

CAPTURING THE GAINS

economic and social upgrading

Briefing note 4 – February 2012

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.

Tourism global production networks

Michelle Christian

Abstract

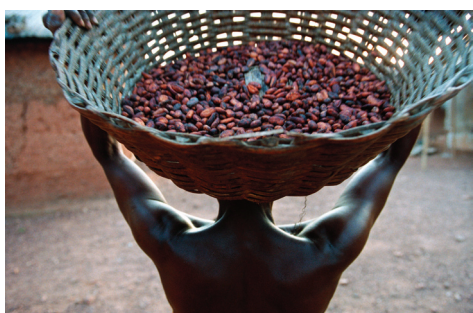
Capturing the Gains seeks to understand the structure of the tourism global production network (GPN) in order to uncover avenues where firms and workers in poor countries can economically and socially upgrade. This briefing note highlights the stages of the tourism GPN, avenues of economic upgrading, and the broad labour themes of the sector. Several research questions are posited to situate the challenges and opportunities involved for sustainable tourism development and Decent Work opportunities through global tourism growth in the global South.

Keywords

Tourism global production network, economic upgrading, social upgrading, gender and indigenous issues

Author

Michelle Christian is a Postdoctoral Scholar, Center on Globalization, Governance, and Competitiveness, Duke University (email: mmc22@soc.duke.edu).



“ Tourism can make a valuable contribution to sustainable development and poverty reduction ”



The tourism industry consists of diverse actors operating at global, regional and local levels. Asymmetrical power relationships can disadvantage firms and workers in poor countries. Tourism can make a valuable contribution to sustainable development and poverty reduction. Value chain (GVC) and/or global production network (GPN) analysis can help organizations to better understand and promote more equitable tourism in developing countries. This research looks at prospects for the favourable engagement of small producers and workers in tourism GPNs.

Tourism GPN

The tourism GPN supply chain has five segments: inputs, components of trip, organization, sales, and final product (Figure 1).

Productive segments of supply chain

Components of trip, organization, and sales. The components of trip, organization, and sales segments are represented by tourism businesses in inbound and outbound tourism destinations. The trip segment components consist of: travel, lodging, and excursions. Every segment is a mix of large firms and small and medium enterprises (SMEs). Each has the potential to be controlled and operated by the largest companies or individual foreign investors.

The organization and sales segments act as intermediaries. Within the organization segment, tour operators knit together an array of tourism products to create the tourist experience. In the sales segment, travel agents are the strongest retail venue. They sell tourism products, online and in sales offices, and inform potential tourists about destinations and suppliers. These tourism intermediaries are often vertically integrated operations, particularly in European outbound markets, including not only retail sales and tour operator coordination, but also hotel and air transport.

All the tourist experiences can be bundled together and sold as a product by global tour operators and incoming agents. These agents can operate as subcontractors to global tour operators, but can also sell their tours directly to tourists.

Because of their value-added capacities – organizational, direct access to tourists, and negotiation with destination suppliers – global tour operators essentially control the supply chain, and are one of the key drivers of the tourism production network.¹

Notes

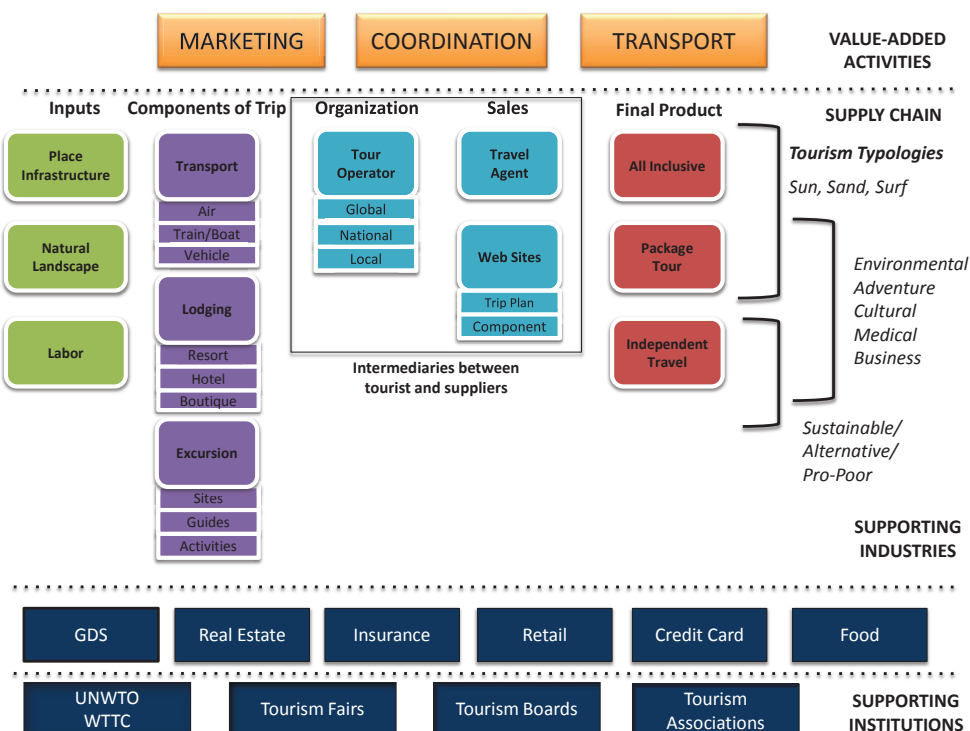
1. Ioannides, 1998; Lessmeister, 2009.





“
Global tour
operators essentially
control the supply
chain
”

Figure 1: Tourism global production network.



Source: Author

Economic and social upgrading dynamics

Economic upgrading

The tourism industry does not have the traditional stages of the input-output structure – it also consists of stand-alone segments, such as airlines and hotels. The four-part typology of functional, product, process and chain upgrading can be adopted for segments of the production network (see Table 1).

Functional upgrading. There are five broad levels, which populate different

segments of the GPN and represent stages of functional upgrading for tour operators. At the base level are local guides, typically independent contractors, who market their ability to take tourists through guided excursions. The next level is the excursion operator, who owns an excursion business. Most focus on one type of excursion and may sell other operators' excursions on commission, but have limited planning responsibilities beyond their own services. Local operators coordinate trips, excursions or miscellaneous planning activities, such as transport

“

*Advancing in size
or luxury level
may not equate
to an economic
upgrading*

”



Table 1: Tourism economic upgrading trajectories.

Upgrading form	Sub-sector	Trajectory
Functional	Organization/ excursion	Guide – excursion operator – local operator – national tour operator – regional tour operator – global tour operator
Product	Lodging	Small hotel – larger hotel – brand hotel – management company
Process	All	Adopting ICT
Chain		Destination receives international tourists; food provider, retail goods, artisan – sell to tourist suppliers/tourists

to the airport for tourists. Next are **national tour operators**. They arrange national tours for global tour operators and for tourists directly, deciding on hotels, excursion events and localities to visit. Many have their own ground transportation fleet and local guides who travel with the tourists. Finally, regional or **global tour operators** market destinations to tourists and arrange trips, connecting outbound and inbound countries. At each stage, services are added and the geographical scope is enlarged.

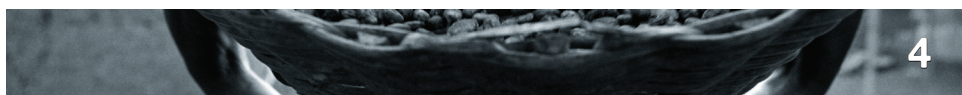
Product upgrading. Changes in the hotel segment are best understood through product upgrading. Advancing in size or in luxury level may not equate to an economic upgrading, because of the high leakage effect that follows larger, mostly foreign-owned hotels. Developing countries often focus on attracting large hotels or multinational corporation (MNC) brands because of the assumed benefits of foreign

exchange and tax revenues, and job creation. However, many developing countries lack the tools to negotiate contracts with MNC hotel brands.² Unless local training schemes and soft technology transfer are provided, the MNCs retain most of the gains. Lax enforcement of environmental or development laws can also impact negatively. Most hotels operated by destination firms are small and lack the capital and skills to upgrade successfully, but there are large or luxury hotels that are indigenously or regionally owned and managed, such as Thailand’s Dusit Thani Group or Kenya’s Serena Hotel Group.³

Product upgrading via the tourism product or typology is less clear, due to complications in defining sustainability and alternative forms of tourism. All tourism types go through the same stages of the production network, with variations in the place-based inputs, natural landscape, and types of tourism

Notes

2. Sinclair, 2007; Kusluvan and Karamustafa, 2007; McQueen, 2007.
3. Sinclair, 2007.





“Meeting tourist expectations is not easy for developing countries with a different cultural foundation”

excursion. The sun, sand and surf type, where tourists stay in one large resort, may offer the weakest model for increasing local linkages. Yet, this model can also be experienced through staying at small hotels and using numerous local excursion providers. It can be conceptualized as the adding on of a tourism type to a destination as a form of product upgrading through additional offerings.

Process upgrading. Process upgrading can be quantitative and qualitative. Adoption of information and communication technology (ICT) for reservation systems means businesses can operate more efficiently. It also cuts out middlemen and enables SMEs to capture more profits directly. However, many providers in developing countries lack the ICT skills or capital to acquire and maintain the technology. Qualitatively, businesses whose staff are trained to offer a better service help to fulfill tourists' expectations. Meeting these is not easy for developing countries with a different cultural foundation.

Chain upgrading. Entering the tourism chain for developing country destinations is difficult. To increase international arrivals, government marketing boards and elite firms need the skills to sell their destination to international airlines, travel agents, tour guides and hotels. They also need to ensure that the destination meets international standards.

Another form of chain upgrading for developing country destination firms or own-account workers is to become tourism suppliers of agricultural, consumer or artisan goods. Research on the Caribbean, for example, finds many agricultural providers unable to meet the hotels' needs. Non-tourism sector suppliers may receive little assistance in meeting international tourism requirements.⁴ Nevertheless, there are successful initiatives, such as Sandals resorts, which seek out local suppliers who can meet established standards.⁵

Social upgrading

There is no clear correlation between economic upgrading measures and social upgrading. Measurable employment standards (i.e. status, wages, working hours) and enabling rights (i.e. freedom of association, social protection, non-discrimination, voice, and growth potential) vary according to destination. Overall, there is a segmented labour market, with certain jobs correlated to gender, ethnicity, region and nationality. Workers from developed countries or cities tend to do the skilled jobs. Women are widely employed in flexible or labour-intensive segments.

Measurable standards. Traditionally, tourism jobs in developed countries are labour-intensive, low wage, unskilled, seasonal, and with limited mobility options.⁶ In developing countries, however, tourism jobs can be seen

Notes

4. Patullo, 2005.
5. Patullo, 2005.
6. Judd, 2006; Dieke, 2001; Weaver, 1998.

“

Workers from developed countries or cities tend to do the skilled jobs

”



as better paid than agriculture work, with better job satisfaction.⁷ Common themes, however, shape the quality of the work.

Category of employment: Tourism has regular and irregular workers. Most regular workers are attached to formal businesses, while irregular workers are typically independent contractors, such as guides or street vendors. For both, seasonality dictates work, with regular workers typically laid off during low seasons, and more workers brought in during high seasons. There are also degrees of casualization for regular workers, who may have permanent, contract or casual designation. Pro-poor tourism orientations focus on the irregular workforce to create pro-poor linkages, but this provides no job security, training or wage benefits. As well as selling to tourists, some irregular workers attach family businesses to their houses, such as small eateries, artisanal workshops, or lodgings. Irregular workers are also attached to formal businesses – for example, hired on an ‘off-the-books’ basis. The category of worker dictates benefits and working conditions.

Wage level: Low-skilled tourism wages are low, whereas high-skilled wages, such as hotel or tour operator managers, can be stable or high. In some destinations, oversupply of unskilled workers creates fierce competition and further downgrades wages.⁸ Some unionized MNC hotels pay better wages than locally owned hotels – for example, in Fiji and the Caribbean.

Tourism also causes household goods, food and land prices to rise faster than local rate wages.

Working hours and conditions:

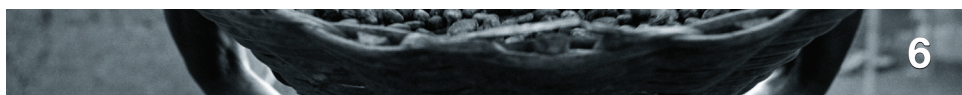
Depending on the position and segment, working conditions and hours differ. Low-level workers in cruise lines can work seven days a week, 12-18 hours a day for six to ten month contracts, earning as little as \$500 a month.⁹ The expectation that workers meet tourists’ demands and ‘perform’ in ways that can be demeaning may reinforce historical colonial structures.¹⁰ Casual female workers can also face sexual harassment.¹¹

Social protection: The irregular nature of the tourist industry enables firms to sidestep paying into social protection measures, depriving workers of those benefits. There can also be strong social protection for some categories of workers, but not for others.

Skills: Lack of adequate hospitality service skills and low levels of education stratify local populations into low-skilled jobs, while high-skilled positions tend to be filled by workers from developed economies or urban centres. In Africa, the labour market is pyramid-shaped, with small numbers of Africans in managerial positions and destination development jobs, and an overload of low-skilled workers represented per hotel bed.¹² A mix of organizational, technical, communication and language skills (particularly English) tends to be important to progress in the industry. The soft skills needed to communicate

Notes

7. Harrison, 2001; Cukier, 1996; Levy and Leach, 1991.
8. Lessmeister, 2009.
9. Clancy, 2008.
10. Urry, 2000; Patullo, 2005.
11. Christian, 2012.
12. Dieke, 2001.





“

The tourism industry has never been highly unionized

”

to international clients create barriers for destination populations. They find it difficult to create tourism products that tourists expect, and struggle to acquire these skills. Tourism training centres are common in destinations, but their quality and effectiveness are less understood and their geographic distribution can be skewed.

Enabling rights. Enabling rights indicators are harder to determine. The industry has never been highly unionized, particularly in developed countries.¹³ Some segments may be more prone to unionization, such as through international airlines and MNC or destination hotels. The Caribbean countries have a higher proportion of union workers in the hotel segment, which has helped improve wages and conditions at the large resorts.¹⁴ The industry at the local level is dominated by SMEs, where unions are non-existent. Workers may also suffer discrimination due to regional and ethnic assumptions about ‘quality of work’.¹⁵

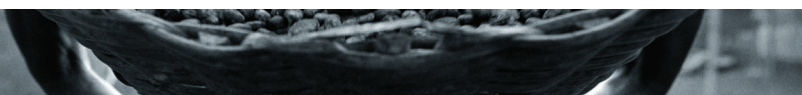
Gender and indigenous issues. The tourism GPN is characterised by pronounced gender-based occupational segregation.¹⁶ Women commonly fill ‘operative positions’ – waiting staff, kitchen and housekeeping jobs – that are often part-time and are paid less than men.¹⁷ A small proportion of women have opened their own guesthouses and restaurants,¹⁸ but few studies consider the dynamics that enable women to become

entrepreneurs.¹⁹ Gender constraints also vary according to destination. In Kenya, for example, there are few women workers at safari camps, due to the distance and because they are located in tribal lands with different expectations of female roles. Hence, women’s engagement in tourism GPNs is not only shaped by gender, but by class, race and ethnicity.²⁰

Tourism has become a strong developmental strategy for many indigenous communities. Three factors dictate benefits for indigenous groups: how communities are incorporated into tourism businesses, i.e. the jobs they hold and their ability to start businesses; the level of control over natural resources and land in the community; and how communities are marketed and who controls those images. If indigenous tourism merely offers a destination visit – i.e. tour operators bring groups, and limited local businesses are developed as low-waged, independent guides or ‘performance’ excursion providers – much of the gain remains outside the community. Furthermore, if communities are left out of the area’s development plan, particularly for access to land and natural resources, their interests may not be served.

Notes

13. Baum, 2007.
14. Patullo, 2005.
15. Christian, forthcoming.
16. Shaw and Williams, 2002.
17. Urry, 2000.
18. Sinclair, 2007.
19. ILO, 2010.
20. Vandegrift, 2008.



Center on Globalization, Governance
& Competitiveness, Duke University,
USA

Centre for Analysis and Forecasting,
Academy of Social Sciences, Vietnam

Centre for Management in
Agriculture, Indian Institute of
Management, India

Centre for Science and Technology
Innovations, Nairobi, Kenya

CPDA, Rural Federal University, Rio
de Janeiro, Brazil

Danish Institute for International
Studies (DIIS), Denmark

Economic Policy Research Centre,
Kampala, Uganda

Institute for Human Development,
India

Institute of Social Studies,
Netherlands

Instituto de Pesquisa Econômica
Aplicada (IPEA), Brazil

International Labour Organisation
(ILO)

New School for Social Research, USA

Northumbria University, School of
Design, UK

The University of Manchester, UK

United Nations Institute for Training
and Research (UNITAR)

University of Cape Town, Labour and
Enterprise Policy Research Group,
South Africa

University of Colorado at Boulder,
USA

University of Copenhagen, Denmark

University of North Carolina, USA

Zhongnan University of Economics
and Law, Hubei Province, China

Capturing the Gains tourism research questions

- What are the conditions that allowed for successful economic upgrading in destinations? Has this translated to social upgrading for workers?
- Does economic upgrading only equate to social upgrading if there are measures built into contracts to guarantee skill transfer and technology spillover?
- Does the dominance of micro enterprises at the local level hinder or help upgrading?
- Does the use of foreign capital in micro enterprises also potentially hinder upgrading?
- Is the adoption of 'sustainable' or 'alternative' principles by tourism businesses a form of economic and social upgrading?
- What are the possibilities for gender-equitable social and economic upgrading in tourism?
- How are indigenous groups incorporated in the GPN as workers or entrepreneurs? What does this tell us about economic and social upgrading?

References

- Baum, T. (2007). 'Human resources in tourism: still waiting for change'. *Tourism Management* 28: 1383-1399.
- Christian, M. (2012 forthcoming). *A Gendered Tourism Global Value Chain: Economic Upgrading Lessons from Kenya*. Washington, DC: World Bank.
- Clancy, M. (2008). '“Cruisin” to exclusion: commodity chains, the cruise industry and development in the Caribbean'. *Globalizations* 5: 405-418.
- Cukier, J. (1996). 'Tourism employment in Bali: trends and implications'. In T. Hinch and R. Butler (eds.), *Tourism and Indigenous Peoples* (pp 49-75). London, UK: International Thomson Business Press.
- Dieke, P. U. C. (2001). 'Human resources in tourism development: African perspectives'. In D. Harrison (ed.), *Tourism and the Less Developed World: Issues and Cases* (pp. 61-75). New York: CABI Publishing.
- Harrison, D. (ed.) (2001). *Tourism and the Less Developed World: Issues and Cases*. New York: CABI Publishing.
- ILO (2010). 'Developments and challenges in the hospitality and tourism sector'. Presented at the Global Dialogue Forum for the Hotels, Catering, Tourism of the International Labour Organization, 23-24 November, Geneva, Switzerland.
- Ioannides, D. (1998). 'Tour operators: the gatekeepers of tourism'. In D. Ioannides and K. Debbage (eds.), *The Economic Geography of the Tourist Industry: a Supply-Side Analysis* (pp. 139-158).
- Judd, D. (2006). 'Commentary: tracing the commodity chains of global tourism'. *Tourism Geographies* 8: 323-336.
- Kusluvan, S. and Karamustafa, K. (2007). 'Multinational hotel development in developing countries: an exploratory analysis of critical policy issues'. In T. Huybers (ed.), *Tourism in Developing Countries*, (pp. 409-427). Cheltenham, UK: Edward Elgar Publishing.
- Lessmeister, R. (2009). 'Why selling dreams brings power, but making dreams come true does not: governance, power and coordination in special tourism value chains'. *Journal für Entwicklungspolitik* 2: 129-149.
- Levy, D. E. and Leach, P. B. (1991). 'Tourism as a factor in development: implications and work in Barbados'. *Gender & Society* (5)1: 67-85.
- McQueen, M. (2007). 'Appropriate policies towards multinational hotel corporations in developing countries'. In T. Huybers (ed.), *Tourism in Developing Countries* (pp. 397-408). Cheltenham, UK: Edward Elgar Publishing.
- Patullo, M. (2005). *Last Resorts: the Cost of Tourism in the Caribbean*. New York: Monthly Review Press.
- Shaw, G. and Williams, A. (2002). *Critical Issues in Tourism: a Geographical Perspective*. 2nd ed. Malden, MA: Blackwell Publishers.
- Sinclair, T. M. (2007). 'Tourism and economic development: a survey'. In T. Huybers (ed.), *Tourism in Developing Countries* (pp. 45-95). Cheltenham, UK: Edward Elgar Publishing.
- Urry, J. (2000). *The Tourist Gaze* 2nd ed. London: Sage.
- Vandegrift, D. (2008). '“This isn't paradise – I work here”: global restructuring, the tourism industry, and women workers in Caribbean Costa Rica'. *Gender & Society* (22)6: 778-798.
- Weaver, D. B. (1998). *Ecotourism in the Less Developed World*. New York: CABI International.

