

CAPTURING THE GAINS



*economic and social upgrading
in global production networks*

**Tourism overview: changing end markets
and hyper competition**

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Abstract

This overview of tourism research conducted by Capturing the Gains covers cases from Asia (China, Indonesia and India), and Africa (Kenya, South Africa and Uganda). The tourism value chain is outlined and changes in the relative roles of different agencies discussed. The paper analyses the changes in the composition of tourists in these countries and the resultant change in relative importance of national and international tour agencies. Our findings suggest that benefits from the growth of tourism are unevenly distributed, with the oligopolistic nature of the tour agencies and hyper-competition among service providers even resulting in some cases of below-cost provision of destination services. These commercial value chain dynamics have led to precarious employment arrangements. There is a synthesis of the nature of employment in tourism, with a large presence of own-account and other forms of informal employment. Ways of dealing with the oligopolistic buyers' market are discussed, including branding and organization by destination service providers. Methods of improving the gains of women and other workers are also addressed, such as the role of workers' organization and state-supported social security measures.

Keywords: Tourism value chain, international and domestic tourism, oligopolistic buyers' market, hyper competitive suppliers' market, informal workers

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Executive summary

Researchers in the tourism sector of Capturing the Gains (CtG) conducted field research in six countries and in 11 tourism localities. Two global regions were explored: Asia and Africa. For Asia our cases included: China (Great Wall and Lijiang); India (Jaipur and Meghalaya); and Indonesia (Bali and Tana Toraja). Our African cases were: Kenya (Mombasa and Maasai Mara); Uganda (Murchison Falls National Park); and South Africa (Cape Town and Eastern Cape).

Four key findings from our cases are:

1. The relative importance of external (global) or national markets was a strong determinant of value chain dynamics that influenced economic and social upgrading outcomes. The more, as in Asia, the domestic tourism dominated the market, the more national tour operators (TOs) became important vis-à-vis global TOs; and vice versa in Africa.
2. Monopolistic or oligopolistic buying by TOs, with high competition among sellers, can lead to a fall in suppliers' prices even below regular costs, with all of the pressure of earning a positive income being put on shopping commissions; while oligopolistic competition among TOs for tourist customers also means that some of the benefits are passed on as consumers' surplus (e.g., China's 'zero fee' tour). This buying power, however, could be countered by a destination-based organization of service providers, big and small, both building a brand to increase demand and restricting supply; thus transforming a one-sided buyers' oligopoly into a dual oligopoly on both buyers' and sellers' sides.
3. At the same time, the associational power of service providers and employees, in the form of workers' unions and other organizations of own-account workers, was necessary to support social upgrading.
4. Since workers in tourism, whether of the own-account or employee variety, are a sub-set of those who can enter the value chain (given the ease of entry into most tourism work), overall social security measures – such as China's universal medical insurance or India's rural employment guarantee – were important in raising the social floor. In the absence of such measures, workers' wages and incomes remained very low, as in Uganda.

Economic upgrading findings

Important economic upgrading findings are:

- All of our cases have ***economically upgraded at the national level***, with some variation. Incomes or revenues per tourist and per employee have both gone up, but the benefits have not been evenly or substantially spread among businesses and workers of all types.

- **Functional upgrading for tour operators** was present in all our cases but differences were found between Asian and African tour operators, ownership and tourist products, and forms of upgrading, with the former much more advanced in upgrading than the latter.
 - In tourism, TOs play crucial roles in integrating or bundling the various value chain tourism services into a package. TOs also aggregate customers and bring them to the destinations. A major difference that emerged between Asia and Africa is the domination of domestic tourism in the former, while in the latter foreign tourism still dominates the value chain.
 - The growth of tourism has meant the development of many national and destination TOs. Since tourists who use TOs come through their national TOs, and the domestic market dominated the external market in Asia, the national TOs have become dominant players in the Asian tourist markets. In addition to their role in accessing domestic tourists, growing capabilities and the internet have allowed these national TOs to directly access the foreign tourist markets.
 - In Africa it is only in South Africa, with its fairly substantial domestic tourist market, that national TOs play a major role in the tourism value chain. In Kenya national TOs are strong, but they are divided between elite, exclusive operators and the numerous low-end operators. In Uganda tourism is still limited and elite operators dominate. These elite TOs act as inbound country suppliers to global tour operators.
 - Growing capabilities in providing service packages and directly securing customers are characteristic of functional upgrading seen more in Asia than in Africa, particularly at the low-end local destination side. Destination TOs in Asia have functionally upgraded and can offer packages, while destination TOs in the two East African countries (Kenya and Uganda) basically provide excursions. Rather than having destination TOs, elite national TOs in our African cases have vertically integrated to provide accommodation and excursions – game drives – in destinations.
 - Economic upgrading, however, is not something service providers from all communities can carry out equally. Access to finance and clients, and knowledge of services to be provided are all unequally distributed. Indigenous peoples in China often rent out their guest-houses, rather than run their own business, both because of a shortage of capital and because of a lack of adequate management knowledge. In Africa, in addition to inadequate financial and social capital, indigenous Africans face discrimination, manifested through a lack of trust in their capabilities and their exclusion from international networks.

- The ease of entry into low-end market segments of the value chain, e.g. being guides, makes these country excursion activities very susceptible to overcrowding. Oligopolistic sellers face abundant service providers. This market situation makes it possible for buyers to force sellers to reduce prices, to below even the barest minimum. In China, accommodation providers, tour guides, transport operators, or destination service providers are paid fees, leading to the development in China of the 'zero fee' tour. Costs of service providers are made up through shopping commissions. This is the most extreme form of downgrading of service providers.
- In all of our cases, many **accommodation providers have product upgraded** via adding on new facilities or rooms to their properties. Differences exist between branded hotels, independent hoteliers and guest-house owners.
 - Hotels that had access to multiple distribution channels, had brand recognition, and did not compete on price with global or national tour operators were more able to economically upgrade. In Africa, the international and national branded hotel chains were most successful. In beach destinations, like Mombasa, mid-range hotels that competed on price were susceptible to downgrading.

Social upgrading findings

Important social upgrading findings are:

- Among employees of TOs, hotels and restaurants there are **just a handful of permanent employees**, who have received reasonable salaries with health and other benefits. Many employees are either hired through labour contractors or on a contract or casual basis. They do not have any benefits, or have them only for a short period of time.
- With the better paid employees of hotels and restaurants, there are two factors at work. First, they are employed in units with large numbers of workers. This is the basis for an associational strength. Second, high-end hotels and restaurants also earn higher than normal profits or rents, because of their brand value. Thus, they can afford to pay their employees some portion of these higher than normal profits. It is also noticed, however, that not all employees of high-end facilities receive better wages. Those who are hired through labour contractors or on a casual basis do not get these benefits. We found that tourism providers, regardless of their upgraded status, varied in their rates of casualization, but almost all employed casual workers.
- Many tourism service providers are own-account workers, who often compete with each other in providing services or selling products. Even among larger enterprises there can be substantial competition, as seen in the case of China. Dealing with a monopolist or oligopolist buyers' situation, with many competing sellers or service

providers, makes it possible to bring down the price even to below the cost of production. As a reaction to the oligopolistic driving down of sale prices, there are also examples, most prominently in Lijiang, China, in the case studies of excursion service providers, or whole areas, being organized to reduce competition. Combined with brand value, this associational strength enables them to counter a monopoly on the buyers' side, with a dual monopoly situation. This increases the benefits that local enterprises, including own account workers, are able to receive. Unorganized own-account workers, or independent suppliers, e.g. those who make artisan products or food staples, have difficulty getting access to the value chain, as is the case with many African own-account workers.

- Despite unstable and seasonal jobs, case studies in China and India showed that tourism can have a substantial poverty-reducing impact. Tourism often is the only non-agricultural economic activity that is possible in upland economies and in rural locations in Africa.
- **Women benefit in uneven ways** from tourism employment. In Africa there was often no gender wage gap, but men dominated employment numbers. In village India, men took up the income-earning tourist jobs, while women remained as unpaid contributing family workers in agriculture. But in China and Indonesia, tourism provided substantial avenues for women's employment. In matrilineal communities, women tended to own the new tourism enterprises.
- With the very large numbers of hotel workers or own-account workers, organizing service providers is important in enabling them to raise their own wellbeing and service standards. The hospitality union in Africa played a crucial role in ensuring permanent hotel workers' benefits.
- Measures that go beyond tourism workers to all rural households, such as China's medical insurance for all or India's rural employment guarantee, which raise the social floor for all residents, are important in improving tourism workers' living conditions. Where no social floor exists, as in Uganda, even permanent workers find it difficult to survive on wages that remain very low.

1. Introduction

As part of the Capturing the Gains (CtG) research, tourism was studied as a service sector global value chain (GVC). Studies were undertaken in Africa and Asia of two kinds of tourist site in each location – one a site of regular, mass tourism and the other a site of specialty, indigenous tourism. The Asian sites were (the names of the mass tourism sites first): Bali and Tana Toraja in Indonesia; the Great Wall and Lijiang in China; and Jaipur and Meghalaya in India. An additional site, Uttarkahand, a site of mass religious tourism in India, was studied as part of an IFAD project preparation. The African sites were Mombasa and the Maasai Mara in Kenya; Cape Town and the Eastern Cape in South Africa; and Murchison Falls in Uganda.

China and India were chosen for study since they are large economies, with large tourism sectors, even though tourism is not as important to their national economies as is the case for, say, Thailand or Indonesia. The Indonesian site of Bali was chosen because it is a destination in which tourism is the major economic activity. It was felt that there might be useful lessons to be learned from studying a tourist-dependent economy, particularly since it had gone through a series of crises, with the Bali terrorist bombings having been deliberately carried out to damage the island's economy. How does a tourist-dependent economy respond to a recession in its major economic activity? What happens to the GVC structure in the aftermath of a recession? How do various types of workers involved in tourism cope with a major recession?

The tourism sector is quite large in the South African economy, but in Kenya and, more so, Uganda, tourism is relatively small, but growing. The sites were chosen in order to see how developments in these sites took place and to examine the differences both between the sites and with sites in Asia.

Initially, sites were chosen with the expectation that they would bring out the contrast between mass and specialty tourism. In the course of study, however, this distinction seemed relevant for some community-based issues related to benefiting from tourism, but it did not seem to have much relevance to understanding the overall dynamics of changes in GVCs. Additionally, one of the indigenous sites, Lijiang, turned out to have a strong mass tourism character, with more than 10 million annual visitors in a county of one million people. Similarly, the Maasai Mara was chosen as a site of indigenous or community tourism, in contrast to the traditional 'sun and sand' destination of Mombasa, but the Maasai Mara, like Lijiang, turned out to display characteristics of mass tourism. Consequently, while problems related to indigenous tourism are brought in at different points in the discussion, the distinction between mass and indigenous tourism is not the organizing principle of this overview.

The focus of the tourism studies was on understanding the dynamics of changes in GVCs, and on the nature of economic and social upgrading in the sector and links between the two, with some emphasis on poverty reduction and changes and impacts in gender relations. The overview begins with a brief background to GVC characteristics and trends and the tourist economy in the six study countries. This is followed with an analysis of the nature and

dynamics of the tourism GVCs, drawing important contrasts between the experiences of Asia and Africa. Then follows a discussion of various aspects of economic and social upgrading and downgrading in varying contexts, including poverty reduction and the gender analysis of tourism. There is also a brief discussion of community-based tourism. The overview ends with addressing governance matters, and a few key policy recommendations.

Before going on, a brief note is needed on the methodology of the studies. In addition to secondary data from government and industry sources, substantial primary data were collected. This involved two kinds of methods. First, we conducted interviews with persons involved in the tourist industry, including tour operators (TOs), government officials in tourist departments, staff of hotels and owners of guesthouses, restaurant owners and staff, tour guides, transport operators, shop owners, and taxi drivers. Essentially, we interviewed along the value chain to address the various issues from the perspective of multiple actors – firms, workers, government and communities. Second, we completed detailed investigations, both participatory rural appraisal PRA-style and household income and wellbeing surveys, of a few villages in the various Asian sites. For all the Asian sites, the number of persons either in individual interviews or in focus group discussions would amount to more than 500. For Africa the total was over 200. Fieldwork was conducted throughout 2011, with some additional fieldwork in 2012.

This overview of tourism is based mainly on studies conducted for CtG. These studies are:

1. China – Lijiang by Yang Fuquan, Dev Nathan and Govind Kelkar; and the Great Wall by Yu Yin
2. Indonesia – Bali and Tana Toraja by Girish Nanda and Keith Hargreaves
3. India – Jaipur by Varsha Joshi; and Meghalaya by Phrangkupar Kharbamon
4. Kenya – Mombasa and Maasai Mara by Michelle Christian
5. South Africa – Cape Town and Eastern Cape by Pamhidzai Bamu
6. Uganda – Murchison Falls by Michelle Christian and Francis Mwaura.

References in the following text are not given to the above studies, but only to secondary material.

2. Background

In this section we set out the structure of the tourism economy and look at the similarities and differences among the countries studied. In particular, we look at the broad differences between Asia and Africa.

2.1 Global and regional consumer, trade, production and employment trends

The tourism global value chain is characterized by several global trends. Depending on the outbound and inbound destination markets, the tourism global value chain can be described as both buyer- and supplier-driven, and increasingly consumer-driven. There is also increased consolidation and concentration of the top lead firms in sub-sectors, while simultaneously representing fragmentation characteristics. Fragmentation occurs with the

diffusion of tourism service providers at lower market product levels and scale. Volatility of the sector is also a formidable challenge faced by all destinations. These dynamics help to situate the sector's diverse labour trends.

First, the GVC can be buyer-driven because global tour operators act as bundlers, marketers and sellers of complete tourism packages. This allows them to essentially control the value and demand price points and service standards from their suppliers. However, on the supplier side, if a destination has prominent hotel brands (many foreign-managed) that do not compete on price, have multiple distribution channels for selling their tourism products, and do not need to rely solely on tour operators for clients, their large suppliers are in a stronger negotiating position with buyers. Accommodation outlets can also steer tourist flows to their own chosen excursion suppliers – e.g. drivers, guides, activities, and retail, because they act as tourism service hubs.

Second, as consolidation and concentration has grown in multiple segments of the tourism GVC – global European operators, cruise lines and international air carriers – there is also fragmentation. The European outbound market is highly consolidated, and in some locations firms are vertically integrated into several segments of the value chain. In 2010, five UK travel retailers (TUI Travel, Thomas Cook, Expedia, Sabre and Orbitz) controlled almost 70 percent of the market (Euromonitor 2011). In the US the tour operator/retailer segment is more diversified, lacking the level of concentration found in Europe. The Asian markets are more driven by national tourism actors and fragmented. The top international hotel brands are also increasingly horizontally integrating, adding new brands and continuing to open new hotel locations in emerging markets through franchise, management and own and lease opportunities.

Fragmentation abounds in niche tourism products in external markets, e.g. specialized tour operators, budget air carriers, and travel agents. In addition, fragmentation is increasingly growing in inbound destinations in the developing world. New tour operators, guesthouses, and other micro-enterprises emerge and compete with established inbound firms as the number of visitors who have diverse needs expands, internet capacity grows, and social media marketing and tourist networking are more utilized. These smaller, micro firms, however, commonly cater to budget or very specific tourist travellers, and more often represent 'survivalist' firms who are sensitive to shocks to tourism flows and are often excluded from distribution options.

Third, commentary about the role of the consumer in driving the tourism global value chain has also grown (FIAS 2007). The growth of internet technology has supported this proposition, because tourists can research tourism destinations from their home country, book directly and, in the process, cut out intermediary operators, who take large portions of the economic profits. Just as consumer power has risen, however, new economic actors have also emerged that question the assumption that consumer-driven choices are independently made. Expedia exemplifies the concentration and power of the new online actors. The company is the largest global online travel retail company. Their brand portfolio includes Expedia.com, Hotels.com, Venere.com, Hotwire.com, World Wide Travel

Exchange, Egencia, eLong, Classic Vacations, and TripAdvisor.¹ Only a limited number of tourism service providers in the developing world can afford placement or advertisement on Expedia's sites. Hence, these 'independent' options steer tourists, as with traditional tour operator integrators. For Q1 2012, 70 percent of Expedia's revenues were generated by hotel sales (Euromonitor 2012).

Lastly, all firms and destinations in the tourism GVC have to negotiate external shocks to markets and the inherent vulnerability of the sector. Financial insecurity, fluctuating currency markets, high fuel prices, political instability, and seasonality constrain tourism flows.

These GVC trends place in context the labour trends. The multiple job categories and segments of the value chain (e.g. you can be a tour guide, a housekeeper, an artisan or a hotelier, etc.) and the multiplier effects (e.g. retail and restaurant) provide a high level of labour intensivity, but the ILO (2010) identifies the sector as having poor working conditions and low union density. The most well-paid and advanced positions are in external markets and urban centres and are filled by a high placed stratified labour dynamic, where nationality, gender, ethnicity and regional divisions abound.

2.2 The tourism economy in the six countries

In this study we are mainly concerned with international tourism, which constitutes a GVC. But, as we will see later, it is also necessary to bring regional value chains (RVCs) and even domestic value chains (DVCs) into the analysis. There are important changes in the structure of tourism value chains in some countries related to the growth of RVCs and DVCs. But we will begin setting out the background of the tourism economy by considering international tourism.

China is a massive destination for international tourism, second only to the US (see Table 1). But the per tourist foreign earnings figure is quite low: just US\$375 per person. All the other countries in our study have per person dollar earnings close to or even above US\$1,000, with India earning the highest at \$2,487 per person. This points to one peculiarity of Chinese tourism – it is dominated by overseas Chinese from Taiwan, Hong Kong and Macau.

Table 2 shows that the number of international tourists rose in each of the six countries between 2006 and 2010. The number of arrivals barely increased in Kenya and was just 7.2 percent higher in China. Kenya was recovering from an outbreak of post-election violence in 2008. For the other four countries, however, growth was from 28.2 percent in India to 75.8 percent in Uganda. The Uganda figure, however, starts from a very low base of just 500,000 tourists in 2006. Importantly, in Uganda most of the visitors are from the region and come to visit friends and family. Only a small percentage (16 percent) come on holiday.

¹ Classic Vacations represents their slow move towards tour operating services, while TripAdvisor has become the go-to social media portal and information depository for global travellers. Expedia charges transaction fees to place content on their multiple sites and increasingly are gaining high revenue from advertising services provided on TripAdvisor. Advertising fees from TripAdvisor and other media sites are expected to garner the firm over US\$1 billion in revenue (Euromonitor 2011).

Table 1: International tourism – number of tourists and earnings

| Country | 2006 | | | 2010 | | | Avg. stay (2010 – days) |
|---------------------|------------------|----------------------|---------------------------|------------------|----------------------|---------------------------|-------------------------|
| | No. tourists (m) | Total earnings (\$M) | Earnings per tourist (\$) | No. tourists (m) | Total earnings (\$m) | Earnings per tourist (\$) | |
| China | 124.9 | 37,132 | 297 | 133.8 | 50,154 | 375 | 2.73 |
| India | 4.6 | 8,915 | 1,938 | 5.9 | 14,673 | 2,487 | 28.7 |
| Indo. | 4.9 | 4,890 | 998 | 7.0 | 7,618 | 1,088 | 8.04 |
| Kenya | 1.601 | 1,181 | 738 | 1.609 | 1,620 | 1,006 | |
| South Africa | 8.5 | 9,211 | 1,084 | 11.3 | 10,308 | 912 | |
| Uganda | 0.539 | 347 | 643 | 0.946 | 762 | 805 | |

Source: UNWTO [<http://www2.unwto.org/>], Basic data and indicators, accessed 20 July 2012. Earnings per tourist is calculated by dividing total earnings by the number of tourists.

Besides the number of tourists, what is important is the foreign earnings per tourist. Overall earnings may be going up and, in that sense, the industry would be growing; however, earnings per tourist is an important indicator of whether the industry is economically upgrading. In this we see that the only country with a fall in earnings per tourist is South Africa, where it fell by 15.9 percent in the 2006-2010 period (Table 2). All the other countries show an increase in per tourist earnings, with only Indonesia having a single digit increase of 8.3 percent.

Table 2: International tourism – percentage increase 2010 over 2006

| Country | No. of tourists | Earnings | Earnings per tourist |
|---------------------|-----------------|----------|----------------------|
| China | 7.2 | 35.1 | 26.3 |
| India | 28.2 | 64.6 | 28.3 |
| Indonesia | 42.9 | 55.8 | 8.3 |
| Kenya | 0.5 | 37.2 | 36.3 |
| South Africa | 32.9 | 11.9 | - 15.9 |
| Uganda | 75.8 | 119.6 | 25.2 |

Source: UNWTO [<http://www2.unwto.org/>], Basic data and indicators, accessed 20 July 2012.

Having looked at tourism enterprise level earnings, we now need to look at employment and productivity levels. Did the numbers of those employed in tourism increase and did the enterprise earnings per employee increase? For this we use an authoritative set of data from the World Travel & Tourism Council (WTTC). The data, however, relate not just to tourism, but also to the connected sector of travel. Thus, travel and tourism's (T&T) contribution to employment includes employment by hotels, travel agents, airlines and other passenger transportation services. It also includes the 'activities of the restaurant and leisure industries directly supported by tourists' (WTTC 2011).

Keeping the above definition in mind, we note the increases in tourism and travel's contribution to employment in the six countries in Table 3. Interestingly, in the Asian countries either there has been no increase in employment or even a decrease, in the case of Indonesia. Nevertheless, all countries show an increase in foreign earnings per employee.

This shows that there is a condition in which employees' earnings could increase. Whether they do in fact show an increase, is a large part of our analysis of what is called social upgrading, i.e. an improvement in wage and other (social security measures, and rights) employment conditions.

Table 3: Direct contribution of T&T to employment

| Country | 2010 | | % Increase 2010 over 2006 | |
|---------------------|-------------------|---------------------------------|---------------------------|---|
| | Employment ('000) | Foreign earnings per worker (4) | Increase in employment | Increase in foreign earnings per worker |
| China | 23,000 | 2,180 | 0 | 38.0 |
| India | 26,000 | 564.3 | 0 | 64.6 |
| Indonesia | 3,000 | 2,539.3 | - 6.25 | 66.2 |
| Kenya | 300 | 5,400 | 11.1 | 23.45 |
| South Africa | 600 | 19,823 | 15.4 | 12.0 |
| Uganda | 200 | 3,810 | 33.3 | 64.7 |

Note: WTTC [<http://www.wttc.org/research/economic-data-search-tool/>], Basic data and indicators are accessed from WTTC's Economic Data Search Tool accessed July 2012. Employment is 'Direct Employment' from WTTC (2011). The numbers are round figures because they are approximated from the charts, and not taken from tables.

What stands out in Table 3 is the very low figure of per employee earnings for India, not even one-fourth that of the other Asian economies and even one-sixth of less than the African economies. South Africa, on the other hand, is way above the other countries, with per employee earnings of close to \$20,000 in 2010.

Given the importance of domestic tourism in the Asian countries, does adding earnings from domestic tourism change the above picture? For the purpose of understanding the contribution of T&T in the economy, we use the measure of what is called 'total contribution' to both employment and GDP. Total as against direct contribution includes wider economic effects from investment, the supply chain (particularly whether inputs are imported) and induced income and employment impacts.

We can make that calculation for one year, 2011, but do not have an earlier year for comparison to see if there is an increase. Table 4 shows that, even when including domestic tourism, the figure for earnings per employee in India is still much lower than in the other countries. Clearly there is 'over-crowding' of workers in the Indian tourism and travel industry, leading to very low earnings per worker. South Africa, on the other hand, is still way ahead of the other countries in earnings per employee.

Table 4: T&T employment, contribution to GDP and per worker earnings, 2011

| Country | Total employment ('000) | Total GDP contribution (\$bn) | Per worker total GDP |
|--------------|-------------------------|-------------------------------|----------------------|
| China | 61,937.2 | 643.4 | 10,387.9 |
| India | 39,351.9 | 121.0 | 3,074.9 |
| Indonesia | 8,609.3 | 72.9 | 8,467.0 |
| | | | |
| Kenya | 778.4 | 4.5 | 5,784.1 |
| South Africa | 1,188.2 | 34.7 | 29,208.8 |
| Uganda | 522.7 | 1.7 | 3,256.7 |

Source: WTTC (2011).

In order to assess the importance of tourism in the national economy, it is necessary to look at its contribution to the national economy, both in share of employment and in share of GDP. As we can see from Table 4, the size of the tourism and travel sector is much smaller in Kenya and Uganda, with total employment of just 778,700 and 522,700 workers, respectively, as compared to the more than 61 million in China and 39 million in India. Nonetheless, the percentage of employment is higher in the African cases.

Table 5: Total percentage contribution of T&T to employment and GDP, 2011

| Country | Share of employment (%) | Share of GDP (%) |
|-----------|-------------------------|------------------|
| China | 8.1 | 9.2 |
| India | 7.8 | 6.4 |
| Indonesia | 7.7 | 8.8 |
| | | |
| Kenya | 11.9 | 13.7 |
| S. Africa | 9.0 | 8.6 |
| Uganda | 7.9 | 9.0 |

Source: 'County rankings: relative contribution, 2011' in WTTC, 2011,

Table 5 shows that the tourism and travel contribution to GDP and employment is relatively most important in Kenya. For the three African countries in the study it is stronger than in India or Indonesia. Only China matches the African countries in tourism and travel's contribution to GDP.

For both Kenya and Uganda (as also China and Indonesia) the share in GDP is higher than the share in employment. This shows that the productivity of the tourism and travel industry is more than the average productivity of the economy as a whole. On the other hand, more so in India than in South Africa, the productivity of the tourism and travel industry is lower than that of the economy as a whole.

3. Tourism GVCs and changes

Tourism, like other production sectors, is organized in value chains, not only global but also regional and domestic value chains. This section discusses the structure of tourism value chains, the power within these value chains, the changes in them and their impact on the nature of the tourism product.

3.1 GVC mapping – lead firms and key countries

The tourism global value chain exhibits unique characteristics that separate it from traditional apparel, manufacturing or agriculture value chains. The product that consumers are consuming is service-based and intangible. It is an experience that is structured within economic transactions executed by tourism service providers. Hence, production and consumption are simultaneous. The inputs – destination, natural and cultural assets, and labour – become part of the product that is marketed and consumed. In Figure 1 we outline a tourism global value chain. The chain follows Döerry's (2008) designation that a tourism chain follows a tourist's eyesight, or perhaps more appropriate, their footsteps. The chain is divided into the activities a tourist carries out from their country of origin (outbound country) and in the destination country (inbound country). All of the stages of the tourism GVC can be bundled together, or sold separately, or a combination of the two. The highest value-added characteristics are firms that have: direct access to international tourists via marketing and sales outlets; coordination and logistics' capabilities; and that execute international travel.

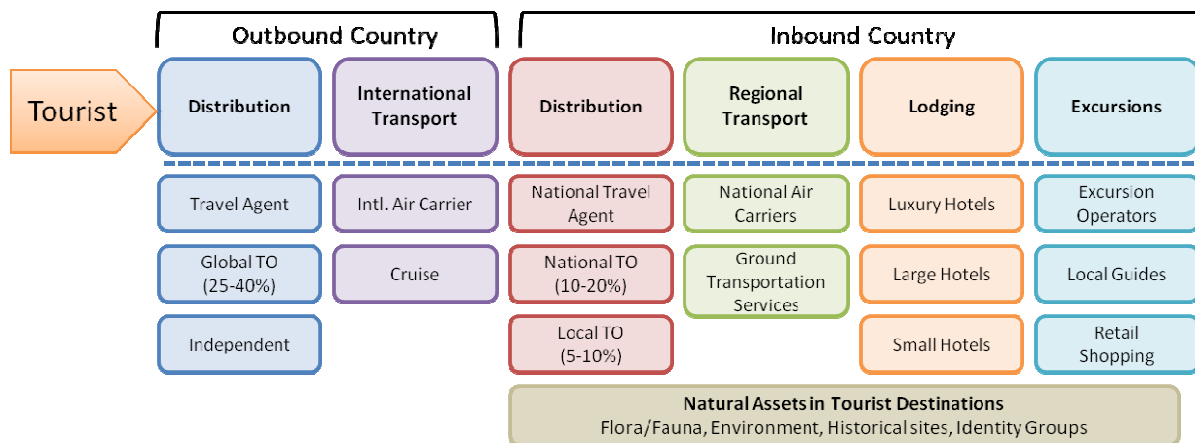


Figure 1: Tourism global value chain

There are three groups of actors in the tourism GVC structure: the tourists or the end market; the intermediaries, who are part of distribution and are tour operators (TOs) at various levels, i.e. international, national and destination; and the tourism service providers, such as those who provide accommodation, transport, food excursions and entertainment;

the latter group of services form the inbound 'tourist experiences'. Tourism services also include shops, which as we will see below are often a key part of the tourist product.

The TO performs three key functions: integrating and bundling the tourism services, aggregating the tourists, and disseminating knowledge and information regarding service providers and destinations (Paraskevas, 2005; Buhalis, 2001). In integrating and bundling they put together the package of transport, accommodation, food and drinks, excursions and entertainment and, finally, shopping for the tourists. Depending on the different forms of packages that are created and sold, TOs can incorporate all or most stages of the value chain. In carrying out this integration, they also overcome the trust deficit that exists in contracting services from unknown parties. The TO, in a sense, guarantees to the tourist the quality of the services experienced. Overcoming the trust deficit is particularly important in international tourism to developing countries. All tourism service providers have multiple distribution channels to sell their products (e.g. through other providers, global distribution and computer reservation systems, and directly) but because TOs take on multiple functions and have direct access to tourists they can essentially control and shape value chain dynamics.

The second function that the TO performs is that of aggregating the tourists. Rather than have individual tourists bargain with service providers, they create or provide services for groups. TOs often contract in advance with the service providers, getting discounts or commissions from the airlines, hotels, etc. Figure 1 shows the commission rates that different TOs receive. TOs may or may not pass on some of these discounts to the tourist, depending, as one would expect, on the extent of competition among TOs. In peak seasons, TOs are unlikely to pass on any discounts to customers, but in slack seasons they would pass on some of these discounts to customers. Lastly, because TOs bundle and aggregate, they have controlled the flow of information regarding services (including options and prices). Hence TOs take on multiple and important responsibilities that provide them with more power within the value chain because they are able to brand, select market destinations, and choose their package providers. They are the vehicle both to eschew tourist fears, but also to steer tourist activities.

International TOs often operate through national and even local destination TOs. These national and local TOs depend on international TOs to contract them to provide services. Where there are well-developed destination TOs, the international TOs may bypass the national TOs and contract directly with destination TOs. International TOs, also at times, operate without national or destination TOs as package organizers. Rather, they would themselves charter airline flights, book hotels and excursions, etc. In this 'bubble' system, they separately contract for each service and travel with the group. But they may also have a local individual as the tour leader (TL), whose role is to supervise the local arrangements and shepherd the tour group through all its activities. Such a TL, however, could also emerge as a TO at a later stage. This, for instance, was noticed in both Jaipur and Lijiang. The TLs must have not only the requisite experience, which they acquire through their work as TLs, but also capital and risk-taking ability. For this, they may have to join with other local persons who have or can obtain the required capital. Individuals who work as driver-guides

in the African destinations also can display this potential upgrading trajectory but, in addition to capital requirements, having direct access to international clients is essential.

3.2 Power in the GPN

What are the factors of power in the tourism GVC? Two factors stand out. One is the ability to secure customers and bundle services and the other is branding. There used to be a third, information, mentioned in Ford et al., (2012) but the internet has reduced, if not negated, information as a source of power in the tourism GVC. However, regardless of advanced internet dissemination, for some destinations, tourists still rely on the expertise of key actors like tour operators or their branded service providers (such as tour desks at hotels) to provide all necessary information regarding destinations, because they 'trust' their decision process.

Hence, the ability to secure customers is the strategically important source of power in the GVC. This is what gives the various intermediaries, the TOs, their power. With that power they can dictate standards and price down the value chain. The other factor of power is that of branding, which could be of suppliers in destinations, as, for instance, hotels. In the space of standardized and thus easily commoditized services, price becomes the key factor of competition. With branding and the trust that goes with brands (Ford et al., 2012) it is possible for some suppliers to move from price to product competition. This becomes a key determinant of hotel product upgrading for hotels in mass tourism markets that no longer have to negotiate with TO buyers on price alone.

3.3 Differences between Africa and Asia: tour operators and importance of domestic markets

The first point to note on the differences between Africa and Asia is the different roles of national TOs in the latter as compared to the former. National TOs in Africa rely on global North markets, Europe and America; while the Asian cases rely much more on regional and even national outbound markets. Thus, the composition of tourists is important. In Asia, domestic tourists far outnumber foreign tourists, resulting in a stronger position for national TOs, who do not have to rely on sub-contract relationships with global tour operators to receive clients (see Table 6). In China, 'overseas Chinese' account for over 90 percent of foreign tourists. These differences in market composition could make national TOs much more important than international TOs in Asia as compared to Africa, with South Africa having an intermediate position. South Africa has a growing domestic tourism market catered for by national tour operators.

We saw that a crucial factor in determining strength and economic upgrading in the tourism GVC is the ability to secure customers. This depends on two factors: the nationality of the tourist and provider; and the ability to use the internet to secure the business of the individual tourist.

The nationality of the tourist is important because tourists tend to go to TOs located near where they are. If the nationality of the tourist matters, then it follows that the changing

Table 6: Share of foreign visitor spending in T&T, 2011

| Country | Share of foreign visitor spending in tourism and travel (%) |
|--------------|---|
| China | 11.9 |
| India | 17.8 |
| Indonesia | 20.9 |
| | |
| Kenya | 60.2 |
| South Africa | 44 |
| Uganda | 71.0 |

Source: WTTC (2011a).

nationality pattern of tourists would influence the GPNs. In a sense, there are different value chains in tourism, distinguished by the tourists' nationalities. As regional value chains become more important than global value chains in securing business, then the corresponding TOs also become more important in the bargaining system. Similarly, as national or domestic tourism value chains become more important than global or regional value chains, then national or domestic TOs would also become more important.

The above points to a major constraint to the upgrading of African TOs. The number of African tourists is not large enough to make a difference to value chain structures. On the other hand, in Asia, with the rise of large national markets, both the regional and the national tourism value chains come to dominate tourism. It follows from this that the relative strength of national TOs then increases vis-à-vis global TOs. This factor alone might explain why Asian TOs have a more dominant place in the tourism value chains than African TOs. Another distinguishing factor for Africa is how the inbound market has shaped the segmentation of national tour operators. Expatriate-owned and managed national tour operators dominate in the sub-set of tour operators that receive bookings from global tour operators. In many cases, global tour operators prefer to work with national tour operators with which they have established relationships, and which they believe have the skills and capabilities to arrange and execute inbound destination tour activities. The ability to meet a set of objective and subjective criteria of formal and informal standards distinguishes this group from a larger pool of national tour operators, who compete on price and receive clients from other TOs or through the direct approach of tourists inside the country.

The second factor in increasing the role of national TOs in Asia is their ability to directly secure international tourists or free international tourists (FITs, as they are called). The national TOs, and even destination TOs, are able to put together packages. Additionally, the spread of the internet makes it possible for foreign, including regional, tourists to directly contact national TOs. Reviews on social networking sites have replaced the old word-of-mouth reviews. The improved national capabilities and the enhanced 'trust' factor (the tourist is reasonably sure that facilities provided will be as contracted) have made it possible for national TOs in Asia to improve their position in tourism GVCs. Some African TOs have pursued this as well, but on a smaller scale.

While group international tourists (or GITS) largely come through TOs in their home countries, FITs increasingly contact national TOs directly. The proportion of FITs is estimated to be as high as 40 percent of international tourists in Jaipur (from discussions with persons in the trade). A study of 107 foreign tourists in Jaipur found that only 24 percent came through international TOs (Kanvic, 2011).

In Africa, it would seem that not many tourists, certainly not 40 percent, come on their own and directly contact national TOs. Does the idea of Africa being an unknown factor lead to a reduction in subjective 'reliability' and thus recourse to the services of international TOs tourists' countries of origin? A challenge that we uncovered in all of our African cases was the role of perceived 'image' that the continent has in outbound markets. Tourists often know very little of the countries beyond media images (often negative and overly exaggerated), US State Department advisory warnings, and commonly stereotypical perceptions regarding government, poverty and instability. This has hindered the overall growth of international tourism and segmented service providers along nationality lines.

One caveat needs to be introduced in directly relating the extent of the domestic market to the strength of national TOs. The growing importance of national TOs may not mean a reduction in the influence of international TOs, if they purchase national TOs. This has happened in India, with Sita Travels, one of the largest Indian TOs being bought up by Swiss Kuoni, and Travel Corporation of India being owned by Thomas Cook. This has already been a strategy in African destinations, where TUI Travel from the UK owns Pollman's Tours and Safaris in Mombasa, and Kuoni owns Private Safaris, and where multiple global tour operator brands send tourists to Mombasa. Of course, such purchases can also go the other way (but, less frequent), as in the case of Cox and King's travel business, which was bought up by an Indian company.

3.4 With changing end markets, does the nature of the tourism product change?

What we see is that in Asia domestic and regional value chains have emerged as substitutes for and in competition with global value chains. This also affects the nature of the tourism product and services. For instance, food and music provided in tourist destinations become more of typically demanded by the numerically dominant tourists. The whole tourist package, with a large number of domestic tourists, becomes quite different in structure.

Domestic tourists may be large in number, but they represent a low-income market. Consequently, the type of accommodation and services available will tend to be downgraded. From a dominance of starred hotels, much more modest accommodation would be available. Similarly for food, entertainment and transport, volumes would increase, but prices of services would be lower, with the inevitable effect on quality of services. Of course, along with the mass Asian market there is also the growth of the upper-end market. Asia, for instance, is now a larger market for luxury goods than either Europe or America (see ADB, 2010).

In Africa, in comparison, the demands of the outbound markets have spurred the growth of beach mass budget tourism for Europeans. This has caused downgrading trends in several

hotels, which are forced to meet low price points from global tour operators, but exclusive safaris for Americans. Americans who travel long distances and stay longer want to ensure they are achieving their desired African safari experience, which commonly includes private and exclusive animal viewing. Nonetheless, while there is a rise in luxury, exclusive safari experiences, there is a simultaneous demand for more mass budget safari experiences. This is seen in the proliferation of mobile and permanent camps in and around the Maasai Mara and in Kenya's highly fragmented tour operator market. In South Africa, as in Asia, because there is more domestic tourism, there is a rise in 'backpacker' tourism and guesthouses in Cape Town and the Eastern Cape.

4. Economic upgrading trends

Given the nature of and changes in tourism value chains, what are the forms of economic upgrading? As in the rest of the CtG analysis, by economic upgrading we mean a movement by enterprises up the value chain. In manufacturing value chains, process upgrading – i.e. a change in the manner in the manufacturing process by, say, a movement from artisanal to factory production – occurs quite frequently. In tourism, however, we have identified two forms of upgrading: functional and product upgrading. Functional upgrading in tourism takes the form of a service provider moving beyond its original function to add on more functions. Product upgrading occurs with the addition of new products to an already existing product.

4.1 Functional upgrading: growing capabilities of national and destination TOs

It has been noted that both the number of tourists and earnings from tourism have gone up. Consequently, what form of upgrading has taken place in tourism enterprises? National and even destination TOs have often taken up the functions of integrating and making a tourist package and aggregating customers. The ability to integrate all services and make a tourist package, however, depends on the development of capabilities.

In the Asian cases, international TOs do sometimes make the full arrangements, contracting travel, accommodation, excursions, etc., but this is rare. Most often international TOs work through national or destination TOs, paying them a commission of 10 to 15 percent of the cost of the package. The national or destination TOs then make the detailed arrangements for accommodation, transport, excursions, etc. In the process of making arrangements for what is in effect a 'full package supply', the national and destination TOs learn the management of logistics arrangements required. They also understand the nuances of the different requirements of tourists from different nationalities.

As their capabilities develop, national TOs are able to make and offer their own packages, using, as mentioned earlier, the internet to advertise the services offered. Similarly, destination TOs too develop the capacity to make a package and even to operate in multiple locations. For instance, TOs in Yunnan (the province in which Lijiang is located) could make their own national packages, without necessarily having to depend on sub-contracts from Beijing- or Shanghai-based TOs. In India, TOs in Jaipur could manage a package and thus not need to wait for sub-contracts from Delhi- or Mumbai-based TOs. In a similar fashion,

Bali-based TOs did not have to wait for sub-contracts from the national TOs based in Jakarta.

In the African cases, in Nairobi, Mombasa, the Western Cape and Johannesburg, and Murchison Falls, there is some advance in functional upgrading. But there is still a lot of bubble-type tourism, with all arrangements being made by the international and national TOs, with little growth of local tour operators. There is a fragmented market, where different TOs cater to different tour products. Expatriate-run or white-Asian Kenyan-managed TOs create multiple national and regional packages and luxury products. Furthermore, a common form of functional upgrading for safari products is when TOs open their own camps. In Kenya there are an elite group of TOs who have opened camps and private game viewing conservancies around the National Reserve in collaboration with other camp accommodation firms. In Murchison Falls, the opposite has occurred, whereby accommodation providers have started their own tour businesses.

The role of local communities and their TO capabilities in our African destinations is different and mostly centres on 'excursion' activities. In Maasai Mara, different local Maasai groups have turned their *Manyattas* (village communities) into tour excursion products and have arrangements to secure tourists based on commissions with national tour operators, camps and drivers. Some Maasai have opened their own national tour businesses in Nairobi in collaboration with a partner. The more common route is for a Maasai to get experience as a local guide and work for a national TO or camp to gain capabilities. In contrast, the communities outside Murchison Falls National Park have not created or had the ability to transition to any excursion or TO functions. Some community groups in the Eastern Cape have developed tour excursion products centred on cultural villages, but have struggled to gain access to tourists. In Mombasa, local cultural community groups are not included or used as destinations by TO or hotel packages.

In contrast, a different role for community-based suppliers can be drawn from the Lugu Lake region of Yunnan. To access tourist amenities, TOs have to relate to local community-based service providers. Competition among these service providers is also restricted by community regulation. This keeps prices up and allows for the investment of savings in expanding both physical and human capacities.

Both national and destination TOs in Asia have developed capabilities to make and administer packages. They have been able to economically upgrade and move from being contracted suppliers of modules to becoming full package suppliers on their own. This capability development, at both national and destination levels, has been complemented by better and more reliable services that has reduced the trust deficit in international and distance contracting. In Africa, however, the developments in this sphere have been somewhat restricted, with mostly a segmented group of TOs in Nairobi and Mombasa functionally upgrading to provide local packages and rather than single services. SA tour operators in Johannesburg and Cape Town have also functionally upgraded and are creating African packages for SA tourists, often opening offices in regional markets.

Do international or national TOs follow certain practices that inhibit or prevent TOs down the chain – whether national or destination – from upgrading? The first form of restrictive practice is to prevent lower-level TOs from making direct contact with clients. This, however, is becoming more and more difficult. Another practice is to make part payment and thus keep them tied to the contracting TO. This is particularly the practice of national TOs with regard to destination TOs. This has been a regular practice in all the three major Asian sites: Lijiang, Jaipur and Bali. In Lijiang the provincial and destination governments have both acted to prevent this carryover of payments. They now insist on payments being made in full by the end of the tour and take advances from the national TOs to enforce this regulation. In Jaipur and Bali there are no such regulations and the destination TOs have to manage on their own. Thus, TOs lower down the hierarchy have to work out strategies to overcome attempts by TOs higher up in the hierarchy to keep them dependent. This requires both the capacity to directly contact and contract tourists and the financial capacity to move up the value chain. In Africa, the low-level functional upgrading route is more connected to guide and employee activities of larger or elite firms. The experience that they gain by working for national TOs can often be harnessed for former employees to open their own TO. Local TOs in the Asian cases are not as common in the African cases outside of SA.

4.2 Product upgrading

We also uncovered product upgrading in the accommodation segment. Product upgrading took the form of properties adding on new facilities (e.g., restaurant, gym, etc.), beds and rooms, and increasing luxury levels. In our cases there was product upgrading at the low level, with guesthouses and budget (backpacker) facilities, and at the high end.

In Asia in the accommodation segment there has been a development of hotel chains at both the high and middle ends. In India the high-end chains are the Taj group (owned by Tata) and the Oberoi group, both with multinational operations. These high-end chains now compete with established Euro-American and Japanese chains. In the middle end, too, there are various chains. But more important are the smaller, often family-owned hotels, also termed 'boutique' hotels in Jaipur, guesthouses in Lijiang or 'villas' in Bali. These are often former residences of the local nobility or upper classes, which have been turned into commercial accommodation. They rely on their historico-cultural value to establish brands.

In Africa, in the accommodation segment, independent hotels are more prevalent, as many international chains are still cautious in their expansion choices, although this is changing. When they do enter a destination, however, their brand appeal helps them to become suppliers of choice for many tour operators/agents and they gain a significant portion of the tourism market (Euromonitor 2010). They also typically enter through less risky options, such as management contracts, and have limited equity stakes. Importantly, less international brand presence has helped to facilitate the growth of regional lead hotel brands that are leading the expansion into African markets. South Africa and Kenya are most advanced, where brands like Sun, Protea, and Serena are shaping African urban and state park destination development. Like foreign-owned hotels, they are also becoming suppliers of choice.

4.3 Ethnic constraints in upgrading

In all the African cases and in Lijiang, China, there is a common factor for enterprises that most successfully upgrade – few of them are owned by black Africans or by the indigenous people in Lijiang. Why is there an ethnic divide in upgrading? One factor is the difficulty for those who have been in subsistence economies to quickly make the shift to becoming full-time entrepreneurs. The manner of organizing a business and taking risks is not easily acquired. A lot of this is tacit knowledge, which is hard to communicate formally. Consequently, even when some members of these communities acquire the necessary capital, they may not be able to make the transition to becoming full-time business persons or take up activities with high risk.

In addition it is likely that ethnic networks play a role in denying some communities equal access to business credit and related facilities. This, for instance, was mentioned by some Naxi guest-house owners, who rented out their houses because they could not obtain enough capital to upgrade. The Han, who took the houses on lease, could acquire the needed capital. This was also visible in the African cases, where expatriate, white-African or Asian-African tour operators had access to international networks and financial resources, while black Africans were mostly excluded. There also may be racial-ethnic biases that may hinder success. In South Africa, black guest lodge owners complained that they lost business when they took over from a white family, and Zimbabwean own-account drivers in Cape Town complained that they were excluded from tourist access at some hotels.

Ethnic networks also play a role in securing tourist customers. Thus, if the tourists are largely Han Chinese, then the TOs run by Han Chinese in the areas of origin are more likely to secure them as customers than TOs run by the Naxi or other indigenous peoples in the destination areas.

4.4 Community tourism

Tourism in the Maasai Mara, Kenya, is partially a case of community tourism. Part of the object of the tourist experience, in addition to game viewing, is the Maasai community, their lifestyle and culture, and the geographic interactions through which this community has developed. A lot of the rural tourism in Lijiang can also be categorised as ‘community tourism’, in the sense that communities are involved in it and there is often provision for overnight stay.

One of the Asian case studies, Mawlynnong village in Meghalaya state of India, was studied as a case of community tourism. Tourism is still quite limited here, with about 30,000 Indian and fewer than 2,000 foreign tourists visiting the village. Consequently, the contribution of tourism to the village would not be more than five percent of its total income, and is concentrated among the 10 households (out of 78) that are involved in tourism. Thus, for those involved in tourism, the income is not so negligible. Besides some additional income, there are other social benefits, such as a generally clean village. One of the public goods associated with tourism is clean villages.

But the important point is that with such limited numbers, the impact of community tourism is limited. The 12 percent or so who participate do benefit, but the coverage is very limited. Consequently, while the manner of involving the community leads to positive results, in the absence of mass tourism, the benefits are limited.

However, it is not just a question of tourist numbers, but of how communities are incorporated (or not) into the value chain. Tourism in the Maasai Mara can be viewed as a success and several Maasai groups are receiving tourism-related income from a combination of sources: bed night fees if there are camps on their lands, a percentage of park fees, and *Manyatta* visit fees. However, it is important to note that not all Maasai are participating. Those that are most successful are groups who had land access close to the Reserve and ties to private investors. Furthermore, most Maasai participate through their role as excursion providers with *Manyatta* visits, or are workers at camps and tour operators. They are not in the higher income or value-added segments of the value chain or in high-skilled worker positions. Some *Manyattas* are more successful than others, depending on their relationship with TOs and camps.

It is also important to note the role of marketing and location. While some Maasai have undoubtedly benefited from tourism income, they are the only ethnic group out of 42 in Kenya that are proactively marketed by the state, TOs and service providers. They have benefited from their lands being home to the Big Five game viewing, and from the perception that their culture is considered a personification of Africa for foreign tourists. They have a combination of wildlife plus culture. Other ethnic groups up and down the Mombasa coast, for example, have struggled to have their products added to tour packages.

Nonetheless, the importance of community tourism is that it provides a local economic route outside of agriculture for many rural communities who survive on subsistence agriculture. Outside Murchison Falls National Park in Uganda, most of the villages subsist on cassava. The region is very poor. Locals do not have access to sanitation, electricity or water. A large portion of the day for women and children is spent walking to and from the closest bore head. In focus group discussions, individuals told us that almost none of them work at hotels, provide supplies to hotels, or do any tour activity, but all said they *wanted* to be involved in the sector. Villages receive a portion of Park fees, but it has a relatively limited impact. Tourism development is one of the only viable economic options for the area, but those who are benefiting most are private tourism providers inside the Park, national TOs, and workers from regions farther away. Similarly, in the uphill Yi village, which even in 2012 is not connected by a developed road, the people look forward to the day when they will be connected and also benefit substantially from the extensive tourism in the County.

The village of Mawlynnong, an initial single village tourism destination, has become an example. In the absence of any other non-farm avenues for income earning, other villages too are taking up tourism, and advertising their own natural attractions. It is likely that an area embracing a number of villages could develop as a tourist centre and attract the numbers that are needed for tourism to have a substantial impact.

Moreover, tourism in the Masaaai Mara and Lijiang is no longer a niche affair. In both destinations, it is substantially based on the communities as well as the natural scenery, but they are both mass tourism areas.

4.5 Factors in enterprise upgrading

What are the factors determining whether an enterprise is able to move up the value chain? The first factor is the ability to bundle together the various separate services into a composite tourist package. This means moving from providing just one service to preparing and providing the 'full package'. Of course, the full package is at the destination.

Along with the ability to provide a full package, the agency must also have the finances to fund the package and wait for subsequent payment. New agencies, in particular, will not be paid in advance. They may receive a small advance, but they will get the full payment only after the package has been successfully delivered. Even after that, there are likely to be delays in payment. For all this the agency must have both sufficient funds to receive a delayed payment and also the capacity to withstand the inevitable risk.

Having developed the necessary management capabilities, and having the required financial capacity, the agency can then become a destination TO. But such a destination TO will necessarily have to depend on a sub-contract with the principal TO, who will secure the tourist customers. The ability to independently secure tourists is important for an agency to become an independent TO. Many national TOs receive contracts from relationships that are made at international travel fairs or direct meetings in external markets. It is cost-prohibitive to attend these events and difficult to secure opportunities with global TOs. That is why foreign, expatriate or particular ethnic groups in destinations are most successful at functional upgrading. Thus, the nationality of the tourists, or the end market, plays a big role in the ability to secure tourists. The changing end markets of the Asian countries, with domestic tourists accounting for a large part of the tourist market (foreign tourist spending is less than 20 percent in the three Asian countries) enables national TOs to secure customers, while indigenous African TOs are segmented to low-end tour markets in comparison to their expatriate or white African competitors.

In directly acquiring international tourists, there is also the subjective but real 'trust' factor. As the reputation of national TOs grows in the matter of providing contracted services, there is more likelihood of direct internet sales. But, again, as we saw earlier, this is more likely with individual tourists than with groups. The subjective, experimental nature of service products may prevent indigenous providers of different ethnic backgrounds from securing business from international tourists.

5. Economic downgrading trends

Having looked at the methods and trends in upgrading by tourism enterprises, we now turn to the trends in economic downgrading. We consider two situations. The first is the intense competition among TOs and destination service providers, leading to the 'zero fee' tour in

China. The other situation is that of the response of the island of Bali to a sharp fall in the tourist market, brought about by the terrorist attacks known as the 'Bali bombings'.

5.1 Competition and downgrading: the zero fee tour in China

In an economic downturn, one would expect a fall in margins, as suppliers try to secure customers. In China, however, intense competition among TOs, despite being state-owned enterprises, drove prices down below even the costs of the service. In Lijiang, for instance, per capita earnings from domestic tourists fell from US\$177 in 1997 to US\$148 in 2007, even as the average length of stay remained virtually constant (calculated from Lijiang Tourism Bureau data) – a clear case of economic downgrading.

The price of a tour fell to below the costs of travel, accommodation and excursions. National TOs did not pay destination TOs any fee, giving rise to the 'zero fee' tour. Destination TOs were expected to cover their costs through margins on shopping. Tour guides for Chinese domestic tours in any case do not receive a salary, which is given only to tour guides working for foreign tours. Intense pressure was put on the tour guides to make sure that tourists carried out sufficient shopping. 'Zero fee' tours became virtually shopping tours at designated shops. At the Great Wall, the amount of time tourists must spend in shops increases as the tour fee falls. The 'zero fee' tour does not exist for foreign tourists in China, who in any case do not do much shopping and not for expensive items like jade.

The 'zero fee' tour could come about because of a combination of oligopolistic buying conditions (a few buyers) and intense competition among sellers of services. Zero fee services do exist, for instance, in Jaipur. Taxi drivers or rickshaw pullers do not charge the tourist a fee, but rely on commissions from the hotel, restaurant or shop. But it is only in China that it has gone to the level of an overall zero fee tour. What the lack of fees means is that the benefit of competition among service providers is passed on more to consumers than to TOs.

Many destination governments in China have tried to introduce various regulations to reduce competition among sellers. These range from rationing closures in off-season (Lijiang), to block buying all hotel rooms in order to resell them to TOs (Diqing or Shangrila). But the contrasting success of such measures in Lijiang and their failure in Dali point to an important difference between the two. Lijiang has retained or even enhanced its brand value, while Dali has lost its brand value. In a strong market, it is possible to have competition-reducing measures, but in a weak market it is difficult to reduce competition among sellers.

5.2 Coping with recession: concentration and re-positioning in Bali

The island of Bali is very dependent on tourism, which accounts for more than 50 percent of its gross income (Lumaksone, 2007). Bali suffered more from the general disasters (tsunami, Bali bombings, SARS) than the specific economic crises that affected particular regions of the world (the Asian financial crisis or the developed countries' economic crisis). Occupancy

in hotel rooms fell, more so at the higher end dominated by tourists from countries of the Euro-American and Pacific (Australia and Japan) regions. Along with the heavy discounts on room rates, over time there was a substantial consolidation and concentration in TOs. From 628 licensed TOs the number dropped to less than half of that in 2011.

Accompanying the overall drop was a shift in the composition of tourists. Tourists from China and ASEAN countries increased in numbers, but even by 2011, these numbers did not come up to more than one-third of the total. Domestic tourists also increased, but again the increase was nowhere near as much as in China or India. Domestic tourists, by the end of the decade, were about 20 percent of the total. At the same time, per capita spending by tourists from both Asia and Indonesia was only about 20 percent that of tourists from the developed economies. When the number of tourists from Asia began to grow in the market, Bali hoteliers complained that they did not spend much money, for instance, in their restaurants (Hitchcock and Dharma Putra, 2007).

Thus, in Bali there has been a shift in the composition of tourism, but not as much as in China or India. As a consequence, developed country TOs remain important. The marketing facilities of international TOs were important to the recovery. Of course, some of the developed country tourists now come through direct internet contact.

One factor in Bali's experience with the impact of terrorism needs to be noted – the very quick recovery after the bombings and the resumption of the growth trajectory. From this it can be surmised that Bali had not yet reached its growth limit – neither land nor labour prices had reached a point where the existing income from tourism was no longer sustainable. But there are signs that environmental issues could become a limiting factor – the solid waste and sewage handling capacity of the tourist centres is certainly being strained. Such an environmental constraint can have two possible outcomes. One, it could lead to investment in environmental cleaning up. Two, if not treated, there could be a collapse of tourism in Bali. However, given the importance of tourism to the economy of Bali, and of Indonesia, the first outcome –adequate investment in dealing with environmental problems – is more likely than the second, that of neglect and collapse.

In terms of CtG analysis, both economic and social upgrading can run up against environmental constraints. If these are not tackled, then there would be a negative impact on both economic and social upgrading.

6. Social upgrading

In the Background section, we saw that the earnings per worker went up, even in the five-year period from 2006 to 2010. Did workers benefit from the growth in productivity? Or did most of the increase in productivity accrue as profits of employers, including different types of TOs? We do not have the figures of wage shares, but there are some pointers to show that workers have not benefited as much as employers.

6.1 To what extent have workers benefited?

Workers in tourism are of two kinds: employees, who work for a wage of some kind; and self-employed or own-account workers, who sell either services or goods that they produce. Among employees, the general finding across all six countries is that permanent workers of TOs and upper-end hotels have benefited through increased wages and improved working conditions, including some forms of social security. But such permanent workers make up just a small portion of total employees. It is only in higher-end hotels that permanent workers seem to make up a good proportion of total employees. Even high-end hotels that have product upgraded employ contract and casual workers, although this varies between hotels and destinations. We found in sample figures from worker data from five hotels in Mombasa that hotels ranged from having as high as 91 percent contract or casual workers, to as low as 15 percent. In contrast, in Murchison Falls National Park, we found five hotels that had all permanent workers, although the total number of workers is small (a total of 473 workers from our sample of 10 hotels in and outside the Park and in Masindi).

The vast majority of employees are employed on a casual basis, taken on when there is work. Many of them get regular work but remain on a casual status for a long time. We interviewed workers in Mombasa who spoke about colleagues who were casual workers for years. Casual workers do not receive social security or health benefits or other benefits common in the service sector, such as service charges, which is a gratuity percentage. It is only in China that they receive health insurance, because of the Chinese government's policy of providing a minimum of health insurance to all.

A trend towards casualization of employment is noticed in all the sectors studied by CtG, but the extent of casualization seems higher in tourism (more than 80 percent) than in mobile phone manufacture (about two-thirds) and certainly much higher than in software services. The high level of casualization could be due to the relatively low level of skills required to work in tourism, the seasonality of the work, and the diverse job categories that the sector includes. Where some specific training is required, as for drivers or tour guides and higher rated hotels, the numbers who have this training seem to be such that employees do not have to offer any inducements, such as permanency, to retain the workers.

Many workers in tourism, however, receive not only a wage but also commissions. Drivers and tour guides receive commissions on shopping. These can be quite substantial in the Asian countries – jade in China, batik textiles in Bali and gems and jewellery in Jaipur are some of the major shopping items. Commissions are paid to TOs and to individuals. In China, tour guides on Chinese group tours are not paid a salary. They are expected to earn enough on shopping commissions. But tour guides and drivers for foreign groups do receive a salary. They have scarce foreign language skills and so TOs wish to retain them on their payrolls. The more established and experienced driver-guides in Africa also do well from tips and higher wages, and they can also receive commissions from retail and *Manyatta* visits.

Tourism has a large number of workers who are not employees but own-account workers. They sell various goods, food, trinkets and handicrafts to tourists or are independent tour guides. There is often intense competition among them, bringing down prices and reducing

the earnings of all. It is also hard for them to sell their wares to tourism providers such as hotels, who often rely on wholesale arrangements.

But wherever the own-account service providers are able to reduce competition among themselves, they are able to get a better price for their services. This is a form of closed-door trade unionism that both regulates entry and rations orders among its members. For instance, horse rides in Lijiang initially led to competition among villagers, but as they combined, they were able to maintain prices. Independent tour guides in Mombasa, who guide tourists through Old Town and Fort Jesus, formed an association to universalize pricing and increase professionalization. However, these guides still compete against tour guides who work for TOs or hotels.

6.2 Staff of tour operators

The numbers employed by TOs have increased, but very few have permanent status. In Jaipur, the bigger TOs provide social security benefits, as per government rules. In China all persons have some form of health insurance, so TO companies do not provide this. Women are mainly employed in the front desks of TOs, otherwise men dominate in this employment. In Africa, there are more permanent TO workers, but their numbers are small, fewer than 10 in many offices.

6.3 Tour guides

Tour guides are a key part of the tourism value chain. They provide the escort and facilitation services. In all the sites, there are both regular or certified guides and irregular or uncertified guides. Tour guides tend to be dominated by destination persons, since they require a knowledge of destination conditions, myths and history.

At the same time, the ease of entry into this segment, requiring some education but little capital investment, means that large numbers attempt to enter this profession. This competition makes it possible for employers to use them on a casual basis. In China tour guides for domestic tourists do not receive a salary. They are expected to manage with the commissions they get from shops and restaurants. Only guides for foreign tour groups receive a salary from the TOs. The system of not paying guides for Chinese domestic tour groups was in existence even before the 'zero fee' tour emerged.

Tour guides are largely men in both India and Indonesia. Their irregular working hours make it difficult for women with domestic responsibilities to take up such work. In addition, particularly in India and Indonesia, there are social norms that restrict women's entry into these jobs requiring travel, although these norms are being loosened. In China, on the other hand, there are numerous women tour guides.

In Africa, Kenya, Uganda and South Africa, tour guides are also mostly men. The job is masculinized and is perceived to be 'men's work', except if the tour guide is a foreigner. In ethnic communities, such as with the Maasai, there are distinct gender roles and Maasai *murrans* (warriors) have transferred their hunter/warrior roles to guide positions in tourism.

6.4 Employees in hotels and restaurants

Overall there are large numbers of women in the hotel and restaurant segment. At 35.4 percent the proportion of women is lower in Asia than in Africa (47.0 percent) or worldwide (48.6 percent) (UNWTO, 2011); however, men dominated the workforce in our African cases. In restaurants in Jaipur children are often employed, usually in out-of-sight jobs, such as cleaning dishes.

The hotel sub-sector is where we uncovered the most segmented labour force. For many hotels, each department (except for management) had permanent, contract, casual or sub-contract labour working together. As mentioned, casualization is connected to local labour markets, seasonality and skill, but also price pressure from global buyers and business strategy by supplier firms.

In our African cases, regardless of whether the hotel had upgraded and was positioned outside the intense price competition segment, individual firms made labour choices regarding how they segmented their workforce. Some firms specifically stated that they did not believe in using casual workers, while others readily employed them. The casualization trend is particularly seen in the trend towards outsourcing departments within the hotel. This was most prevalent in our Cape Town case, but we did find hotels in Mombasa that also outsourced some departments. In Cape Town, labour brokers are used to help fill positions.

In the African cases, we also found divisions by nationality and regional location. Most workers in Mombasa and Murchison Falls are 'up-country' (outside of urban centres) or from Kampala or other distant north regions (in Uganda). Foreign-owned hotels were more likely to have expatriate management, and in Uganda, Kenyan management and department heads were common. In Cape Town there was distinct racial-gender-immigration status job segmentation, with women, black Africans and immigrants from Zimbabwe occupying the lowest end of the market and in precarious labour positions.

6.5 Small shop-owners

In both Lijiang and Bali women dominate in small trades. In Bali there is a pre-tourism gendered division of labour that works in tourism too – women sell garments, while men sell watches and sunglasses (Hitchcock and Darma Putra, 2007: 61). The beaches are a key location for minor trades, so much so that the Balinese refer to the 'Universitas Pantai', or 'university of the beach', where they learn to trade (Hitchcock and Darma Putra, 2007: 63). In Mombasa, however, men are abundant as 'beach boy' vendors along the coast.

6.6 Indigenous peoples

As pointed out, there is need for people local to the destination, particularly as guides, but there are other areas in which local people have been able to play a role in providing services. In Jaipur there are the famous heritage homes of the numerous former princely families. In Lijiang and Bali, many homes have been turned into guest-houses. Home-stays in villages are a further way of spreading additional benefits to village residents.

At the Great Wall, local people who lost their lands for the development of tourist facilities were given shops. In Lijiang they were given taxis. However, local people also experience many forms of exclusion. For one, they are usually confined to the low-end of the market, in jobs which give a poor return. This is not only because they may lack capital, but even more because they do not have the management and business skills required – skills that are possibly less easily acquired than capital itself. In the old town of Lijiang, more than 90 percent of guest-houses, which can only be owned by indigenous peoples, have been leased out to Han Chinese. In rural areas, those parts and communities that are poorly connected may be excluded. Exclusion here works not just at the level of individuals (for instance, those without sufficient education may be excluded from certain types of jobs) but also of communities. Low castes, for instance, are largely excluded from tour guide jobs in Jaipur. In Lijiang, while the indigenous Naxi have an important role in tourism, the upland Yi have been substantially excluded from gaining benefits.

In Murchison Falls National Park, local villages have been unable to gain substantial benefits from tourism development in the National Park. The one community collective identified struggles with gaining distribution access for their baskets (only one hotel bought them sporadically), were not part of TOs' tour packages, and had very few people staying in their guest accommodations. They received marketing and training support from the Uganda Community Tourist Association, but this had not translated into increased revenues. The collective was only able to upgrade, e.g., open new ventures like bee keeping, and provide accommodation, thanks to individual donations from foreign volunteers.

6.7 Poverty reduction

When we look at the poverty-reducing impact of tourism, we are moving away from looking at the distribution of relative shares of tourism income to seeing the absolute income effect. The shares may be small, but the impact in reducing poverty might still be quite substantial, as argued, for instance, by Mitchell and Ashley (2010).

In the areas studied, Lijiang, Bali, Jaipur and also Uttarakhand, tourism has been a major avenue for poverty reduction. This occurs through a number of routes. First, tourism provides employment to a large number of poorly educated and low-skilled persons, whether as guides, drivers restaurant workers, etc. Employment in tourism is not confined to the skilled and more educated and thus it has a substantial poverty-reducing effect. Second, as tourist experiences encompass villages too, rural residents also benefit from the services they provide. The services might be quite simple, such as horse, camel, or boat rides, and the income from one such ride may be quite limited. Villagers receive about one-third of the price paid for such rides, with the other two-thirds going to the organizing company and TOs. The same ratio, of one-third of destination expenses going to villagers, seems to apply in other locations in China too. Zeng and Ryan point out, '... destination households could get around 30 per cent of destination expenses in tourist areas' (2012: 245).

The amount earned for each ride is not insignificant, about US\$15 for half a day and US\$30 for a full day. Further, when there is a sufficient volume of tourism, these relatively low-

skilled activities can have substantial poverty-reducing effects. The income from horse rides in the studied villages in Lijiang ranged from US\$5,000 to US\$7,000 per household per year. These jobs are not secure and are of the own-account variety, but with tourism becoming a regular and predictable activity, a large volume of own-account work can have a substantial poverty-reducing impact.

In Uttarakhand, it was found that besides the destinations themselves, the villages en route benefited substantially from tourism. Road-side restaurants, day-stay accommodation and small hotels sprung up along the routes taken by pilgrims. Business was obviously confined to the tourist season, but the high volume of business during that time more than made up for low volumes in the off-season. Income from tourism on these routes accounted for 20 to 30 percent of household income.

In upland economies of indigenous peoples, tourism can be particularly important as the only substantial non-farm employment. These upland economies start out with high levels of poverty because of limited agricultural potential. In Asia the incidence of poverty is higher among indigenous peoples in the uplands. But in this situation, in Lijiang Prefecture it is tourism that has helped reduce rural, indigenous people's poverty from well above the Chinese national average to somewhat below it.

This brings us to the third point. Another route by which tourism can reduce poverty is by the fuller utilization of the labour force in upland, or even more generally, rural developing economies, where there is a lot of underemployment of labour. Work in tourism becomes additional work, rather than a substitution of one kind of work for another; thus, there is an increase in economic activity equal to the full extent of the tourism activity.

Poverty reduction figures are still limited in our African cases outside of income generated from well-placed Maasai groups. The key challenge here is that they are excluded from the value chain as workers and potential suppliers. In Murchison Falls National Park, where there is a great potential for poverty reduction, we found that the few community members who tried to sell to hotels found that the unreliability of the hotel buyers and the high transport costs was prohibitive.

6.8 Connection between segmentation in product and labour markets

In various segments of the tourism GVC there are clear differences between high-end or top brand establishments and run-of-the-mill establishments. In the former, a number of employees (core employees) are given regular salaries and other benefits, such as medical care, provident fund, etc. In the non-branded establishments, workers are paid minimum wages, or are on piece-rates. Minimum wages also do not necessarily equate to living wages and some locations, such as Uganda, do not even have a minimum wage. The difference between employment conditions at the two ends is epitomized by the Chinese difference between tour guides for foreign groups, who get salaries, and tour guides for Chinese groups, who do not get salaries. The latter have to manage with commissions from shops and restaurants, while the former get commissions in addition to their salaries.

Why the difference between remuneration for tour guides at the two ends of the market? In standard labour analysis, one would look at the conditions in the labour market – that foreign language speaking guides have higher skills and are fewer in numbers than Chinese language guides. This is correct, but it is not the full analysis. Conditions of remuneration are also linked to the returns that TOs get in the different market segments. In the foreign market segment, where there is less competition, TOs can get a higher margin or monopoly profit, often in excess of 25 percent, compared to TOs in the domestic market. As seen earlier, competition in the Chinese domestic market has given rise to the ‘zero fee’ tour. In a zero fee tour, there cannot but be rock-bottom prices for suppliers of services and labour.

Thus, in the upper end of the product market, where TOs and other enterprises receive a monopoly profit, some of that profit could be shared with suppliers of labour and services. Scarcity of supply of labour and services would make it more likely that some of these monopoly profits would be shared with the suppliers.

Given the required double condition of scarcity in both product and labour markets, it is likely that suppliers of some services will not receive any of the monopoly profits. For instance, regular staff at high-end hotels receive salaries with other benefits, but in the same high-end hotels in China masseuses do not receive any salary from the hotels. In fact, the charge paid by the tourists goes to the hotel and the masseuses have to manage with the tips they receive; which would also increase pressure on them to provide additional sexual services in order to increase their tips.

Similarly, high-end foreign hotels in Africa pay higher wages and offer more benefits to their permanent workers, but many of those same hotels also employ casual workers or use labour brokers. The segmented product does not always equate to distribution of profits to all of the workforce.

At the lower end, where tours are sold at a discount over costs, there are no monopoly profits to be shared. In fact, even normal profits are not earned in discount tours. There is then no monopoly profit to be shared with suppliers of labour and other services. With the ease of entry into these segments, and with no other employment available for providers of these services, there is also no pressure to secure service providers. Profits of enterprises and wages of labour are both at rock bottom. In Africa, we see this low-end tour market dominated by local indigenous entrepreneurs, e.g. black Africans.

6.9 Gender dimensions

Figure 2 outlines the gender composition of female employment in the GVC. The ILO argues that women are 70 percent of the global tourism workforce, but work in unskilled or semi-skilled jobs (ILO, 2010). The UNWTO (2011) found that women are concentrated most in lodging and retail restaurant segments of the inbound portion of the value chain in developing economies. Within those portions, however, women are relegated mostly as low- to mid-skill workers in hotels, e.g., housekeeping, laundry, food and beverage service, clerical work; as independent workers or entrepreneurs as artisan or retail vendors, and as waiting staff in family restaurants. They are in other segments, in job-segregated roles, but

are mostly excluded from the guide and activities segments. They also are less prevalent as owners or managers. According to the UNWTO, a global wage gap persists; women typically earn 10-15 percent less than their male counterparts in tourism.

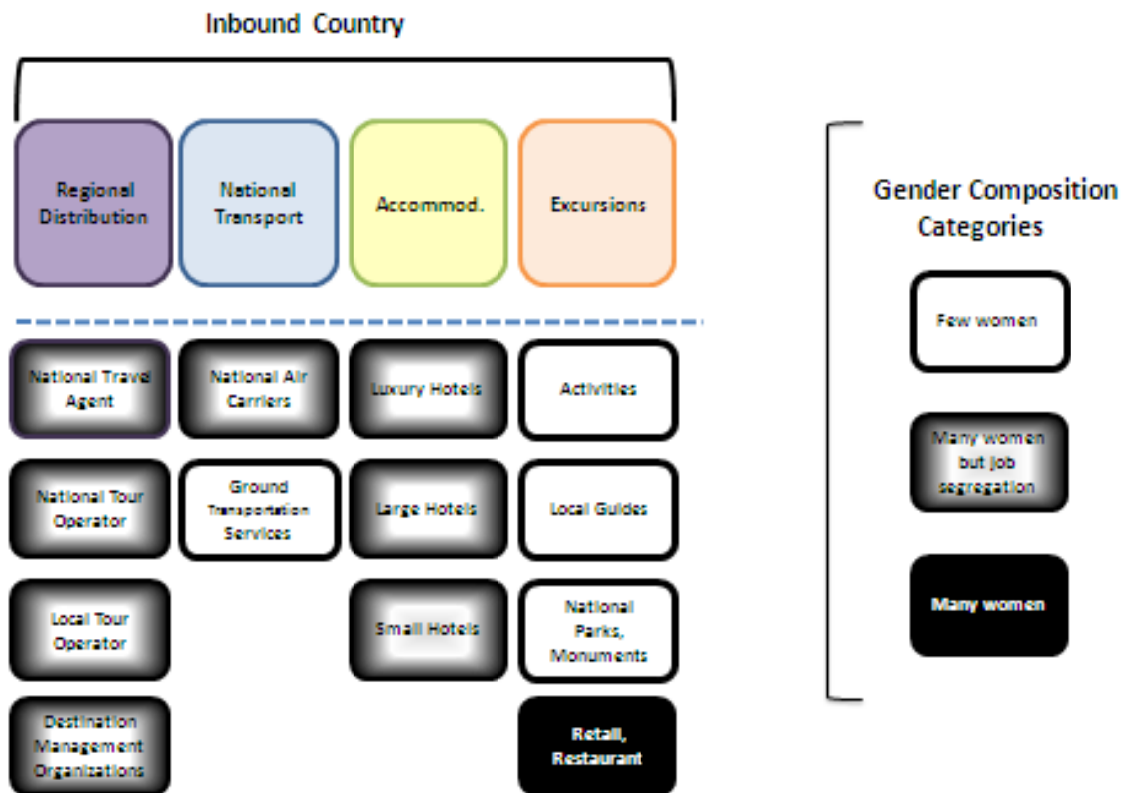


Figure 2: Gender composition in tourism value chain

Source: Christian 2013.

Our case studies corroborated the UNWTO findings, but with regional, national and local variations. In Africa, we found that males outnumbered female employment in all categories and there was less job segregation in hotels and no gender wage gap. There was, however, exclusion of women from the more lucrative driver-guide and tour operator categories. In Asia, rural areas of Lijiang, China and Uttarakhand, India, it is common that men take up income-earning work in tourism, while women remain in agriculture or at best as contributing and unpaid family workers, in roles such as feeding horses. On the other hand, in urban areas in the same region, Lijiang, women are substantially present in all tourism-related activities, from driving taxis to working as tour guides and running shops.

Gender segmentation was often dictated by overt gender norms and stereotypes from the local environments, but also structural constraints in the value chain. For example, because of women’s care responsibilities, they were more likely to be casual workers; and casual workers proliferated in market relationship-oriented value chains, where buyers and sellers

competed on price. As casual workers, they were in vulnerable positions, had no upward mobility, and no advocacy rights. Public governance dynamics also impacted their value chain position – directly and indirectly. For example, in Kenya, the inability of Maasai women to have land rights keeps them from gaining tourism-related income from private firm developments. While in Murchison Falls National Park community women's roles were indirectly shaped by the Uganda Wildlife Authority's lack of local content requirements for National Park concession agreements. Women's interests were often promoted through private community tourism organizations, but these lack resources and have yet to address women as tourism workers rather than entrepreneurs.

Tourism is not sex tourism, but there is a definite component of commercial sex and child sexual exploitation in the mix of tourism services. This has been an issue of concern in all tourist destinations. In the matrilineal Moso village on Lugu Lake, when it was found that barbers' shops were often fronts for commercial sex services, the village government decided to ban all barbers' shops in the village. Village women and men now have to go to the nearby town for regular salon services. In Mombasa, the hotels that close down because they cannot compete in the value chain push workers into commercial sex (Kibicho, 2009). Moreover, in Mombasa, male commercial sex work is also prominent.

While the existing gender division of labour, beliefs and gender identities, influences the work segments into which women enter, at the same time, gender roles, norms and identities are to some extent changed by the addition of tourism to traditional, often subsistence economic activities. Sometimes gender roles also positively influence the manner in which tourism activities are taken up by women. In already patriarchal or patrilineal communities (e.g. Naxi in China or Maasai in Kenya), men take over the new income-earning activities; but in matrilineal communities (e.g. the Moso in China or Khasi in India), women substantially own and manage the new tourism enterprises. Men too play a role in management, but there are many more women-managed enterprises.

7. Governance and trade strategies

Tourism has similar and different governance issues in relation to other GVCs. Trade policies do not take on the same level of importance, except as they relate to foreign direct investment (FDI). National sectoral plans are key to the development of the entire industry, but they overlap with other important legislative vehicles, such as land access, conservation, indigenous rights, training and the environment. Labour policies and labour relations are also crucial, but only one sub-segment of the value chain is unionized – hotels. The sector has received development assistance, but through indirect channels, such as by supporting environmental protection and conservation, or with small-scale community tourism support. Civil society is involved, but less as it pertains to labour and working conditions and more in connection with poverty reduction, communities and the environment. Private codes and labelling schemes address wider issues of the environment and community linkages, but their impact and breadth is minimal.

WTO countries have made the most commitments to tourism and travel-related services covered under the General Agreement on Trade in Services (GATS) than any other service

sector. One hundred and thirty-three members, including 29 least-developed countries (LDCs), have made commitments, mostly in 'hotels and restaurants' which is part of the 'commercial presence' form of commitment and directly relates to the growth of foreign hotels in emerging markets (UNCTAD, 2010). More research is needed to surmise whether incentives for better labour standards can be built into the commitment process. Many foreign hotel brands prefer to enter markets through management agreements whereby they have limited equity stake, receive high management fees, and control labour and human resources. Most developing countries want access for domestic suppliers to outbound markets and different distribution channels (ILO, 2001). Questions arise regarding whether in GATS negotiations, measures can be pursued which enable more liberal commitments to be made if developing countries are granted better workforce training and supplier placement on global distribution systems, for limited fees, if they grant certain levels of content distribution.

Sectoral development plans are present in all of our cases. These plans are structured on product and destination location development, grading systems of products (such as star systems for hotels and tour operators), marketing, and training. In several of our cases, there was a disconnect between plans and realistic implementation. For example, in Uganda, the National Development Plan for 2010/11 outlines specific tourism development strategies, but lacks the financial resources to pursue them, most notably training. In contrast, the local government in Lijiang has done an effective job in regulating and monitoring the sector, mostly to the benefit of the Naxi. More important is that tourism ministries should intersect with other ministries, like environment and wildlife conservation, and thus inter-ministerial collaboration is essential. In our African cases, the growth of safari tourism in National Parks and Reserves highlighted the role the government plays in granting concessions and incorporating (or not) local communities. Depending on how concessions are granted, some firms and communities can be given advantages over others. Moreover, unless the environment and wildlife are properly protected, the tourism product may disappear. In all of our African cases we found tension between human needs and wildlife protection. The history and rights allocation to indigenous and tribal populations – the Maasai, Naxi, and Moso – also situated these groups' ability to fully be incorporated, and the terms of their incorporation, into the GVC.

Labour rights and legislation in our cases mostly followed core ILO Labour Standards, except for China; but we found problems with enforcement, knowledge of labour rights, and institutional capabilities. There were not enough labour officers and capabilities to disseminate legislation details and, in the case of Uganda, the country even lacked a functioning Industrial Court. Abuse of casual worker legislation was common. Casual workers frequently remained casual workers indefinitely, despite clauses that guaranteed their right to permanent employment after a fixed period of time. Unionization and the presence of collective bargaining agreements (CBAs) was a critical factor in supporting permanent workers' ability to upgrade at product upgraded hotels in Africa (mostly branded hotels), but casual workers were not protected.

Within our cases, Uganda has received a share of development assistance from USAID and the World Bank. The USAID funding supports the growth of community tourism products as

an avenue to promote conservation in the Albertine Rift Valley. The funding has assisted in training and marketing, but there is wide variability between the most successful community and those that have few linkages to the value chain. No funding source has addressed the day-to-day challenges faced by communities, such as transportation and bargaining support. The World Bank also funded the functioning of the Uganda Wildlife Authority (UWA), but a corruption scandal based on allocation of Bank funding destabilized the ability of UWA to continue its programmes. In all of our African cases, multiple NGOs, both global and national, are funding various conservation programmes. Several conservation projects are working in partnership with the Kenya Wildlife Services and private tourism investors in the regulation of the Mara. The new private conservation-camp-tour operator model that has developed there has created a niche exclusive safari product that has brought benefits to the Maasai, albeit with gendered and ethnic dimensions. It has also failed to curb overdevelopment and infrastructure challenges in areas around the Mara.

For tourism overall, we found a lack of label adoption initiatives. Some global tour operators are beginning to encourage and later require their suppliers to receive TravelLife accreditation, but we did not find this in any of our country cases. TUI Travel in the UK would like to push for more sustainable tourism in their supply chains, but their reach in demanding change throughout their immense supplier network is minimal for their developing country markets. Eco Tourism Kenya and Fair Trade Tourism South Africa (FTTSA) have begun national labelling schemes, but the indicators for Eco Tourism Kenya are more structured on the environment and 'community' and less on labour conditions, while Fair Trade Tourism South Africa has highlighted the importance of labour. FTTSA is the only 'fair trade' labelling programme for tourism and is an important model that may be replicated. Based on our findings, though, firms said there was still only a limited demand for products labelled by FTTSA and hence were not yet driving changes in the value chain. Several hotels and tour operators that we interviewed highlighted their corporate social responsibility (CSR) programmes, but these were piecemeal and minimal. For example, in Kenya the most common strategy was supporting a school in the Maasai Mara or purchasing artisan crafts (but in small quantities).

8. Policy recommendations

We conclude this overview with a few key policy recommendations. Some of these recommendations are specific to the tourism value chain, such as labelling, but others, such as government measures to raise the social floor, are more general in nature.

8.1 Labels

Labels, and the social compliance model based on auditing, are an important form of value chain monitoring in sectors, particularly apparel. The potential for a labelling programme to monitor, regulate and differentiate tourism service providers is available, but the evidence to date on the few label programmes points to mixed findings. Most labelling schemes focus on environmental indicators, rather than social. When social is included, the determinants are broad classifications about 'community', rather than specific labour categories. There is a

growing, but still small, movement of global tour operators, who are starting to encourage their suppliers to follow sustainable principles. Some have begun to encourage their providers to sign up for evaluation on TravelLife, which is an industry-developed auditing and certification system for providers. Destinations have also begun nation-wide monitoring programmes, e.g., a Costa Rican Certificate for Sustainable Tourism run by the Costa Rican Tourism Board, and the Eco-Rating Certification from Eco Tourism Kenya. Fair Trade Tourism South Africa is the first Fair Trade scheme for tourism. These trends are encouraging, but until there is systemic monitoring, consumer demand, and a focus on labour, it is a limited way of ensuring worker rights and protections.

8.2 Distribution access

A key finding from our research was that many service providers lack direct access to international tourists and buyers, either through the intermediaries with whom they had relationships, or because they were left out of channels to access global buyers. One mechanism of exclusion was providers' inability to travel to international travel fairs or directly to visit buyers' offices. National Tourism Boards or tourism non-profits or NGOs should establish funds to send indigenous providers to international travel fairs. Policies that proactively recruit and encourage procurement of tourism services from black Africans would also support their upgrading, as seen with the Black Economic Empowerment policy in South Africa.

8.3 Eliminating child labour

Child labour was seen to exist in certain niches, such as cleaning in road-side eateries and small restaurants in Jaipur, India. An extreme form of child exploitation is also known to exist in commercial sex, which may not be specific to locations. Elimination of child labour is an important part of cleaning up tourism value chains. It requires a combination of state and community action to eliminate the supply of child labour, along with strict enforcement of legal provisions to eliminate the demand for child labour in all its forms. Various service providers, whether restaurants or hotels, need to be held legally accountable for any abuses in their own value chains. At the same time, local government and community action is needed to support potential child workers and their families. Raising the social floor, mentioned below, along with the provision of compulsory education, are both important in eliminating the abuse of children.

8.4 Organizing service providers

Large numbers of tourism service providers are own-account workers. In the Lijiang China case study, they were organized at both village and county levels, in order to confront an oligopoly on the buyers' side. Different groups of service providers (e.g. tour guides) could also be organized to reduce price competition. Such organizing could be used to raise service standards. It could also help to increase trust in the service providers certified by the professional organization, or the relevant local government.

8.5 Raising the social floor

Such organization has brought definite gains and stabilized gains, but it is not easy to achieve. Another way of improving conditions of such dispersed workers is for government to act at the general level of all workers. For instance, in China, all workers and households are now provided with a minimum of medical insurance. The resulting general improvement would have been difficult, if not impossible, to bring about through the tourism value chain itself. Similarly, in India, the Rural Employment Guarantee Scheme has raised the floor wage at which workers will migrate. For dispersed and often own-account or casually employed workers, such general measures which benefit the whole class of workers, are important in improving living conditions. These are not direct value chain actions, but are important for workers in all these value chains.

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