁶ The 30 families which do not participate in the horse-rides all have the main adult(s) working in towns.

maintenance. Each horse-riding family in Shi Hu gets a net annual income of U\$5,300-7,300. This is a net addition to their income, which did not exist five years ago.

In the village of Yu Hu, which has about 300 households, in peak season about 1,000 tourists come in a day. The villagers are paid every day, getting about one-third of the list price of Y100-400; though the villagers do not know how much the company charges the tourists. The horse-owning villagers earn Y2,000-2,500 and about Y1,000 per month off-season. But they have just one horse each, so their net earnings from the horse-rides are not very different from Shi Hu villagers and come to around \$5,000 per year.

There are three points to note about the manner in which the horse-ride enterprise is organized. First, the organization of tourist visits is undertaken by an outside company, which gives just one-third of the list price to the villagers. Another third is paid as commissions to the tour operators, tour guides and drivers as commissions (about 15 percent, 10 percent and five percent, respectively). The company keeps one-third of the price, some of which would be passed on as commission to tour operators.

The second point is that the participating villagers share the horse-rides and the resulting income equally among themselves. This maintains a manner of equality in sharing the benefits from tourism. In Yu Hu, about seven years ago, the villagers initially started providing horse-rides individually. But the resulting competition led to low prices. So, the villagers began working as a group, which not only leads to an equal sharing of income, but importantly, it eliminates competition among themselves and thus keeps prices high.⁷

At the same time, however, maintenance of horses is done individually by each household (or, rather, by the women in the household). This household-based caring for horses means that free-rider and collective action issues do not crop up in caring for the horses.

Village impact of excursion segment of tourism

Village income has gone up substantially. Not all of the US\$5,000 per year from horse-rides is additional income. Some lower-income types of activities have been abandoned or reduced, such as collecting non-timber forest products (broom grass or cane). But in both villages it was estimated that about 50 percent of income of participating households now comes from tourism.

An additional source of tourism-based income is that of village youth working in the town. In Shi Hu, which is just across the hill from Lijiang town, almost two-thirds of families have at least one person working in the town; while in Yu Hu it is about one-third of families. Both in these villages and in Lijiang town we were constantly told that at least two-thirds of youth in the Prefecture are in tourism. In these villages the only youth living in the village were those involved in tourism.

⁷ In the tourist city of Venice there is a good example of ancient guild systems being maintained in order to eliminate competition and thus keep prices high. There are only 50 or so families of gondoliers, who take tourists for boat rides in the iconic Venetian canals. This absolute entry barrier enables them to charge as much as 100 euros for a 30-minute gondola ride. It is easy to restrict entry into the gondola ride segment. But in the case of glass-blowing, the Venetians are not able to control the flood of Chinese glass into the city markets. The glass-blowers of Murano then market their products as high-end artistic pieces, as against the cheaper Chinese glass pieces.

As a result of the increase in income, in both villages, we were told that there were no more any poor families. From discussions in the two villages, we estimated the following wellbeing distribution of households, as shown in Table 2.

Table 2: Changes in wellbeing in two villages of Lijiang

	Shi Hu village (70 HHs)		Yu Hu village (300 HHs)	
	1996	2011	1996	2011
Poor	50%	None	100%	None
Not-poor	None	100%	None	100%
Well-off	None	None	None	Few

Note: 1996 is the usual comparison year etched in people's memories, since it was the year of the big earthquake, which destroyed a good part of the Old Town of Lijiang. After that earthquake, the government poured in a lot of money for rebuilding (there was a condition that in the Old Town of Dayan all rebuilding had to preserve the old style in the exteriors), and into improving infrastructure. In a perverse but beneficial manner, the earthquake drew attention to the architectural, cultural and scenic attractions of Lijiang. Before 1996, tourism in Lijiang was dominated by foreigners, including overseas Chinese. At present, however, Chinese domestic tourists dominate the market.

In both villages, the chief criterion of being poor meant not having enough to eat. As the most educated person from Yu Hu (now working in an international NGO in Lijiang) said, 'We used to be hungry when I was a child. Now we have so much of everything'.

In Yu Hu we were told that those families who had someone doing well in the town were somewhat better off. The remittances from these children enabled the families to acquire various electronic gadgets, etc. Most households in both villages had colour TVs, washing machines, rice cookers, private toilets, solar heaters, and even liquid petroleum gas, though they also used firewood to boil water. Many household gadgets were bought in 2008-09, when the government provided subsidies for rural purchases of these household electronic goods to counteract the effects of the global slowdown.

The villages around Lugu Lake, as seen in 2012, have become entirely based on tourism. The number of tourists has grown from less than 20,000 in 1994 to almost 500,000 in 2011.⁸ Along with this, income too has grown dramatically. When the villages depended on agriculture, fishing and other natural resource-based economic activities, per capita income was about Y400-500 in 1992. But this has now increased to more than Y400,000 per year in 2010.⁹ The sheer volume of tourists has transformed the area.

Without being able to check the figures, the magnitude of change is visible. All the researchers have visited the villages around Lugu Lake over at least 20 years. The differences in the quality of housing, types of food consumed, clothes, motor vehicles, household appliances – all these changes are dramatic. The villages around Lugu Lake have moved from being among the poorest in Yunnan to being among the richest in the province.

⁸ Data supplied by Tourist Office, Lugu Lake.

⁹ Data supplied by Chief Tourism Officer, Lugu Lake.

Guides and porters

In Uttarakhand, the excursions are most commonly white-water rafting and hiking. White-water rafting in the area from Rishikesh upwards along the river has created a large number of local jobs. By some estimates of local persons in the segment, at least 10,000 young men are working in rafting and possibly as many in hiking, though the latter are widely distributed, while the former are confined to the areas along the river. Competition among providers of the rafting services has brought down margins. But volumes are growing. The combination of growing volumes with smaller margins, along with weak regulation, has led to the spread of many unsafe practices, like overcrowding and use of inferior equipment.

In the Baleswar CBT, jobs like being guides or porters are shared among various village households. So also the supply of vegetables for dining is rotated among various families. Some women participate in various tourism-related tasks. But the former untouchables, dalits, are quite excluded from all these tourism-related activities. Their settlement is at a distance from the main village and they remain excluded from the developing commercial activity of tourism.

The Song-Pindari trek in Uttarakhand is a well-known trek. It has seven villages along the way. The trek route provides work for about 150 days in a year. There are 20 road-side eateries (*dhabas*), 110 mules, 25 porters and 12 guides on this trek route. Their daily rates and annual income, as well as the gross local income from tourism, are given below.

Table 4: Income along trek route

	No.	Daily rate (Rs.)	Annual income (Rs.) 150 days work	Total (Rs.)
Dhaba	20	400	60,000	1,200,000
Mule	110	350	52,500	5,775,000
Porter	25	300	45,000	1,125,000
Guide	12	500	75,000	900,000
Gross Local Income				9,000,000

Source: Field notes.

This is a gross local income of Rs.9,000,000, or about \$180,000 per year, or an average income of Rs.53,892 (\$1,000) per capita per year. This area, like others along trek routes, is agriculturally very poor, with very tiny strips of cultivable land. The main agricultural income is from sale of forest produce. Tourism alone could provide even two-thirds of local income. The area, however, is still poor. Obviously it would have been much worse off without tourism. Tourism is an important source of income, even a life-line for the people of the area. But it has not been able to pull the area out of poverty and the area remains one of the poorer areas in Uttarakhand.

At Lugu Lake, too, the various excursions (boat and horse rides, etc.) are provided by households who do not own guest-houses, i.e. those with houses away from the lake shore. In this way there is some sharing of benefits from tourism, though the major share of local tourist expenditure does go to the guest-house owners. But the high volume of tourism means that even relatively lower-paying activities, such as horse and boat rides, can result in substantial increases in income.

In contrast to the major income transformations brought about by mass tourism above, we should note the relative deprivation of a poorly connected village, that of the Yi on the hill above Lashe Lake. Even in 2012 this village was not connected by a road suitable for motor vehicles. It received only a few 'adventure tourists' or researchers, like us. The village still relies on upland cultivation of buckwheat, livestock and extraction of forest products as its major sources of income. Clothes and food are better than they were in the mid-1990s, but most houses are still of the old type. Villagers are eager for their village to be well connected, so that they can also benefit from tourism.

Along the way

While guest-houses and associated services result in a substantial income for the concerned villages, there are other impacts of tourism along the route. We were able to take a look at these impacts along the way on a road connecting two shrines in Uttarakhand.

A village along the route is Pali, on the road from between the religious destinations of Badrinath and Gangotri. This road was opened up some 20 years ago. Many bus and other automobile loads of tourists go by this road, often stopping here for a snack, or meal. Some also rest for a while. There are eight eateries-cum-shops, employing some 20 persons, none of whom is a dalit. They do business of about Rs.50,000 (\$1,000) per month in the seven-month tourist season and about Rs.20,000 (\$400) per month in the five-month off-season.

Pali has 110 households. Out of these, 80 households have someone working outside the village. Remittances, it was felt, accounted for 40-50 percent of village income. Discussions gave a figure of tourism accounting for about 20-25 percent of village income. Together there would be a minimum of 50 percent of village income from non-farm sources. Food grown by the village is sufficient for just one or two months; for the rest of the year, food has to be bought from the market. Potato is the main cash crop. But there has been little change in agriculture. The growing parts of the livelihood system are remittances and tourism.

Besides Pali, there are four other villages on this 25-km stretch of road. The types of developments described in Pali have also taken place in these other four villages. As seen in Table 3 below, there has been a change both in the incidence of poverty and the incidence of brick houses in Pali village.

Table 3: Pali village, status of 110 households

	20 years ago	Present
Poor	90	20
Better off	20	90
Brick houses	5	105

Source: Field notes.

The change in both poverty and brick houses cannot be attributed to tourism alone. Remittance is even more of a factor in these changes. But the important point is that tourism is the one form of non-farm enterprise that can be taken up in the area.

Exclusion: women and Dalits

At several points it has been mentioned that the two sections of people excluded from tourism activities are women and, in India, the former untouchables or dalits. In Uttarakhand, women's participation in the labour force is higher than the national average. But more than 95 percent of rural women are in agriculture and very few are in non-farm rural activities. Agriculture and housework are both carried out largely by women in the state. Dalits too are largely excluded from tourist activities.

In contrast to the above general picture, it should be pointed out that, in the IFAD-supported Bageswar CBT, women do participate substantially in tourism activities, as guides, and even as porters. This shows that with deliberate intervention it is possible to increase the involvement of women in tourism.

How has the development of tourism affected gender roles and relations in the Lijiang villages? Whether in guest-houses or horse rides, tourism has increased women's workload. In the guest-houses there is the work of cooking and cleaning, done almost entirely by women or hired help. In the case of horses, again it is women who do the job of feeding and otherwise caring for them. Feeding includes cutting and carrying fodder for the horses. In Shi Hu village we saw some women carrying fodder on their backs, and some in bicycle-vans. So at least some of the income was being used to reduce women's drudgery. But, overall, there is a substantial increase in women's workload, both in running the guest-houses and in caring for horses.

Does the additional income from tourism accrue to women? In the case of horses, it goes directly to the men of the household. Some of them told us that they give about one-third to their wives for household expenses and keep the rest themselves. Some of this portion may be saved or invested, but the men too reported that there was an increase in their expenditure on cigarettes, alcohol and entertainment.

In the matrilineal Moso village, there were signs of changes in gender roles in household management. External contacts were and are the province of men. But during the period of subsistence economy, these external contacts played little role in the largely domestic economy. With the development of tourism, these external contacts have become more important. In particular, loans for investment in guest-houses were secured through these external contacts with government and banks. Being the conduit for securing loans, even if the property ownership system remained matrilineal and the keys of the house, including the guest-house, were with the mother (or the oldest daughter), men had more of a role in managing the commercial affairs of the guest-houses. Labour in the guest-houses, where it was not done by hired staff, remained the preserve of women. At the same time, the grandmother still remained the head of the household.

In both Uttarakhand and Lijiang, it can be seen that rural women, when they are not owners of land, as in Lugu Lake, are involved in tourism activities, falling within the category of 'contributing family workers'. They do not upgrade their economic status to either own account or wage workers. In either of these cases, there is likely to be an improvement in status, as women would be seen as bringing their own income into the household and would thus be recognized as independent income earners. This, as the theory of cooperative conflict in household bargaining predicts, would strengthen women's bargaining position within the household and increase their capacity to increase their own wellbeing within the household.

Quality of jobs

The jobs in the tourism sector in the case studies, both in China and India, are very much of the self-employed or own-account type in the informal sector, or, since services are provided by the household, as contributing family workers. Obviously, the jobs themselves do not provide any kind of insurance or other social protection. In China the workers do have medical insurance, which is provided to the whole rural population. Since tourism is, in the main, seasonal, the jobs are also seasonal. Though in the case of Lijiang, there are a fair number of tourists, even in the off-season.

What is important about the jobs is that they are largely of the low-skill variety, something that rural people can take up with their agriculture-based educational levels. This is important in providing an avenue for non-farm employment for low-skilled workers and thus reducing poverty.

Competition

What does help to improve earnings is the factor of organization. Where guest-house or excursion services are provided individually there is competition among service providers, leading to low rates. For instance, in rafting in Uttarakhand, competition has led to high capacity and brought down margins for service providers. Similar is the case with porters and mule-providers along the trekking routes in these areas. In Yu Hu the villagers initially provided horse rides individually and found that internal competition brought down their prices. But where the service providers are organized (e.g. in Bageswar, with a CBT system, or Lijiang more generally), they are able to limit entry and keep prices from falling.

In the tourist city of Venice there is a good example of ancient guild systems being maintained in order to eliminate competition and thus keep prices high. There are only 50 or so families of gondoliers, who take tourists for boat rides in the iconic Venetian canals. This absolute entry barrier enables them to charge as much as €100 for a 30-minute gondola ride. It is easy to restrict entry into the gondola ride segment. But, in the case of glass-blowing, the Venetians are not able to control the flood of Chinese glass into the city markets. The glass-blowers of Murano thus market their products as high-end artistic works, in comparison to the cheaper Chinese glass pieces.

In segments of production that are easily entered, wages or earnings can only be maintained when organizations of service providers are able to act like 'closed-door' trade unions and keep prices from falling to the lowest possible levels on the market. The normal working of the market-cum-bargaining relationship would tend to push earnings down to the least possible in easily entered segments of work.

Conclusion

Jobs in tourism, particularly those at the destinations, are often characterized as being seasonal and low-paying (Clancy 2001; and Slob and Wilde-Ramsing, 2006). What our case studies show is that even relatively low-paying jobs, such as conducting horse or mule rides or being porters and guides, can have a substantial impact on poverty. Compared to the higher-paying provision of accommodation, large numbers of local people, albeit largely men, participate in these end-of-chain tourism activities. Overall, even such seemingly low-end jobs, through mass tourism, can result in substantial reductions of poverty in upland economies. What is important about these jobs

is that they are secured by those with little or even no education, rather than the more office-type tourism jobs secured by those with higher education and skills.

Both the size of the sector and the share that reaches the poor are important, not just one or the other (Mitchell and Ashley, 2010). A higher share of a small sector, such as community tourism, may not have as much of an impact on poverty as a lower share of a large sector, such as mass tourism. The ability of local workers, particularly the poor, to take up the segments of the value chain that can easily be localized is important in determining the impact of tourism on poverty in the destination areas. The nature of these linkages limits the extent to which tourism can positively impact on wellbeing in destination areas. These impacts, again, can be increased by organization of the workers, which both reduces competition among service providers and could increase their bargaining power vis-à-vis the bulk buyers of their services, such as tour operators.

The excursion-type jobs in tourism, however, are both heavily male dominated and carry forward forms of social exclusion. Uphill dwellers are excluded from the benefits of such jobs, as are former untouchables (dalits) or other low castes and minorities against whom forms of discrimination exist in the various job markets. Those in poorly connected villages in the uplands are also excluded from the benefits of tourism. Women, we have seen, bear an increased work burden in, for instance, looking after horses or providing house-keeping services in guest-houses. All this, however, is done as contributing family workers and does not increase status within the household or community.

Further, since these are largely jobs of the self-employed type, they do not carry social security benefits with them, nor can social security benefits be provided directly through the tour operators. What can be done is to levy a cess on the industry as a whole, in the form of payment to the state made by each tourist. The money from the cess can then be used to provide social security or medical benefits. Or, such benefits could also be provided directly by the state, financed out of general taxes rather than out of an industry cess – as is done in China.

Finally, we should note the importance of tourism as a non-farm economic activity in upland economies with limited agricultural or manufacturing potential. Rather than crowding out other domestic sectors (Dwyer et al 2000), tourism is the one form of non-farm economic activity that can develop in remote upland economies. Additionally, since tourism relies on a clean environment, there is an encouragement to both rural hygiene and to preserving nature, which is a key asset in tourism.

Where functional upgrading is taken up, for instance providing accommodation in locally-owned and managed guest-houses, the proportion of local benefits increases substantially, but there is a growing inequality in this process. Irrespective of the possibilities of upgrading, even end-of-chain activities can have a substantial impact on poverty, provided these activities are carried out by local workers, which they inevitably are.

Organization of the service providers, either as unions of workers or in the form of CBTs, is important to increase the returns from tourism. Upgrading is limited to moving from excursion providers to providing accommodation and managing the whole destination. But it is difficult for rural communities to directly relate to customers, which requires the capacity to manage the whole chain of tourism services and also provide access to multiple destinations. Aggregators and integrators remain external business organizations. Rural communities are thus limited to B2B upgrading and cannot individually take up B2C upgrading.

Yet there are forms of social upgrading that are linked to tourism. The impact on incomes and poverty has been mentioned. There are also other non-economic benefits. The improvement in rural sanitation, which is essential for tourism, is one such non-economic benefit. Another benefit is the increase in the value of nature as a tourism asset.

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