

CAPTURING THE GAINS

economic and social upgrading

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Capturing the Gains brings together an international research network to examine economic and social upgrading in business communities across the developing world.

The programme explores the connections between business competitiveness and social prosperity with attention to firm innovation, trade expansion, labour standards and decent work.

Its research allows policy-makers and business leaders to better understand the relationship between business growth and poverty reduction in the global South.

Economic and social upgrading in tourism global production networks: findings from Uganda

Michelle Christian and Francis Mwaura

Abstract

Capturing the Gains conducted research in Kampala and Murchison Falls National Park, Uganda. Researchers outlined the tourism global production network for Uganda and addressed whether economic upgrading occurred for tourism service providers and whether social upgrading followed for workers and tourism community members. The role of public governance policies and local, private initiatives – including trade union activity and firm-independent decisions – and labour market dynamics were key determining factors influencing upgrading.

Keywords

tourism, Uganda, economic and social upgrading, Murchison Falls National Park, community exclusion

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Does economic upgrading of hotels lead to social upgrading of workers?

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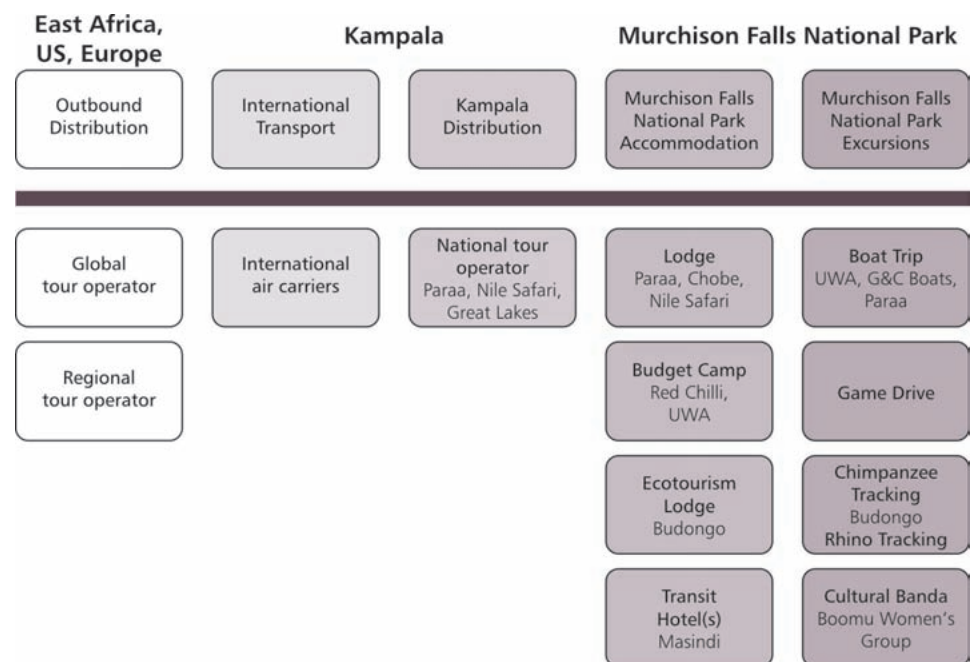


Capturing the Gains researchers conducted research on the growth of global tourism to Uganda, specifically to Murchison Falls National Park (MFNP).¹ The analysis includes the development of a global production network (GPN) framework for tourism (see Figures 1 and 2). Using the GPN framework, our goal was to determine whether the economic upgrading of hotels and tour operators led to the social upgrading of workers and community villagers outside the Park.

Economic upgrading entails firms adding on new capabilities, extra bed night capacity, or new property additions. By social upgrading, we mean security of employment, better working conditions, and strengthened worker voice. It also refers to employment and supplier opportunities for community members. Key to our analysis was identifying the determinants of upgrading.

Our main finding suggests that economic upgrading for hotels

Figure 1. Tourism global production network: Murchison Falls National Park, Uganda



Notes

1. Michelle Christian 'Economic and social up(down)grading in tourism global production networks: findings from Kenya and Uganda', Capturing the Gains Working Paper No. 11, September 2012, <http://www.capturingthegains.org/pdf/ctg-wp-2012-11.pdf>





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Tourists are exposed to a very small number of service providers
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and tourism service providers in Murchison Falls National Park led to social upgrading for permanent workers, but not for community village members outside the Park. Social upgrading for permanent workers was lessened, however, due to challenges related to low base wages, transportation, and regional and national divisions of labour.

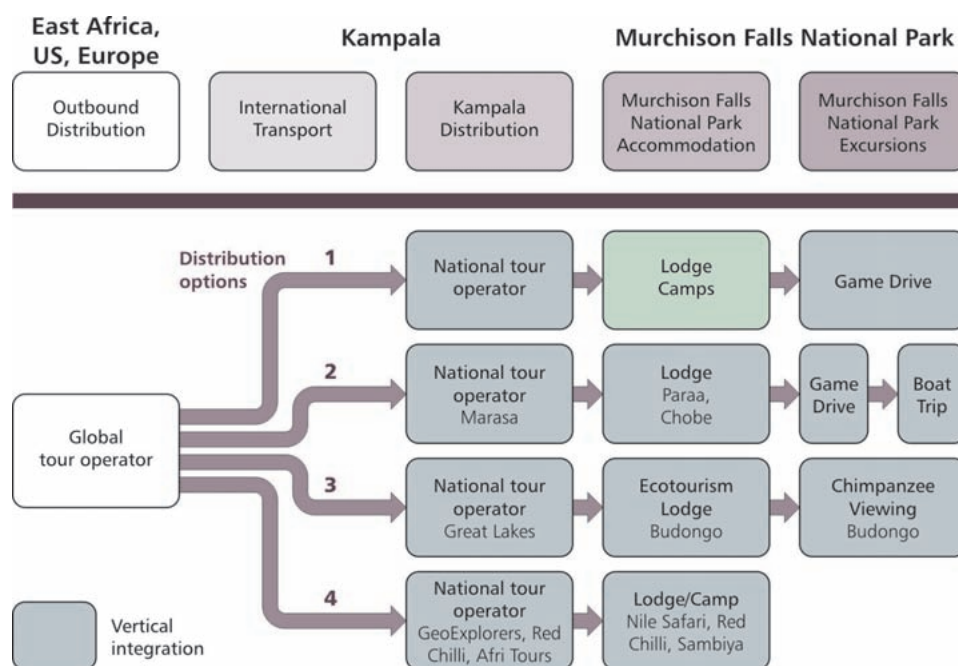
Economic upgrading findings

- Uganda, as an international tourism destination, has grown.

It has increased bed capacity and the number of tourism service providers. Occupancy rates are still low and prices are relatively high.

- Most tourists travel to MFNP in coordinated tours. Most tourism service providers in MFNP have vertically integrated tour operations and accommodation and some excursion activities (see Figure 2). Tourists are exposed to a very small number of service providers.

Figure 2. Distribution channels to Murchison Falls National Park



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Permanent workers are most likely to experience social upgrading

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- There are 11 accommodation facilities in or just outside MFNP and four providers (Paara, Chobe, Nile Safari, and Red Chili) upgraded to become national tour operators. Two accommodation providers – Sambiya River Lodge and Budongo Eco Lodge – started out as tour operators and opened their facilities.
- Most facilities are owned by Asian-Ugandans or are foreign-owned, and most cater to a luxury safari market. Only two facilities are owned by indigenous African Ugandans.
- Three main factors supported upgraded hotels: (1) a concession granted by the Uganda Wildlife Authority (UWA); (2) financial capital and prior business experience; and (3) distribution access to national and foreign tour operators.
- The granting of concessions by the UWA has supported the largest business companies in Uganda, due to the requirements outlined for concessionaires.
- The UWA faces potential environmental challenges with the growth of oil exploration.

Social upgrading findings

- The growth of MFNP as a tourism destination was an instant social upgrading phenomenon for workers and communities. Prior to tourism, no economic activity existed in the region except for subsistence farming.
- Permanent workers at accommodation facilities in and around MFNP (including Masindi) are most likely to have experienced social upgrading. Casual workers are less prevalent, but the lowest wage floor is very low and workers face hardships as they are separated from their families. Workers who live in neighbouring villages face difficulties in accessing transportation. Most accommodation facilities are managed by foreigners, and higher skilled positions are filled by an urban workforce.
- The upgrading of hotels and tour operators has not led to social upgrading among community village members, in contrast to workers' experience.
- Although the seven districts surrounding MFNP participate in revenue sharing of 20 percent of





gate receipts with the UWA, the impact of these funds is limited. Very few workers come from the villages closest to the Park, and most do not supply the hotels with artisan or other products.

- Six main factors determine the extent of social upgrading: (1) structure and implementation of the national labour code; (2) how employee and community relations are addressed in UWA concessions; (3) the role of the

hospitality union; (4) individual private labour decisions made by firms; (5) inadequate public and private training facilities; and (6) donor and non-governmental organization support.

Our research suggested that the following measures could be effective in improving economic upgrading for local tourism service providers and social upgrading for workers and tourism community members.

Policy recommendations

- Create minimum wage and sector standards, with adjustments for cost-of-living and hardships.
- Provide transportation options for workers and potential community suppliers.
- Include minimum local employment and sourcing recommendations in concession requirements.
- UWA to organize and grant free game drives to community members outside the Park.

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