

ECONOMIC CRISIS, INTERNATIONAL TOURISM DECLINE AND ITS IMPACT ON THE POOR

An analysis of the effects of the global economic crisis on the employment of poor and vulnerable groups in the tourism sector.



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List of Acronyms

ADB	Asian Development Bank
BEST AC	Business Environment Strengthening program (Tanzania, initiated by the private sector)
BOT	Bank of Tanzania
DAM	Diving Association of Maldives
CANATUR	Cámara Nacional de Turismo Costa Rica
CCSS	Caja Costarricense de Seguro Social (Costa Rica)
CTP	Cultural Tourism Program, Tanzania
CTS	Centres of Sustainable Tourism
CST	Certification for Sustainable Tourism
DC	Developing Country
DFID	Department for International Development (United Kingdom)
DZT	Deutsche Zentral für Tourismus e.V.
ECLAC	Economic Commission for Latin America and the Caribbean
F&B	Food and Beverage
FDI	Foreign Direct Investment
GCT	General Consumption Tax
GDP	Gross Domestic Product
GPI	Global Pulse Initiative
HDI	Human Development Index
IATA	International Air Transport Association
ICT	Instituto Costarricense de Turismo (Costa Rica)
IFC	International Finance Corporation
ILFS	Integrated Labour Force Survey
ILO	International Labour Organization
IMF	International Monetary Fund
INEC	Instituto Nacional de Estadísticas y Censos (Costa Rica)
LAM	Liveaboard Association of Maldives
LCD	Least Developed Country
MATATO	Maldives Association of Travel Agents & Tour Operators
MATI	Maldives Association of the Tourism Industry
MDG	Millennium Development Goals
MFEA	Ministry of Finance and Economic Affairs (Tanzania)
MICE	Meetings, Incentives, Conferences & Exhibitions tourism
MLEYD	Ministry of Labour, Employment and Youth Development (Tanzania)
MMA	Maldives Monetary Authority
MNRT	Ministry of Natural Resources and Tourism (Tanzania)

MoFT	Ministry of Finance and Treasury (Maldives)
MoHRYS	Ministry of Human Resources Youth and Sports (Maldives)
MoPND	Ministry of Planning and National Development (Maldives)
MoTAC	Ministry of Tourism, Arts & Culture (Maldives)
MoTCA	Ministry of Tourism and Civil Aviation (Maldives)
MRF	Maldivian Rufiyaa
NBS	National Bureau of Statistics (Tanzania)
ODI	Overseas Development Institute (United Kingdom)
OECD	Organization for Economic Co-operation and Development
RIVAF	Rapid Impact and Vulnerability Analysis Fund
SNV	Netherlands Development Organisation
ST-EP	Sustainable Tourism – Eliminating Poverty
STS	System of Tourism Statistics
SUGEF	Superintendencia de Entidades Financieras
TANAPA	Tanzania National Parks Authority (Tanzania)
TATO	Tanzania Association of Tour Operators
TEAM	Tourism Employees Association of Maldives
TIRF	Tourism Industry Relief Fund (Barbados)
TIS	Tourism Information System
TTB	Tanzania Tourist Board (Tanzania)
TSA	Tourism Satellite Account
TSH	Tanzanian Shilling
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UN-OHRLLS	UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNWTO	World Tourism Organization
WTO	World Trade Organization
VAT	Value Added Tax
VCA	Value Chain Analyses
VFR	Visiting Friends and Relatives tourism
ZCT	Zanzibar Commission for Tourism

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About the Authors

Dr. Christian Steiner (Team leader; Macroeconomic Analysis; Country Case Studies)

Christian Steiner studied Geography, Politics and Law at the Johannes Gutenberg University of Mainz (Germany) and completed his studies with an MA thesis on foreign direct investment in tourism. He did his PhD on 'Tourism, Security and Organisational Learning – Impact of September 11th on Business Strategies in the Tourism Industry of the Arab World'. His thesis was awarded the title of 'Best International Study 2008' by the German Society for Tourism Research (DGT).

Since 2004, Christian has been working as a lecturer and Assistant Professor at the Johannes Gutenberg University of Mainz. Since April 2010, Christian is Visiting Professor for Economic Geography at the Goethe University Frankfurt. He has ten years of experience in qualitative and quantitative field studies, specifically in the Middle East and North Africa. He has published numerous papers in international journals on poverty alleviation, crisis management and political economy issues in the tourism sector, presenting his work at various international conferences.

Dr. Thomas Richter (Macroeconomic Analysis)

Thomas Richter studied Political Science, Economics and Islamic Studies at the Eberhard Karls University Tübingen (Germany) and at the University of Michigan (Ann Arbor, USA). He graduated from the Bremen International Graduate School of Social Sciences (Germany) with a PhD in Political Science in 2008, writing a dissertation on 'Authoritarian Rule, Material Resources, and Foreign Trade Reforms: Comparing Morocco, Tunisia, Egypt and Jordan between 1970 and 2003'.

At present, Thomas is working as a Senior Research Fellow at the German Institute of Global and Area Studies (GIGA) in Hamburg. His current research interest focuses predominantly on the political economy of tourism development. He has lived and worked in Italy, Jordan, Egypt, Syria, Lebanon and the USA, and has specialised in quantitative and qualitative large-N and medium-N comparative studies. Furthermore, Thomas has worked as a referee for numerous public entities, including several foundations and the German Federal Ministry for Economic Cooperation and Development (BMZ). International journals have published a variety of his papers, and he has presented his work at numerous international conferences and workshops. Thomas would particularly like to thank Hannes Bahrenburg for providing invaluable research assistance.

Dr. Sabine Dörry (Country Case Studies on the Maldives, Costa Rica, and Tanzania)

Sabine Dörry studied Social and Economic Geography, Economics and Transport, as well as Business Administration at the Dresden University of Technology (Germany). From 2004 to 2010, Sabine lectured Economic Geography at the Goethe University of

Frankfurt am Main (Germany). Her PhD was concerned with 'Governance Forms of Global Value Chains in Tourism on the Example of Package Tours from Germany to Jordan', for which she was awarded a prize by the German Middle East Studies Association for Contemporary Research and Documentation (DAVO).

Sabine has repeatedly worked as a consultant and academic expert for the German Federal Ministry for Economic Development and Cooperation (BMZ) and the German GTZ. She compared strategies and opinions of other international organisations (e.g. Danish DANIDA, British DFID, OECD Development Centre, and UNCTAD) with a view to a stronger integration of multinationals from emerging markets into international development cooperation. She has published several papers on tourism economics in scientific journals and presented her findings at various international conferences. Since November 2010, Sabine holds a position at the Centre for Population, Poverty and Public Policy Studies (CEPS/INSTEAD) in Luxembourg.

Dipl. Geogr. Vera Neisen (Country Case Study on Costa Rica)

Vera Neisen holds an MA degree in Geography, Sociology and Economics. She studied at the University of Trier (Germany), the Complutense University of Madrid (Spain) and the Humboldt University of Berlin (Germany). In her studies, she focused mainly on urban and regional development processes, especially in the context of tourism and economic aspects.

Since 2007, Vera has been working as researcher and scientific policy consultant at the Goethe University of Frankfurt. In 2008, she transferred to the Institute of Economics, Labour and Culture (IWAK), a centre for applied research at the Goethe University. Here, she has been concerned with different subject areas of labour market research and regional development. One of her main roles is to provide labour market studies for municipalities or labour market regions, using quantitative and qualitative research methods. Currently, she is involved in a project implementing regional labour market monitoring systems, with 'migrants' as the target group, in different labour market regions in Hessen (Germany).

Dr. Marcus L. Stephenson (Country Case Study on Tanzania)

Marcus Stephenson holds an MA degree in Sociology and Anthropology of Tourism and Travel from the University of Surrey (UK). Since 1997, he holds a PhD in Tourism Management from Manchester Metropolitan University (UK). His PhD thesis was on 'Tourism, Race and Ethnicity: An Ethnographic Study of Manchester's Afro-Caribbean Community'. He was the Director of Postgraduate Research for the Department of Business and Service Sector Management at London Metropolitan University (UK). He is currently an Associate Professor of Tourism Management as well as Chair of Research at Middlesex University Dubai (UK). His research interests focus on tourism, race and

ethnicity, impact issues, Islamic tourism and hospitality, citizenship and mobility, and tourism development in the United Arab Emirates. Marcus has worked as a tourism consultant on various research projects and has conducted a range of ethnographic studies in the UK, Caribbean and the Middle East. He has published significantly in international journals and edited books, and presented his findings at various international conferences.

Alberto F. Lemma (Country Case Study on Tanzania)

Alberto Lemma completed a BSc in Economic with Geography at the London School of Economics and Political Sciences between 2001 and 2004 as well as an MSc in Political Economy of Development at the School of Oriental and African Studies in London in 2006.

In 2006 Alberto worked as an economist in an economic development consultancy in Hanoi, Vietnam and Phnom Penh, Cambodia carrying out monitoring and evaluation and project impact assessments for a variety of multilateral and bilateral organisations. Since 2007 Alberto has worked as a research officer at the Overseas Development Institute in London, initially within the Business & Development Programme and subsequently with the newly formed Private Sector and Markets programme. His focus has been on the links between private sector growth and poverty reduction, the assessment of private sector impacts on poverty and development, access to finance, and pro-poor low carbon growth policies.

Jonathan G. B. Mitchell (Country Case Study on Tanzania)

Jonathan has an undergraduate degree in Geography and postgraduate degrees in development economics and planning. He has 23 years of professional experience, half of which has been based in Africa and half in Europe. In Africa, Jonathan has worked with the World Bank as a project economist on an urban water project in Lesotho for 3 years, a DFID-financed development economist for a South African Province for 5 years and designer and implementer of a portfolio of local economic development projects for the European Commission for 4 years.

In Europe, Jonathan started his career in private sector economic and management consultancy. He has spent the last six years at the Overseas Development Institute as a Head of the Tourism and Agriculture programmes – before creating the new Private Sector and Markets Programme in early 2011. His focus has been on the linkage between tourism and poverty reduction; pro-poor value chain analysis for agricultural commodities; and private sector development.

Executive Summary

The 2008-2009 global economic crisis has severely impacted on international tourism, causing a decline of 4% in international tourist arrivals and a decrease of international tourism revenues by 6% in 2009. Since tourism has become a major economic engine at a global level, this deterioration had important impacts on various countries, and in particular in developing countries, where the sector has become an increasingly relevant source of income and employment.

During the last two decades, international tourism has been of rising importance particularly among lower income countries, where tourism exports have become a growing source of external income compared to other exporting sectors. According to UNWTO data, tourism accounted for 45% of the exports of services of least developed countries (LDCs) in 2009. In the same year, emerging economies received 410 million international tourist arrivals, a 47% share of the global volume, and US\$306 billion in international tourism receipts equalling 36% of the global volume.

Growing international tourism receipts have strongly contributed to the global growth of GDP per capita. Tourism's economic development potential is advocated for its foreign exchange earnings, government revenues, as well as the incorporation of local suppliers. Furthermore, due to its labour-intensive nature, tourism offers employment and income opportunities, both directly and indirectly, for poor and vulnerable groups such as youth, women, low-skilled and low-wage workers and migrant workers. In consequence, tourism has been recognised as a main lever for poverty alleviation and the achievement of the Millennium Development Goals (MDGs).

Based on these preconditions, the study at hand investigates how the decrease in tourism demand in 2009 resulting from the global economic crisis impacted on employment, income opportunities and the livelihood of poor and vulnerable groups as well as on the capacity of households to cope with such shocks. This evaluation allows an insight into the ramifications of the crisis for the everyday life of people.

Reflecting the basic objective of the RIVAF programme, the present study combines a comparative large-n macro-economic analysis with three country case studies on the Maldives, Costa Rica and Tanzania. The purpose of the country case studies is to gain insights into the impact of the global crisis on employment levels/opportunities and household incomes of low- and unskilled tourism employees.

The macro-economic analysis

The macro-economic analysis reveals that international tourism within advanced economies has been much more affected than in emerging economies. Growth of international tourist arrivals turned negative during 2009 across the globe with the

exception of low income countries. Apart from Africa, where growth rates remained on a positive level, all regions experienced a negative growth of international tourist arrivals in 2009. Countries with strong links to the European and North American source markets were the most negatively affected. Countries with more diversified source market basis have been comparatively less affected by the decrease in international tourism during the global economic crisis. In terms of tourism segments, business travel suffered the most.

Compared to other economic sectors, employment in hotels and restaurants was less impacted by the global economic crisis. On average, growth of employment in the first quarters of 2009 was still positive, featuring the second highest percentage after public administration. Negative growth of employment in hotels and restaurants has been observed only among advanced economies, and by region in Europe and the Americas.

The most common policy responses to the crisis across regions and income groups have been marketing, public/private partnerships and a combination of fiscal and monetary measures. Policy measures in the field of marketing and promotional efforts directed at European and North American source markets have been the most effective short-term instrument for coping with the negative effects of the global economic crisis on international tourism. While specific policy measures aimed at poor and vulnerable groups within the tourism sector have rarely been implemented during the recent economic crisis, a number of policy actions targeting international tourism demand hint at indirect effects on these social groups. Long term policies intended to further improve destinations' global competitiveness as well as to make the sector more resilient to shocks are the most promising instruments for absorbing the potential negative effects of similar crises in the future. The three case studies demonstrate that the crisis had a particularly negative impact on poor and vulnerable groups.

The case studies

Findings from the case studies carried out in Costa Rica, the Maldives and Tanzania reveal that the decrease in visitor numbers as a result of the global economic crisis had different impacts. Each of the countries had to cope with a decrease of international tourist arrivals in 2009, ranging from 4% for the Maldives to 5% for Tanzania and 9% for Costa Rica. The decrease in tourism receipts was even higher (8% for the Maldives, 9% for Tanzania and 10% for Costa Rica), as arrivals, especially from high spending source markets dropped (e.g. USA and UK), and tourists tended to be more cost conscious and spend less time in the country. The impact of such declines on the livelihoods of poor and vulnerable groups as well as the mitigation measure adopted also varied by country:

- In Costa Rica, the majority of large chain hotels and domestic tour operators promptly reacted by implementing a number of crisis-mitigating measures in order to reduce fixed costs, including lay-offs, reduced working hours and the enforcement of unpaid leave for two to three months. Social insurance data show

that 3% of the employees working in hotels and restaurants in Costa Rica lost their jobs in 2009 and the overall tourism related work force declined by around 4.5% (over 5,000 jobs). In addition, the remaining employees saw their purchasing power reduced by an estimated 12% due to increased prices. Women and low-skilled workers were comparatively more exposed to the negative effects of the crisis than qualified personnel and male employees. The ability of vulnerable groups to cope with the crisis was quite limited. Savings, support from neighbours and the establishment of micro and small businesses helped to face the difficult times, since most of the low-skilled people had problems finding a new job during the economic downturn.

- The decline in tourism demand and spending in the Maldives forced operators in the accommodation industry to adopt cost-reduction strategies which significantly impacted on the labour market. Research showed that 1,477 foreign employees (44% of the foreign workforce in hotels and resorts), most of them low-skilled workers from Bangladesh, India, Sri Lanka or the Philippines, lost their jobs during the crisis. Furthermore, an estimated 10% of the domestic labour force in hotels and resorts (1,200 employees) was made redundant. In addition, reduced tourists' spending resulted in a significant decrease in the service charge, which is an important part of the income for low-skilled workers, causing income losses of about 20 to 30% for approximately 7,000 Maldivian tourism employees with low-skilled positions. Their purchasing power further diminished due to an inflation of 17% between 2008 and 2009. With an average household size of 6 to 7 persons, research estimates that approximately 19% of the Maldivian population, and most of them belonging to poor and vulnerable groups, got affected through job losses or income decreases in the tourism sector, resulting in a significant reduction in purchasing power.
- The case study in Tanzania focused on Mount Kilimanjaro and the Northern Safari Circuit. Research showed that tour operation in these areas was less affected by the crisis. Although tourist numbers declined by 2% in Kilimanjaro and by 9% in the Northern Safari Circuit, most operators and hotels managed to increase package prices and room rates throughout the crisis. Job losses have been more relevant for skilled and managerial workers, yet there has still been a significant negative impact on unskilled labour, especially seasonal workers. This decline is most likely due to the increase in the minimum wages in January 2008, and many employers might have used the crisis as an excuse to reduce the number of unskilled workers and alter permanent contracts into short-term or seasonal contracts. One group that saw their annual incomes significantly decline between 2008 and 2010 were the Kilimanjaro porters. Attracted by the higher salaries per expedition and limited job opportunities in other sectors, the number of porters rose from 12,204 in 2008 to 20,590 in 2010. Together with a lower number of porters hired per expedition this resulted in a sharp decline in the

number of trips made per porter and their annual income decreased by 50%. The final group to have been impacted by the crisis was the small stall owners and workers, a group of approximately 28,000 people, which showed a decrease in revenue of around 25% throughout the crisis

Crisis mitigation measures

The report's overall recommendations deal with the public policy and business measures undertaken to mitigate the impacts of the crisis. Possible crisis mitigating measures are distinguished with regard to emphasising:

- The need to advance the generation of tourism and employment data and indicators, in particular short term data, in order to achieve a more effective crisis monitoring. This implies the expansion of basic tourism statistics at national level, the development of the Tourism Satellite Account (TSA) and, in particular, the creation of short term indicators of tourism performance and employment to serve as early warning indicators. These could be derived from sources such as credit card records or tourism booking trends (airlines, hotels). Such indicators could inform governments on the performance of the sector and provide useful information to develop adequate and timely policy responses. In sum, particular attention should be given to: a) early warning systems, b) short-term performance indicators of tourism's industries' turn-over and employment derived from administrative, fiscal or social security records and c) business cycle indicators derived from business confidence surveys. Thereby, the study reveals that the system of tourism and employment statistics needs to be accelerated in order to achieve more effective crisis monitoring. The introduction of Tourism Satellite Accounts (TSA) and a more complete and credible System of Tourism Statistics (STS) are crucial steps in this regard.
- Measures to improve the resilience of the tourism sector and accelerate the recovery from decreases in tourism demand are essential to minimize pressure on tourism related labour markets. Increased marketing activities, combined with efforts to diversify market segments, including the development of the domestic market, would help strengthen the sector. Infrastructural improvements, easing of visa regulations and reducing bottlenecks for air access can also help facilitate tourism growth and recovery. Measures to improve the resilience of the sector should be based on active communication, consultation and collaboration between the public, private sector and local communities.
- Specific measures should be taken to mitigate the impact of potential crises on poor and vulnerable groups living from the tourism sector. Options to be further studied include granting tourism companies additional liquidity to outbalance a crisis-induced decrease of revenues in the short-term and link credit conditions employee retention schemes. As tourism SMEs provide a large number of jobs to

poor and vulnerable groups, they should be given priority access to economic recovery schemes offered by governments during crises situations. In times of crisis, extra emphasis can be given to training, in particular for youth, women and lower-skilled workers, as they generally have a higher risk to become unemployed. In order to minimize shocks on low-income households, governments can also pay particular attention to promoting equal distribution of tourism revenue, e.g. from national parks, to improving working conditions of unskilled and low-skilled employees, and to exploring possibilities to introduce and improve social insurance schemes.

Furthermore, communication between public and private sector should be improved in order to advance crisis monitoring and coordinate crisis reaction plans. Measures that impact indirectly on the tourism labour markets by improving the overall crisis resilience of the tourism sector and by accelerating recovery from decreases in tourism demand are also strongly encouraged. Specifically, measures intended to diversify the generating markets and segments appear to be a promising means to reduce risks. Increasing marketing efforts, strengthening public and private sector partnerships, implementing the measures advocated by *UNWTO Roadmap for Recovery*, including the protection and support of small and medium-sized enterprises (SMEs), infrastructural development, travel facilitation including easing of visa regulations, reducing bottlenecks on air access and increasing promotion of domestic tourism can help stabilise and enhance future tourism demand.

Finally, on the implementation of measures intended to directly impact on poor and vulnerable groups the report focuses on issues such as the evaluation of tourism related taxes as well as ways to facilitate the granting of loans as tools to further release pressure on the sector and mitigate crisis impacts on the levels of employment. Additional education and vocational training programmes, especially for the youth and women, and the implementation of social insurance schemes are identified as ways that would likely increase the capacities and assets of poor and vulnerable groups to cope with external shocks, thus substantially reducing their vulnerability to poverty. In this context, the Tanzanian case study revealed that increased development and promotional activity for pro-poor tourism products may significantly help poor and vulnerable groups to overcome crisis.

I. Introduction

The 2008-2009 global economic crisis severely affected international tourism, causing in 2009 a decline of 4% in international tourist arrivals and a decrease of 6% in international tourism receipts in 2009. The crisis actually caused the first serious downturn faced by international tourism in decades, a sector accustomed to a long-term average growth rate of about 4% a year.

The significance of tourism for economic development has been intensely debated since the 1960's,¹ and there is a growing consensus that tourism has the potential to significantly contribute to development, especially in developing countries (DCs) and least developed countries (LDCs).² A downturn of this sector thus causes serious repercussions for the development perspectives of various countries. The tourism sector's potential is primarily linked to foreign exchange earnings and government revenues, as well as to the linkages with other economic sectors such as construction, handicrafts and agriculture. Tourism is a labour intensive sector and, due to the nature of its job positions, it tends to generate employment and income opportunities, namely for poor and vulnerable groups (youth, women and low-skilled workers), particularly but not exclusively in rural and remote areas. In developing countries, a large part of vulnerable groups of the population, such as women, low-skilled and low-wage workers, migrant workers, and in general informal workers, earn their income from the tourism sector. The World Economic Forum³ (WEF) acknowledges tourism's leading role in poverty reduction by stating that most of the new jobs in developing countries are created by the tourism sector. In this regard, tourism is one of the largest employment generators and a fast entry vehicle into the workforce for young people and women in urban and rural economies. As such, tourism has been recognised as a main lever for poverty alleviation⁴ and the achievement of the Millennium Development Goals⁵ (MDGs).

Based on the Millennium Declaration, UNWTO is committed to fostering the tourism sector's contribution to development.⁶ According to UNWTO, tourism accounts not only for 45% of the exports of services of least-developed countries, but is also a major job generator for many of the world's most vulnerable populations. Indeed, in 2009, emerging economies received 410 million international tourist arrivals, a 47% share of the world's total, and US\$306 billion in international tourism receipts, equalling 36% of the total.

¹ Davis (1968), Bryden (1973), de Kadt (1979); Britton (1982), Smith & Eadington (1992), Brohman (1996)

² UNWTO & UNCTAD (2001). Referring to DC and LDC, the reports follows the definition provided by UN-OHRLLS (2011).

³ World Economic Forum (2009).

⁴ UNWTO (2002b).

⁵ United Nations (2010).

⁶ UNDP (2006).

Tourism is of increasing importance to the economies of poorer countries. It is a dynamic economic sector that generates substantial foreign exchange earnings. This growing significance is closely linked to employment. Maximising tourism's contribution as a main driver of economic growth and development, UNWTO implements numerous programmes to reduce poverty, fight gender inequality, and foster sustainable development. UNWTO Sustainable Tourism-Eliminating Poverty (ST-EP)⁷ initiative aims at reducing poverty by developing and promoting sustainable forms of tourism. A number of the projects involved focus on areas such as the promotion of rural tourism to alleviate rural poverty and support of the development of small (and medium) sized tourism businesses.

Given the proven potential of tourism for poverty alleviation and development, it seems reasonable to assume that the decline of tourism demand caused by the 2008-2009 economic crisis had a serious impact on vulnerable groups employed and living from tourism in developing countries.

1. Purpose of the Study

In order to assess the impact of the economic crisis on poor and vulnerable groups, the United Nations launched the Global Pulse Initiative (GPI) in late 2008.⁸ Preliminary findings of the GPI reveal that even in countries and industries that may have been regarded as resilient, the day-to-day costs of the crisis were high for many households. Even in places where immediate impacts do not appear to have been severe, the on-going erosion of resilience has the potential to damage medium and long-term development prospects.

Therefore, the GPI assumes that the analysis of the impacts of the crisis and the resulting vulnerabilities cannot be based solely on macroeconomic indicators, since the reality for people on the ground is hardly mirrored by macroeconomic data. In consequence, the initiative aims to combine a macroeconomic analysis with a qualitative assessment of the impact of the recent crisis on the household level, conjoining a vast array of information from official international and national sources, business associations, informed observers and the poor and vulnerable themselves.

In December 2009, the Rapid Impact and Vulnerability Analysis Fund (RIVAF)⁹ was launched as part of the GPI. The aim of the RIVAF programme is to support innovative, real-time data collection and analysis, as well as to help develop a better understanding of how vulnerable populations cope with the impacts of the global economic crisis.

Based on these preconditions, the study at hand investigates how the decrease in tourism demand in 2009, which resulted from the global economic crisis, has impacted

⁷ UNWTO (2010c).

⁸ United Nations (2009a).

⁹ United Nations (2009b).

on employment, income opportunities and the livelihood of poor and vulnerable groups, as well as on the capacity of households to cope with such shocks. This evaluation aims to provide allow an insight into the ramifications of the crisis for people's everyday lives.

Reflecting the basic objective of the RIVAF-program, the following study triangulates quantitative and qualitative methodologies and operates on three different scales of analysis – global, national and household level.

A comparative large-N macroeconomic analysis provides empirical evidence of how the decline in tourism demand has affected growth and employment and what effects public policy measures had across countries on a global level. The aim of this macroeconomic analysis is to identify patterns and trends within the tourism sector and to specifically investigate the varying impact of the crisis on developing countries.

The three country case studies – the Maldives, Costa Rica and Tanzania – provide insights into the impact of the global crisis on levels of employment and opportunities for low- and unskilled individuals working in the tourism sector. The focus is on workers belonging to poor and vulnerable groups on both the national as well as on the household level (including youth at risk, low-wage, low-skilled, informal economy and migrant workers¹⁰). Reflecting the overall aim of the GPI, the case studies refer to value chain and sustainable livelihoods approaches, in order to connect the macro with the micro level.

The Maldives, Costa Rica, and Tanzania have been selected since a) tourism has a significant weight in their economies and employment, b) they witnessed a significant decrease in tourism demand (international tourist arrivals and earnings) clearly attributable to the economic crisis, and c) their cases are typical of similar tourism destinations/countries in their regions, or countries in similar situations (e.g. small island states).

By evaluating the effectiveness of public policy and crisis mitigating measures of private businesses and their influence on the livelihoods of people, the report concludes by providing general recommendations on a macro level, as well as country-specific policy recommendations for the three case studies. These are intended, not only to meet short-term needs, but also to develop context-specific strategies for improving the crisis resilience of poor and vulnerable groups.

¹⁰ ILO (2009).

2. The Impact of the Tourism Sector on National Economies

Tourism impacts in various ways on national economies.¹¹ Tourists consume a wide range of products and services, including among others transportation, accommodation, food and entertainment services. This demand adds up to the domestic demand with an impact on the economy and job creation. The tourism sector also creates demand and employment in non-tourism sectors of the economy, such as agriculture, construction, manufacturing, retail and trade, and intra-sectoral demand. Tourism demand for public goods contributes to the improvement of the general provision of infrastructure for the local population, as for instance roads, airports, water, sanitation and energy. These activities contribute to national wealth and to the income of individuals and their households. In addition, tourism-induced economic activities enlarge tax and import tariff revenues for national governments. Revenues and employment generated in the tourism sector may help to finance existing social and health insurance schemes. Furthermore, international tourism as an export category provides hard foreign currencies to destinations and impacts positively on the balance of payments.

When measuring the impact of tourism on national economies, direct, indirect and induced effects of tourism spending must be defined. Direct effects refer to the value added in the sector, local business transactions and taxes. They are equal to the overall turnover in the tourism sector, not including the amount of money lost due to leakages such as the import of goods and the payment of profits to entities outside the national economy. Indirect effects measure all purchases from other industries within the national economy needed to produce the tourism sector's output. Induced effects occur as a result of the increased spending within the national economy. This spending contributes to increases in income, part of which is re-spent on other goods and services produced within the national economy.¹²

Owing to these interdependent structures, any change in tourism demand affects the national economy in various ways and cause changes in the economy's output, level of employment and government revenues. Due to this multifaceted and multilevel character of tourism's contribution to national economies, measuring these effects is a highly complex task.

The cumulative effect of tourism income through direct, indirect and induced effects is described by using tourism income multipliers, which show the relationship between an additional unit of tourist spending and the changes that result in the level of income in the economy.¹³ Even though the national economy of a country usually benefits more

¹¹ Mihalič (2004); Sharpley (2004); Sinclair (1998).

¹² Vanhove (2005): p. 183-184

¹³ Vanhove (2005): p. 185.

from tourism the larger it is¹⁴ and the more it is already developed,¹⁵ developing countries (DCs) and least developed countries (LDCs) have continuously managed to increase their participation in the global tourism sector.¹⁶

According to UNWTO, tourism accounts for 45% of service exports in LCDs. In 2009, emerging economies received 410 million international tourist arrivals, a 47% share of the world's total, and US\$306 billion in international tourism receipts equalling 36% of the total.¹⁷

Furthermore, tourism is also a major job generator for many of the world's most vulnerable populations (chapter 3). Since tourism services may only be consumed on-site, tourism provides poor and vulnerable groups with the possibility to sell their products and services to global customers, which they could hardly access by other means. Moreover, due to its geographical distribution and labour intensive nature, these employment and income opportunities are often created in rural and remote areas. Considering these benefits, tourism has a huge potential to contribute to poverty reduction. In consequence, tourism has been recognised in the United Nations Millennium Declaration¹⁸ as a main lever for poverty alleviation¹⁹ and the achievement of the Millennium Development Goals²⁰ (MDGs).

3. Characteristics of the Tourism Labour Market

Tourism is labour intensive

Tourism is often reported to be more labour intensive than other productive sectors. Analysing data from six developing countries, the British Department for International Development reports that tourism has been found to be more labour intensive than non-agricultural activities, particularly manufacturing, although less labour intensive than agriculture.²¹ Most of the new jobs in developing countries are created by the tourism sector. In this regard, tourism is one of the largest employment sectors in most countries and a fast entry vehicle into the workforce for young people and women in urban and rural economies.²²

¹⁴ Vanhove (2005): p. 184

¹⁵ Larger and more developed economies are usually able to build up more linkages in the national economy and to integrate a larger number of local suppliers into the value adding process. Therefore, they are better able to minimize potential leakages of tourism revenues (UNWTO & UNCTAD (2001).

¹⁶ Ashley et. al. (2004); UNWTO & UNCTAD (2001).

¹⁷ Own calculation on the basis of UNWTO and IMF data.

¹⁸ UNDP (2006); UNWTO (2010d).

¹⁹ UNWTO (2002b); UNWTO & UNCTAD (2001).

²⁰ United Nations (2010). In particular, it is assumed that tourism can contribute to achieve MDG 1 (eradication of extreme poverty and hunger), MDG 3 (promotion of gender equality and empowerment of women), and MDG 7 (enforcement of environmental sustainability).

²¹ DFID (1999): p. 48.

²² World Economic Forum (2009).

The magnitude of the employment effects of tourism depends upon the magnitude of tourism spending and also on the size of the employment multiplier.²³

According to ILO²⁴ one job in tourism creates approximately 1.5 (indirect) jobs in tourism related economies. Thus, the tourism sector is estimated to generate more than 230 million jobs (directly as well as indirectly), which represent approximately 6% to 7% of the global workforce. Almost half of the employees in the sector have not yet reached the age of 25, and up to 70% are women.

Tourism provides a high share of semi-skilled jobs but also offers opportunities for high quality employment

The tourism sector is also a relatively rich source of jobs for **un- or semi-skilled workers**, which are therefore accessible to the poor.²⁵ Tourism employs a highly vulnerable unskilled and semi-skilled workforce.²⁶ This poses some challenges such as temporary work contracts and irregular working hours, the lack of career progression and the low level of unionisation of the tourism sector.

Yet, the perception that the tourism sector offers mostly low-skilled occupations is challenged by the finding that a significant proportion (around 25-30%) of these service positions are supervisory or skilled occupations at managerial, professional or technical level.²⁷ Tourism may not only create jobs but also has the potential to create 'good jobs' characterised by healthier, safer and more pleasant working conditions. Service jobs in hotels, for instance, are relatively well paid, particularly when supplemented by tips and service charge.²⁸ Hotel workers tend to be paid 15-20% more than in comparable professions.²⁹ Moreover, it is argued that the majority of hotel staff are on permanent contracts and enjoy a benefits package that includes a 13th cheque and paid leave as well as other benefits.

Tourism demands high job flexibility

The quality of tourism employment is highly dependent on the specific country, its labour market and **tourism seasonality**. Seasonality is probably the most common characteristic of tourism demand worldwide. Tourism demand is influenced by natural and socio-cultural factors, such as the calendar of holidays, and tends to be concentrated in specific periods of the year. As a result, workers are often employed with contractual arrangements which are limited in time, such as part-time, seasonal and casual contracts.

²³ The employment multiplier describes the ratio of the direct and indirect employment generated measured in full-time equivalents (Vanhove 2005): p. 187. The terms "direct" and "indirect employment" refer to direct and indirect effects of tourism spending which have been described in chapter 2.

²⁴ ILO (2001).

²⁵ Cukier (2002)

²⁶ Weru (2007); Slob & Wilde-Ramsing (2006); Hampton & Christensen (2005); Mtui (2007); Wagner (1997); Mitchell & Ashley (2010): p. 36.

²⁷ Choy (1995), in: Mitchell & Ashley (2010): p. 38.

²⁸ Christie and Crompton (2003)

²⁹ Sharma (2003)

A large number of enterprises in the tourism sector, either large- or small-sized, employ only a core group of permanent and full-time staff, and subcontract additional labour force upon necessity. It is believed that **flexible employment** is convenient for many young workers who are studying or eventually aim to move on to other sectors, but also for female workers with children. The latter, however, are often unable to make a living as head of a family.

Migrant workers are a vulnerable group, with a disproportionately high number employed in the tourism sector, and predominantly in the lower paid, less stable segment of the labour market in the sector. This is often the result of language problems or inadequate knowledge of the host culture.

Tourism labour markets have a high turnover³⁰

Turnover figures vary from region to region within countries. In general, however, the turnover rate for managerial levels is far lower than for line employees. Employers and employees cite different reasons for this high frequency of turnover: **Employers'** representatives generally state that turnover in the sector should be attributed to the essentially transient nature of part of the workforce, namely the unsteady employment of students, young mothers and young people as a whole, as well as to the general difficulty in retaining staff. **Employees**, on the other hand, frequently cite low pay as a reason for changing employment, although lack of a career structure and benefits would appear to be of even greater importance. In the USA, for example, even if hotels and restaurants pay US\$12.00 an hour, they are in competition with jobs such as bank tellers. Furthermore, restaurant work retains the stigma of being physical work. Job stability, career prospects and reasonable working hours all factor into the equation. As long as other jobs offer equal levels of pay but more advantageous working and employment conditions, the problem of turnover will persist in the hotel and restaurant sector, unless the industry is able to create equivalent conditions or compensate in other ways.

Tourism labour markets and government interventions

Government interventions may influence the final outcome of the labour market in many ways, thus affecting earnings of the poor. On the **supply side**, the state has an important role to play in providing good quality training to equip local communities with the skills to contribute productively to the tourism economy, e.g. language or hospitality skills. On the **demand side**, the government may influence both wage levels and recruitment of the poor through a regulatory environment which supports the enhancement of decent jobs for tourism workers.

³⁰ ILO (2001): pp. 55-56.

4. The 2008-2009 Global Economic Crisis

The global financial crisis started to unfold in July 2007, when the level of private household debts in the USA peaked, due in part to extensive lending schemes to economically weak private persons for property purchase. When the interest rates inevitably increased, a large number of lenders failed to service their mortgages. The worldwide financial crisis gained further momentum when member banks of the US-Federal National Mortgage Association expanded into the secondary mortgage market via complex securitisation processes. Confronted with the increasing number of loan defaults, secured commercial paper experienced a sudden drop in demand, which in turn prompted a critical decrease in interbank trust. Thus, global financial transactions became scarce, credit markets ran dry. In the spring of 2008, the interbank market collapsed. The credit crisis became a global financial crisis, causing credit flows to the real production sector and the private economy to dry up. A considerable number of private companies had difficulties in receiving loans for due investments.

The contraction of the real economy impacted on the tourism market. Faced with possible lay-offs or loan reductions, employees would postpone, change or even cancel travel plans, significantly reducing their travel budgets. Accompanied by a high oil price and rising inflation rates, recession fears took their toll and travel budgets further diminished. This constricted international demand for tourism services in the holiday destinations. Albeit time-delayed and dependent on the crisis resilience in the source markets, international tourist arrivals dropped notably by end of 2008, affecting not only the economic performance of tourism companies but also tourism related firms along the value chains.

The crisis hit the tourism sector and lasted for 15 consecutive months of negative growth until October 2009.³¹ The crisis peaked in March 2009, with a 12% decrease in international tourist arrivals. Since then, international tourist arrivals steadily recovered and turned positive during the last quarter of 2009. During 2009, international tourist arrivals decreased by 4% at global level, coupled with a 6% decline in tourism receipts.³² The 2008-2009 crisis was the first serious downturn faced by the sector at global level. The tourism sector experienced important declines and changes in travel habits, such as the decrease of long-haul travel in favour of short-distance travel, including intra-regional and domestic travel. In 2010, the tourism sector rebounded faster than expected and fully compensated for the losses caused by the economic crisis at global level, posting a growth rate of international tourist arrivals of 7%. The recovery confirms the sector's resilience in the medium and long term, and its role as a key driver of growth and much needed employment in a changing economic setting.³³

³¹ UNWTO (2009c).

³² UNWTO (2010f).

³³ UNWTO (2011).

5. Definitions and Theoretical Approaches

5.1. Tourism Definitions

According to UNWTO tourism is “a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure.” (UNWTO Basic Glossary)

Tourists are people who “travel to and stay in places outside their usual environment for more than twenty-four hours and not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.”

Tourism industries include the provision of accommodation for visitors (tourists and same day visitors), food and beverage serving activities, passenger transportation, travel agencies and other reservation service activities, cultural activities, sports and recreational activities, as well as other country specific activities.

Depending on the country of origin and destination of the person travelling the following forms of tourism may be distinguished. **Inbound tourism** is the unit of measurement used for this report, measuring the flows of non-residents received by a destination country from the point of view of that destination. For a proper understanding of this unit “International Tourist Arrivals”, two considerations should be taken into account:

- International tourist arrivals refer exclusively to tourists, i.e. overnight visitors. Same-day visitors are not included.
- International tourist arrivals refer to the number of arrivals and not to the number of persons travelling or the number of nights spent. The same person can generate multiple arrivals a year. Similarly, a person who travels through several countries on one trip generates a new arrival every time the border is crossed.

Domestic tourism only involves residents of a given country travelling within that country.

The capacity of the **accommodation sector** is measured in terms of number of rooms or number of bed places available in a country at a given moment. The actual official capacity of a country might in fact be larger than available data show, as some countries exclude hotels below a certain category or less than a certain size.

International Tourism Receipts and Expenditure

- **International Tourism Receipts (exports)** are the receipts earned by a destination country from inbound tourism. They cover all tourism receipts resulting from expenditure made by visitors from abroad, for instance on lodging, food and drinks,

fuel, transport in the country, entertainment, shopping, etc. This concept includes receipts generated by overnight visitors (tourists) as well as by same-day visitors. The latter may be substantial, as will be the case in countries where a lot of shopping for goods and services takes place by visitors from neighbouring countries. It excludes, however, the receipts related to international transport contracted by residents of other countries (for instance ticket receipts from foreigners travelling with a national company). These receipts are covered in a separate category of the Balance of Payments (international fare receipts).

- **International Fare Receipts** corresponds to the section of “Transportation, Passenger service, credits” in the standard reporting form of the Balance of Payments. It refers to any payment made to carriers registered in the compiling country of sums owed by non-residents, regardless of whether or not they are travelling to that country. These account on average for approximately 18% of total international tourism and fare receipts in recent years.
- **International Tourism Expenditure (imports)** is the expenditure on tourism outside their country of residence made by visitors (same-day visitors and tourists) from a given country of origin.

Data on receipts and expenditure related to international tourism are accounted in National Balance of Payments under the items ‘Services, Travel, Credit and Debit’ (International Tourism Receipts and Expenditure) and ‘Transportation, Passenger Services, Credit and Debit’ (International Fare Receipts and Expenditure).

5.2. Defining Poverty and Vulnerability

Since the report is focused on the tourism labour market, and specifically on poor and vulnerable groups, a definition of what is understood by poverty and vulnerability in the scope of the report is set below.

According to the World Bank, ‘**poverty** is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life”. In addition to this definition, there are statistical measures. Hence, the official **absolute poverty line** is set by an income of US\$ 2 a day or less; whereas extreme poverty is spoken of when a daily income does not exceed US\$1 or less. In relative terms, “a person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs.”³⁴

Poverty goes hand in hand with the burden of **vulnerability** to poverty an individual may face, which the World Bank defines as “the risk of falling into poverty in the future, even

³⁴ Worldbank (2010a); Haughton & Khandker (2009).

if the person is not necessarily poor now. Vulnerability is often associated with the effects of 'shocks' such as a drought, a drop in farm prices, or a financial crisis. Vulnerability is a key dimension of well-being since it affects individuals' behaviour in terms of investment, production patterns, and coping strategies, and in terms of the perceptions of their own situations.³⁵

5.3. Value Chain Approach

Tourism is increasingly recognized as a tool to eradicate extreme poverty. Pro-poor tourism centres on furthering the positive effects of tourism on the livelihoods of the poor through sets of interventions and strategies.³⁶ More specific types of tourism, such as community-based tourism or ecotourism, are believed to place emphasis on enhancing **local participation** in the benefits of tourism and thus set affinities with pro-poor tourism. However, they would also need to employ strategies to assist the poor.

The concept of pro-poor tourism has received increased attention following UNWTO's launch of the ST-EP initiative³⁷ in 2002. Lately, the advantages of tourism in delivering pro-poor growth have been intensely discussed³⁸. These include, but are not limited, to the following:

- Labour intensity with an impact on a large number of lives through the labour market;
- Potential linkages with other sectors, especially with agriculture and fisheries, which may minimise the leakage effect;
- Export opportunities where few other options are viable;
- Essential provision of infrastructural services to local communities.³⁹

The same principle is on the basis of the UNWTO ST-EP Initiative. The ST-EP Initiative is based on seven different mechanisms through which the poor can benefit directly or indirectly from tourism. These channels of action, which are incorporated into ST-EP projects and have been widely disseminated, are as follow:

1. Employment of the poor in tourism enterprises
2. Supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor
3. Direct sales of goods and services to visitors by the poor (informal economy)
4. Establishment and running of tourism enterprises by the poor, e.g. micro, small and medium sized enterprises or community based enterprises (formal economy)

³⁵ Worldbank (2010a).

³⁶ Rogerson (2006); UNWTO (2001; 2002a, 2002b; 2004; 2005; 2006).

³⁷ Telfer & Sharpley (2008): p. 137; see also The Seven Mechanisms of UNWTO ST-EP Initiative.

³⁸ Mitchell and Faal (2008); Roe et al. (2004); Mitchell & Ashley (2010); Telfer & Sharpley (2008).

³⁹ Roe et al. (2004).

5. Tax or levy on tourism income or profits with proceeds benefiting the poor
6. Voluntary giving / support by tourism enterprises and tourists
7. Investment in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors

However, despite the large body of literature on the subject, it is still not entirely evident how the relationship between tourism and its efficacy benefits the poor. It is argued that the critical factor “appears to be the extent of direct, indirect and dynamic **linkages** between the tourism sector and the economy around the destination”⁴⁰, indicating that a large proportion of employment occurs in the tourism sector or in tourism related activities. It is not always possible to accurately estimate the full extension of such employment figures, because it is not solely restricted to areas usually associated with tourism, such as hotels, restaurants, airports, seaports, transport, travel agencies, souvenir shops or restaurants. Employment generated by tourism also expands to neighbouring sectors such as agriculture, fishing, banking, infrastructure, telecommunication and other activities with which tourists come into contact.⁴¹

Direct effects take place where tourist expenditures are made, e.g. in the hotel or hospitality business, whereas **indirect outcomes and linkages** are generated by upstream inputs, e.g. construction of tourist infrastructure or food provisions for gastronomy (chapter 2). Induced impacts, however, originate from the disbursement of the income received by direct and indirect effects. For national economies, the extent to which tourism receipts remain in the country is of great importance (level of leakages). Moreover, the import of goods for tourists’ consumption, e.g. food and beverages, as well as the activities of foreign tourist suppliers, such as hotels, might accrue leakages abroad.⁴²

This kind of analytical, integrated, and systemic view is incorporated in the value chain approach. **Value Chain Analysis (VCA)**, applied in this context, is a tool to identify the stakeholders, power relations, economic benefits and revenue flows along a value-added chain of transactions with regard to a specific tourism product. It encompasses the stages of its distribution and consumption, its conception and design, as well as its supply and production. Breaking a chain into its constituent parts provides a profound understanding of its structure and functioning. It can also assess its scope for systemic competitiveness. However, VCA is defined differently by academic basic research and applied research.

VCA in **academic tourism research** – originally introduced by Gary Gereffi⁴³ – provides a framework for a detailed evaluation of the level of integration of the sectors of developing economies within the global economy. The chain’s governance, e.g. the

⁴⁰ Mitchell & Keane (2008): p. 4.

⁴¹ Briguglio et al. (1996); Jamal & Lagiewski (2006).

⁴² Mitchell and Ashley (2010: 132-133).

⁴³ Gereffi (1994, 1995).

control of key resources about entry and exit as well as monitoring suppliers, has so far been one of the most prominent aspects in academic empirical research and looks mainly at the very nature of the relationships among the various actors of a chain.⁴⁴ These works have emphasised the skewed dynamics of global, local and spatial unequal power relations between domestic and foreign companies, thus providing valuable insights into the reconfiguration of division of labour, industrial organisations as well as regional economic performance.⁴⁵ Comparative research of the different ways in which developing countries have pursued incorporation in the tourism production network yield important insights into the countries' transnational economic linkages and their ability to navigate those linkages, thus harnessing development. Evaluating those dynamics helps to determine avenues for policy intervention and firm pressure points for states, regions, locals, development organisations, and advocacy groups.

The VCA objective of the **applied side** or “**action research**”⁴⁶ – with the Netherlands Development Organisation (SNV), the UK Overseas Development Institute (ODI), the International Finance Corporation (IFC), and UNWTO being some of its most prominent protagonists – is to review sector developments on a macro scale, to specifically evaluate the economic footprint of tourism in developing countries, to discuss challenges, and to propose solutions for enhancing the tourism sector's international competitiveness. It aims to develop statistical indicators and essential tools to be able to measure economic indicators and quantify the strengths of the input-output-structures (Input-Output-Analyses) or linkages between the tourism and neighbouring sectors. Based on the objectives of pro-poor tourism and the substantial lack of specific knowledge on “how much the poor benefit economically from tourism”⁴⁷, in the context at hand, the VCA is applied as practice or as a tool (Table 1), which lends itself to the **local economic mapping** around the tourism destinations in the three case study countries (Costa Rica, the Maldives, and Tanzania).

Table 1 – Assessment of Local Economic Mapping and Pro-Poor VCA

Advantages	Disadvantages
Puts pro-poor flows in the context of the overall tourism economy.	Approaches are still evolving and not yet standardised.
Able to use ‘tried and tested’ frameworks and tools from local economic development approaches.	Relatively more effort goes into mapping the current situation than identifying options for future enhancement of pro-poor impact.
Enables decisions for pro-poor intervention to be based on an overview and comparative enterprise-level information, rather than assumptions that a certain type of tourism is most likely to be pro-poor.	The focus on the destination means that little can be said about the impact of tourism on the broader economy or impact on poor households outside the destination.
Takes a destination focus and thus can support policy making at destination level.	

⁴⁴ Dörny (2008a, b), Barham et al. (2007), Clancy (1998, 2002).

⁴⁵ Bair (2005).

⁴⁶ Mitchell & Keane (2008) suggest this approach to focus „upon quickly gaining enough empirical evidence to inform practical development solutions – rather than traditional ‘research’ preoccupation with the kind of large sample sizes to demonstrate findings to specified degree of confidence.”

⁴⁷ Mitchell & Keane (2008: 4).

Highlights and explores the importance of supply chains to the poor.	
VCA can examine the tourist destination in the context of a global value chain.	
Studies tend to be relatively quick, market aware and policy focussed.	
Destination-level focus facilitates interaction among stakeholders at destination level to encourage policy relevance and implementation.	

Source: Mitchell & Ashley (2010: 119), slightly modified

Through the understanding of economic flows and distribution within the tourism destination, interventions can be planned in order to improve pro-poor benefits and sustainable development in the tourism destination itself and to segment different groups of people, e.g. poor people, young people and/or women. This segmentation can possibly identify short, medium, and long-term potential interventions, which could increase the economic benefits of any or all of these target groups.⁴⁸ Thus, in each case study, action research on some of the most important tourism nodes of a value chain, e.g. the hotel and hospitality sector, was carried out.

Figure 1 shows the best practice applying the value chain approach. The present study mainly followed Phase 1 as it presents a snapshot of the situation in the three countries in the second half of 2010.

Figure 1 – Tourism Value Chain Diagnosis

Phase	Step	What to do?	Why?
Phase 1: Diagnosis	Step 1	Preparation.	To define the destination, type of potential target groups, assessment team/partners.
	Step 2	Map the big picture: enterprises & other actors in the tourism sector, links between them, demand & supply data, and the pertinent context.	To organise a chaotic reality, understand the overall system.
	Step 3	Map where the poor do and don't participate.	To avoid erroneous assumptions about poor actors. To take account of the less visible suppliers.
	Step 4	Conduct field work interviews in each node of the chain, with tourists and service providers, including current/potential poor participants.	To follow the dollar through the chain down to the poor, and assess how the returns can be increased.
	Step 5	Track revenue flows and pro-poor income. Estimate, how expenditure flows through the chain and how much accrues to the poor. Consider their returns and factors that enable or inhibit earnings.	To provide data and insights for Steps 5 to 8.
Phase 2: Scope & Prioritisation of Opportunities	Step 6	Identify <i>where</i> in the tourism value chain to seek change: which node(s)?	To select areas ripe for change drawing on steps 1 to 5. To ensure steps 6 to 8 are focussed on priority areas.
	Step 7	Analyse blockages, options and partners in the nodes selected, to generate a long list of possible Interventions.	To think laterally and rationally in generating the range of possible projects.
	Step 8	Prioritise projects on the basis of their impact & feasibility.	To generate a project shortlist, comprising projects most likely to deliver impact.
Phase 3: Feasibility & Planning	Step 9	Project feasibility and planning.	Package selected projects for funding & implementation.

⁴⁸ Vignati & Laumans (2010: 75).

5.4. Sustainable Livelihoods Approach

In order to really understand the ramifications of the 2008-2009 global economic crisis on a household level for the persons concerned, it is necessary to adjust the perspective of the analysis. Accordingly, the focus of the study diverges slightly from the analysis of statistical data to a more qualitative evaluation of the impact of the crisis on livelihoods, crisis coping strategies and the resulting enhanced level of vulnerability to poverty of tourism employees. However, one has to consider that researching people's livelihoods is a highly complex task.⁴⁹ It is undoubtedly even more complex with regard to people working in the tourism sector, due to tourism's linkages with other sectors, as well as the lack of robust empirical data.⁵⁰ The vulnerability to poverty of social groups is not only a matter of tangible and intangible economic resources, as it is also influenced by social and power relations within and between institutions, associations and other organisations. Therefore the question as to whether the negative economic impacts of the global economic crisis have seriously impacted the livelihood of poor and vulnerable groups employed in the tourism sector demands a multi-perspective answer. Thus, it is evident that an investigation of the erosion of jobs and income generated in the sector will not suffice when evaluating the impact of the current crisis on the vulnerability to poverty of tourism employees.

The livelihood approach is a well-established, multi-perspective, approach to evaluate the level of vulnerability of social groups.⁵¹ Livelihoods comprise the capabilities, assets (natural and social resources) and activities required for a means of living. The approach is strongly interconnected with issues such as poverty and vulnerability, examining the capabilities and strategies of social groups to gain and sustain a living (Figure 2).

According to the approach, people possess different assets to build their livelihoods upon: a) human assets such as skills, knowledge, health and ability to work, b) social capital, such as social resources, including (informal) networks, memberships and personal relationships, c) natural resources such as land, soil, water, forests and fisheries, d) physical capital, such as roads, water and sanitation, schools, and producer goods, including tools and equipment, and e) financial resources including savings, credit, and income from employment, trade and remittances. The effectiveness of the use of capabilities and assets to make a living is dependent on the influence of societal structures, processes and regulations. Government and ownership structures, but also laws and regulations, policies, cultural influences and social institutions, impact on the ability to exploit individual livelihood capabilities and assets successfully. Depending on these influences, individuals develop strategies to sustain their living. The outcome of

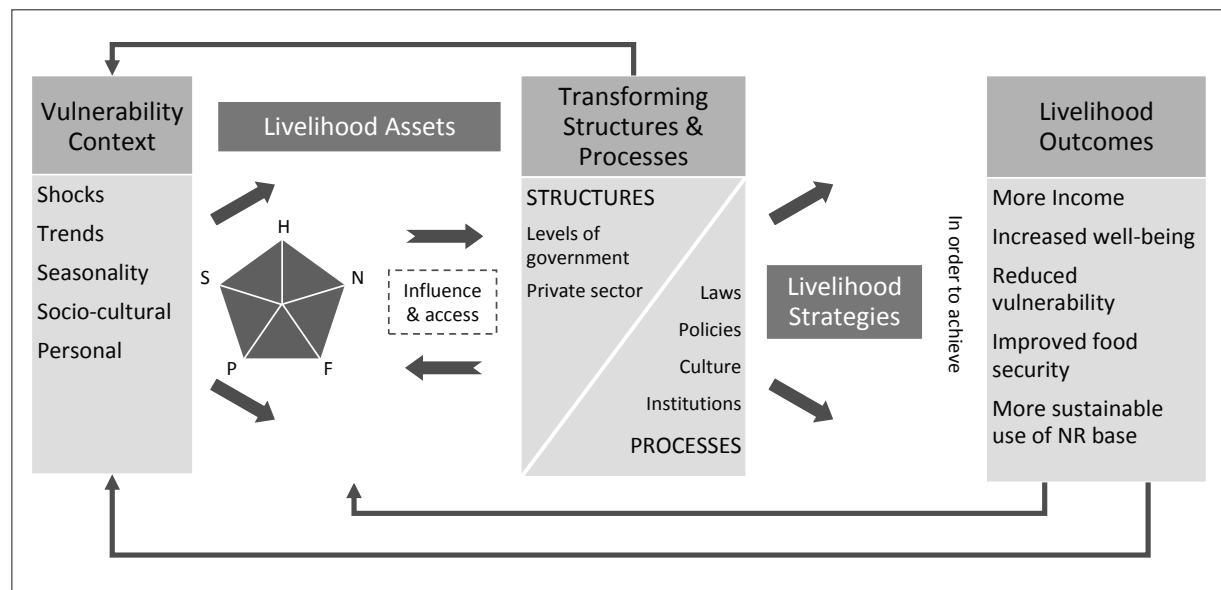
⁴⁹ De Haan & Zoomers (2005).

⁵⁰ Mitchell & Ashley (2010): pp. 4-5

⁵¹ Seminal contributions to develop the sustainable livelihoods approach have been made by Chambers & Conway (1992), Carney (1999) and the British Department for International Development (Carney 1998). Today, the approach has been adapted in the daily work of development assistance agencies worldwide and is one of the standard references for assessing the vulnerability of people and for developing strategies to improve their livelihood.

these strategies impacts in turn on the configuration of livelihood assets and the level and context of vulnerability to poverty. This context of vulnerability is defined by the individual's personal and household situation, by social attributes such as gender, race, class, ethnicity and age but also by external factors, such as seasonality of employment or income, socio-cultural contexts and general economic development trends and external shocks, such as natural disasters, diseases, wars and economic crisis situations.⁵²

Figure 2 – Sustainable Livelihood System



Source: Carney (1999): Livelihood approaches compared. London: DFID; modified

Considering this complex structure, a livelihood can only be considered sustainable if it can cope with, and recover from, stress and shocks and maintain or enhance its capabilities and assets⁵³ over time⁵⁴ without undermining its natural basis⁵⁵. Thus, in order to evaluate the development of the level of people's vulnerability, one has to consider the crisis resilience and ability of social systems to cope with, and adapt to, external shocks.

The strength of the approach derives from the fact that it links the macro with the micro level. It does so by investigating the impact of macro policies, processes, structures and institutions on the livelihood options of households and individuals. Its actor-oriented perspective scrutinises the micro-world of families, networks and communities and focuses predominantly on low-income households.

Therefore, this report investigates, not only the impact of the crisis on the tourism economy and on tourism employment, but also attempts to understand the impacts on the everyday lives of poor and vulnerable groups employed in the sector at local and

⁵² Chambers & Conway (1992), Carney (1998,1999).

⁵³ Chambers & Conway (1992): p. 7.

⁵⁴ Carney (1999): p. 4.

⁵⁵ Scoones (1998): p. 5

individual level. People strongly depend on family ties to sustain their living, particularly in developing countries lacking an institutionalised social welfare and/or pension system, while also featuring a far slower individualisation process than in more advanced economies. These local, and highly individually organised, forms of social security are always context-specific, socially embedded and therefore restricted to distinct areas.⁵⁶ To understand these individually organised forms of social security, it is crucial to develop an understanding of the impact of the crisis on the level of vulnerability to poverty in a region or community.

The contextual strengths of the livelihood approach, as well as its focus on individuals and households, are the main arguments for adopting it as a basic perspective for the current analysis. The macro picture of the impact of the crisis on the employment opportunities of poor and vulnerable groups is therefore complemented by a households' perspective. Following an interpretative approach, the study provides qualitative insights into the impacts of the economic crisis on the people employed in the tourism sector, as well as on their families and households. Based on biographical and narrative interviews with tourism employees, patterns of capabilities and strategies of blue-collar workers and their related households in coping with problems are presented, illustrating the crisis's impact on their level of vulnerability towards poverty.⁵⁷

⁵⁶ Ahmad, Dreze & Hills (1991).

⁵⁷ Due to its interpretative approach and the restraints in the availability of statistical data, time and resources the study does not aim at quantifying how big the losses of household income have been and how many households have experienced such severe losses that they have slid beneath the poverty line. Aside from aiming at understanding the impact of the current crisis on the level of vulnerability of people such quantification would only be possible by conducting a large-N household survey which unfortunately exceeds the scope of the current study.

II. Macroeconomic Analysis

Executive Summary

International tourism shows a significant growth between 1995 and 2007, gaining importance particularly among low-income countries, and by region, in Africa and the Middle East.

On a global level, international tourism receipts (or exports generated from international tourism) in relation to GDP grew in all regions during this period. Growth was remarkably strong in the Middle East and among African economies but smoother in Europe, the Americas and Asia and the Pacific. On a sub-regional level, the importance of international tourism receipts as compared to the GDP increased substantially in Central America, the Middle East, North Africa and Sub-Saharan Africa whereas it declined in North America, Northern Europe and Northern Asia.

Growth rates of international tourism receipts in relation to GDP have varied greatly depending on a country's general income level. While international tourism grew in importance among lower income countries, its importance decreased amongst more advanced economies. **Tourism exports have thus played an increasingly significant role as a source of external income** compared to other exporting sectors among **low income countries**.

Growth in international tourism receipts has strongly contributed to the growth of GDP per capita on a global scale. Tourism exports' most significant influence is observed among low and lower middle income countries as well as in the Americas and the Middle East.

Except for Africa, all world regions experienced a negative growth in international tourism in 2009. Due to the nature of the global economic crisis and the relevance of intra-regional travel on the volumes of international arrivals, advanced economies have been more affected than emerging ones. **Countries with strong links to the European and the North American source markets were the most affected. Countries with a diversified mix of source markets have been comparatively less affected by the decrease in international tourist arrivals during the global economic crisis.**

In terms of tourism segments, international business tourism seems to have been more affected than other forms of travel. Trends in other segments vary significantly depending on the economic structure of each country and on the structure of national tourism markets. Current data availability for tourism segments is however too limited to generalise results.

Compared to other economic sectors, employment in hotels and restaurants (a proxy used for tourism employment) was less impacted by the global economic crisis. On average, employment growth rates in hotels and restaurants were still positive in the first three quarters of 2009, featuring the second highest growth after employment in public administration. **Negative employment growth rates in hotels and restaurants were observed only among advanced economies, and by region in Europe and the Americas.**

The most common **policy responses to the crisis** across regions and income groups have been marketing and promotion, public/private partnerships and a combination of fiscal and monetary measures. Few measures were designed directly focusing on employment in tourism, and no specific policy measures to mitigate the negative impact of the crisis on poor and vulnerable groups employed in tourism were identified.

Nonetheless, many global policies aimed at supporting the tourism sector throughout the crisis had an indirect effect on employment levels given its contribution to the resilience of the sector. General **policy actions targeting international tourism demand produced indirect effects on these social groups.** Long-term policies aimed at **improving a destination's competitiveness in the market and the sector's resilience to exogenous shocks are important tools to mitigate the negative effects of future similar events.**

1. Introduction and Methodology

The macroeconomic analysis presented in this chapter analyses the impact of the 2008-2009 economic crisis on tourism and employment. Drawing on official tourism statistics, the main objectives of this analysis are:

- to provide an overview of the evolution of international tourism at a global and regional level from 1995 to 2007,
- to compare international tourism to other exporting sectors,
- to estimate the impact of the global economic crisis on the demand of international tourism (namely in terms of international tourist arrivals) and tourism related employment, and
- to summarise governments' policy responses in reaction to the global economic crisis.

The macroeconomic analysis presents a comparison based on available international tourism statistics and macroeconomic data. Data availability represents a major limitation to the scope and extent of the analysis.⁵⁸

Monthly series of international tourist arrivals data are used as a basis for the analysis of international tourism trends between January 2007 and December 2009. Available data on employment in hotels and restaurants (ISIC category H, the only proxy available to evaluate employment in the tourism sector) for the years 2008 and 2009 are used to show the impact of the crisis on employment levels across different regions and sectors.⁵⁹

Data on employment in the tourism sector during the period January 2008 to December 2009 was not yet available at the time of preparing the report for the vast majority of lower income countries as well as by region for Africa and the Middle East. By income level, data availability covers 6% of lower middle income countries and 34% of upper middle income countries. By region, data was available for 2% of countries in Africa, 24% of countries in the Americas and 31% of those in Asia and the Pacific. As for international tourism data (arrivals and receipts), information on international tourism receipts was missing for 27% of all countries while annual data on international tourist arrivals was not yet available for 28% of the countries and monthly data was missing for 39% of the countries.⁶⁰

International tourism receipts (i.e. tourism exports or are the travel item in the Balance of Payments) and used in this reports as the main indicator, in order to estimate the historical importance of tourism on a country level. The indicator used is the ratio of international tourism receipts to GDP expressed in percentage terms⁶¹, to ensure comparability across countries and, within a country, across sectors. To be able to analyse the average size of international tourism receipts over time and across countries, it does not suffice to calculate a regular arithmetic mean. By applying this conventional mean, calculations encompassing all countries would be considered with equal weight irrespective of their relative weight as measured in population or GDP. In fact, a non-weighted mean calculation would overestimate the strength of the tourism export sector, particularly in smaller economies and less populated countries with large national tourism sectors. For example, many small island economies tend to have a larger tourism sector in comparison to non-island countries. In order to cope with this problem, the analysis of the present study employs population weighted means to calculate average numbers for the whole sample or a certain group of observations.

⁵⁸ If not otherwise indicated, data are provided by UNWTO. Employment data are provided by ILO, while data on international tourism receipts were extracted from the IMF online version of the Balance of Payments and International Finance Statistics database

⁵⁹ Data are provided by SECTOR/ILO and have been available at the 1 digit ISIC Rev.3 level in the category H (Hotels and Restaurants).

⁶⁰ See Annex I, Table 49 of this report for more details of the percentage of missing figures.

⁶¹ Data are from the Balance of Payments. Please note that a ratio of international tourism receipts to GDP underestimate the overall importance of tourism in a country since a large share of spending by tourists within a given country is not covered by this source, notably domestic tourism and expenditure on airfares.

In order to make more focused observations, regional and income level dummy variables have been created. These were then used to aggregate within-group averages. The regional dummies are based on UNWTO's regional division (see Table 51 in Annex I to this part of the report for a list of countries).⁶² Income categories are based on IMF and World Bank Classifications. The latter distinguishes between four broad income groups: a) low income countries (US\$975 or less); b) lower middle income countries (US\$976-US\$3,855); c) upper middle income (US\$3,856-US\$11,905); and d) high income countries (US\$11,906 or more) (see Table 50, Annex I).⁶³ Alternatively, the IMF employs a historically grown binary distinction between two major groups of countries: advanced economies and other emerging market and developing countries.⁶⁴ Both income group categories are used throughout the report.

Caveats and limitations

International (i.e. inbound and outbound) tourism expenditures, as described in this document, have been approximated through Balance of Payments (BoP) data. Being a record of cross-border flows, the BoP is often used to approximate the expenditure by inbound or outbound visitors. This approach is used because such estimates have the advantage that they are largely available for most countries, internationally comparable, as well as comparable to other economic aggregates. They are a preliminary and very basic means for evaluating tourism's economic importance, and may also prove helpful in highlighting the need for launching more comprehensive projects, such as a Tourism Satellite Account.

As only international cross-border flows are considered, the BoP can only be an approximate figure for tourism expenditure (see Q3). Nonetheless, the evolution of this indicator can be a reasonable approximation of the evolution of international tourism.

The TSA produces a conceptually precise statistical means to measure both international and domestic expenditures. Already, 60 countries have a TSA exercise in place and many are generating its macroeconomic indicators on an annual and quarterly basis. Even so, the TSA is not able to provide long historical series as is possible with BoP approximations. However, the availability of country data related to the composition of the sector, tourism added value to the overall economy and to employment, though rapidly increasing, is still limited among the vast majority of emerging economies. Empirical analyses regarding the impact on poor and vulnerable groups of the population are even scarcer.

⁶² In addition to that, see for more details UNWTO regional classifications <http://unwto.org/facts/eng/methodological.htm>, retrieved on 10th May 2010.

⁶³ See for more details on the World Bank country income group classification World Bank (2010c). The classification is based on 2008 Gross National Income (GNI) per capita. The present report nevertheless uses Gross Domestic Product (GDP) figures for data analysis, as it indicates the income by nationals and non-nationals within the national borders of an economy. It is therefore – especially regarding tourism – to be preferred over GNI and does not cause issues vis-à-vis the World Bank classification as the latter is primarily employed as a categorical dummy variable.

⁶⁴ See for more details on the IMF income group classification IMF (2007).

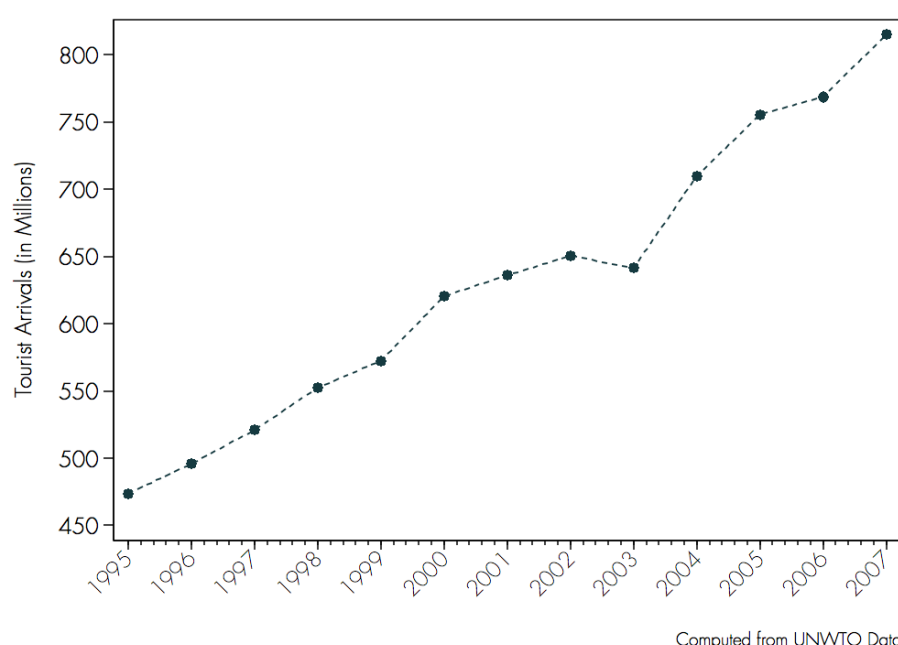
Table 49 (Annex I) provides an overview of the data used throughout the report: (a) international tourist arrivals, (b) ratios of international tourism receipts to GDP, and (c) tourism employment.

2. The Economic Significance of International Tourism (1995-2007)

2.1. The Evolution of International Tourism

During the 12-year period between 1995 and 2007 international tourist arrivals grew substantially. As illustrated in Figure 3 the scale of arrivals almost doubled during that period, from 474 million in 1995 to 807 million in 2007.

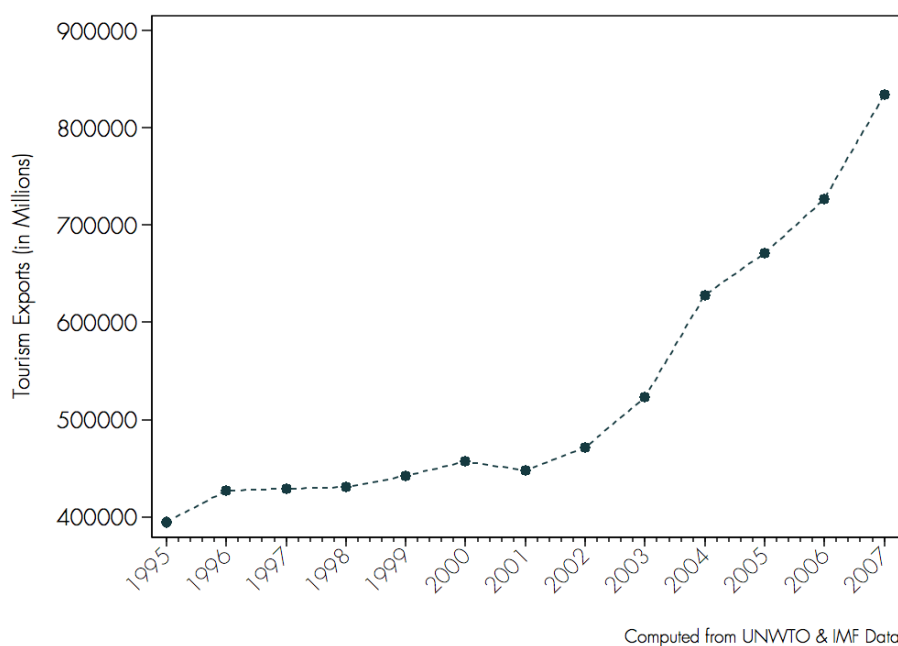
Figure 3 – International Tourist Arrivals, World, 1995-2007



Over this 12-year period, Europe received on average the higher share of international tourists arrivals (56%), followed by Asia and the Pacific and the Americas (18% each), and Africa and the Middle-East (4% each). A longitudinal analysis reveals that the share of international tourists arrivals is decreasing in Europe (from 58% in 1995 to 53% in 2007) and in the Americas (from 21% in 1995 to 16% in 2007) to the benefit of Asia and the Pacific (from 16% in 1995 to 20% in 2007), the Middle East (from 3% in 1995 to 5% in 2007) and Africa (from 4% in 1995 to 5% in 2007).

This trend is also reflected in the growth of income generated (international tourism receipts). Revenues from international tourism increased from US\$394 billion in 1995 to US\$857 billion in 2007. Growth in receipts was higher than that of arrivals highlighting the growth of international tourism receipts per arrival. While in 1995 a single international tourist spent on average US\$ 764 this amount raised to US\$ 954 in 2007.

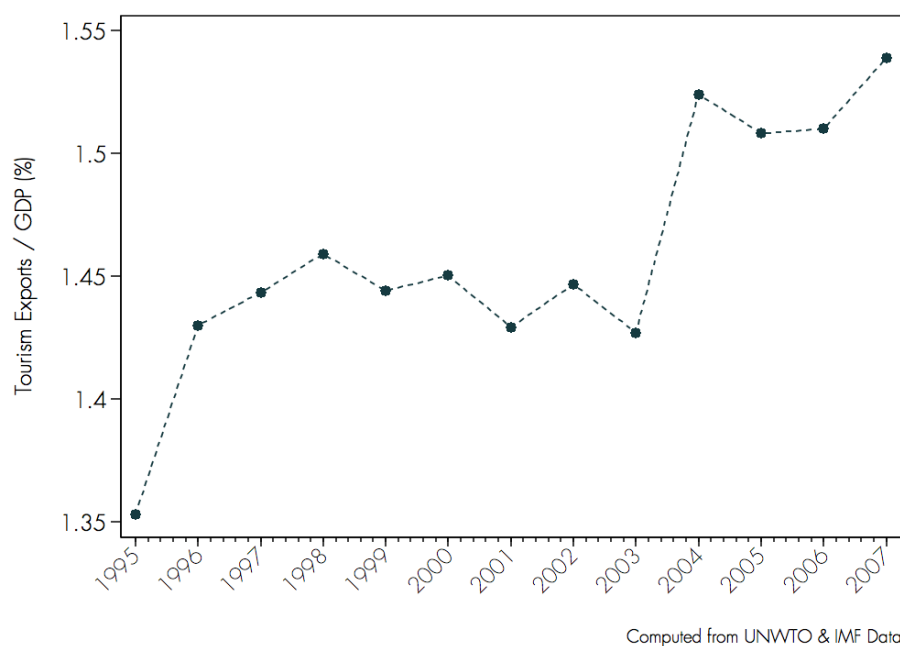
Figure 4 – International Tourism Receipts, World, 1995-2007



What this means vis-à-vis the overall world economy is displayed in Figure 5. The strong growth of tourist arrivals and tourism receipts (tourism exports) translates into a 0.2 percentage points increase of tourism exports as a share of world Gross Domestic Product (GDP) from 1995 to 2007 (growth rate of 14%). While annual growth rates seem to vary widely over this period, Figure 5 supports the general conclusion that international tourism gained in relative importance compared to other economic sectors on a global level since 1995.

The economic importance of the tourism sector differs strongly between regions, sub-regions and income groups. In order to get an insightful and detailed picture of the state of international tourism and its role in the various economies, the analysis that follows takes a closer look at regions and country group differences.

Figure 5 - Ratio of Tourism Exports to GDP, World, 1995-2007



2.2. Importance of International Tourism by Region

In the 12-year period from 1995 to 2007, the importance of international tourism was particularly significant in the Middle East (4.9%), in Europe (2.4%) and in Africa (2.0%).

Figure 6 – Average Ratio of Tourism Exports to GDP, All Regions, 1995-2007

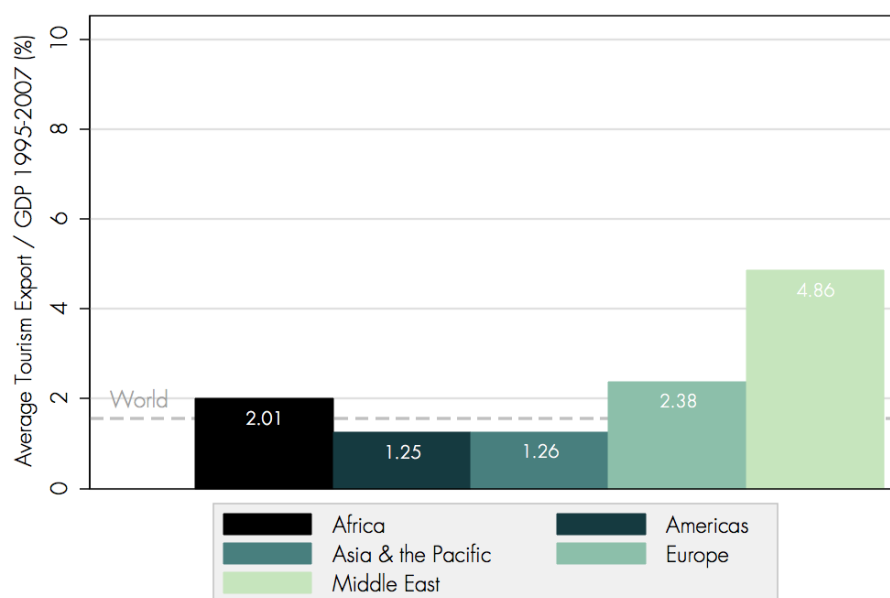
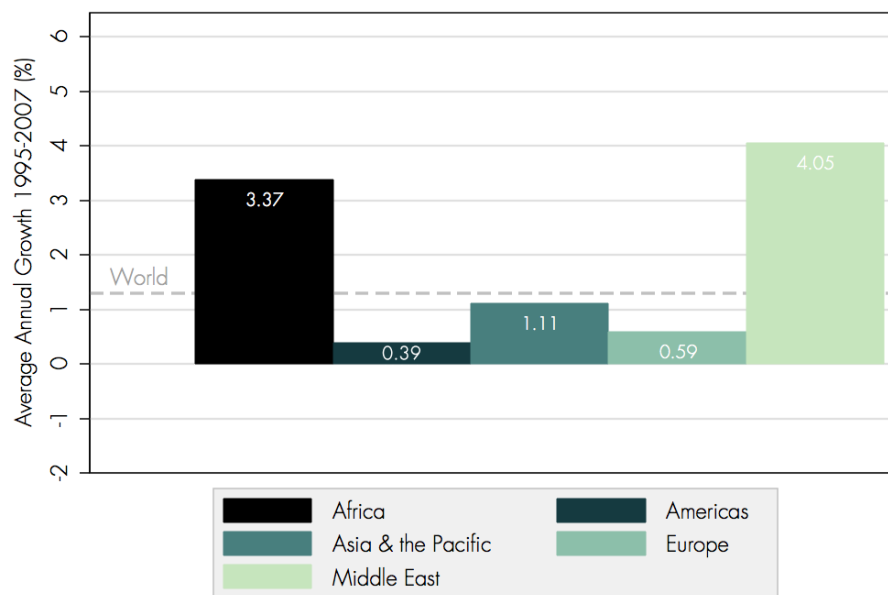


Figure 7 reveals the average annual growth rate of the ratio of international tourism receipts to GDP between 1995 and 2007. According to this data, international tourism growth was strongest in the Middle East, with over 4%, while it was also remarkably high among African countries, at over 3%. In contrast, international tourism increased only

slowly within more advanced economies as data for the Americas (+0.4%) and Europe (+0.6%) demonstrate.

Figure 7 – Average Growth of the Ratio of Tourism Exports to GDP, All Regions, 1995-2007

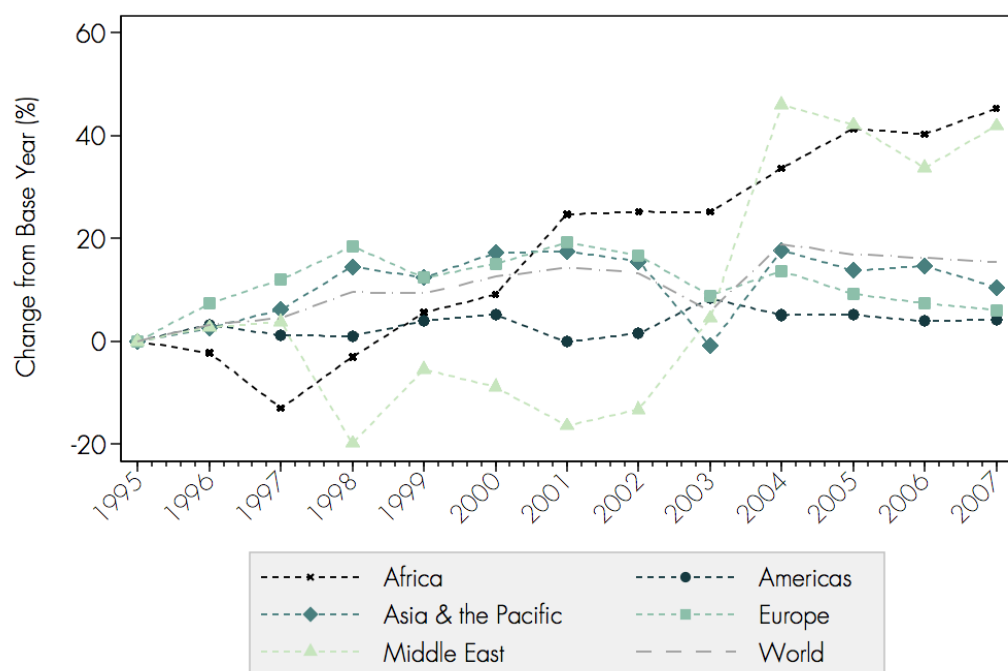


Computed from UNWTO & IMF Data

Figure 8 takes a closer look at the average annual growth rates of international tourism receipts within the five world regions, using 1995 as the base year. Although the importance of tourism stagnated in the economies of Europe, the Americas, Asia and the Pacific, the Middle East⁶⁵ as well as Africa have witnessed a remarkably strong and steady growth in their international tourism sectors in this period. In both regions, tourism increased in importance vis-à-vis GDP by over 40% between 1995 and 2007. However, in contrast with Africa, tourism in the Middle East has in reality only boomed since 2004.

⁶⁵ Please note that data for the Middle East is generally more volatile than for other world regions. Interpretations should therefore be considered with caution.

Figure 8 – Average Annual Growth of the Ratio of Tourism Exports to GDP, All Regions, 1995-2007 (1995 = base year)



Computed from UNWTO & IMF Data

Figure 9 presents a regional overview of the relative weight of different export sectors (based on data in Table 54 - Annex I). Tourism has been the fourth strongest contributor to average export earnings in Africa (2.5% of GDP) as well as in Asia and the Pacific (1.2% of GDP) and the fifth strongest in the Americas (1.3% of GDP) in 2007. In Europe, tourism has been fourth behind manufacturing, fuels and food, reaching a share of 2.3% of the GDP. Among Middle Eastern countries, tourism's relative importance as an export sector ranked second (6.3% of GDP) in 2007, only outperformed by fuel exports.⁶⁶

⁶⁶ Please see Annex I, Table 35, to this report for more detailed historical data.

Figure 9 – Ratio of Different Exports to GDP, by Region, 1995-2007

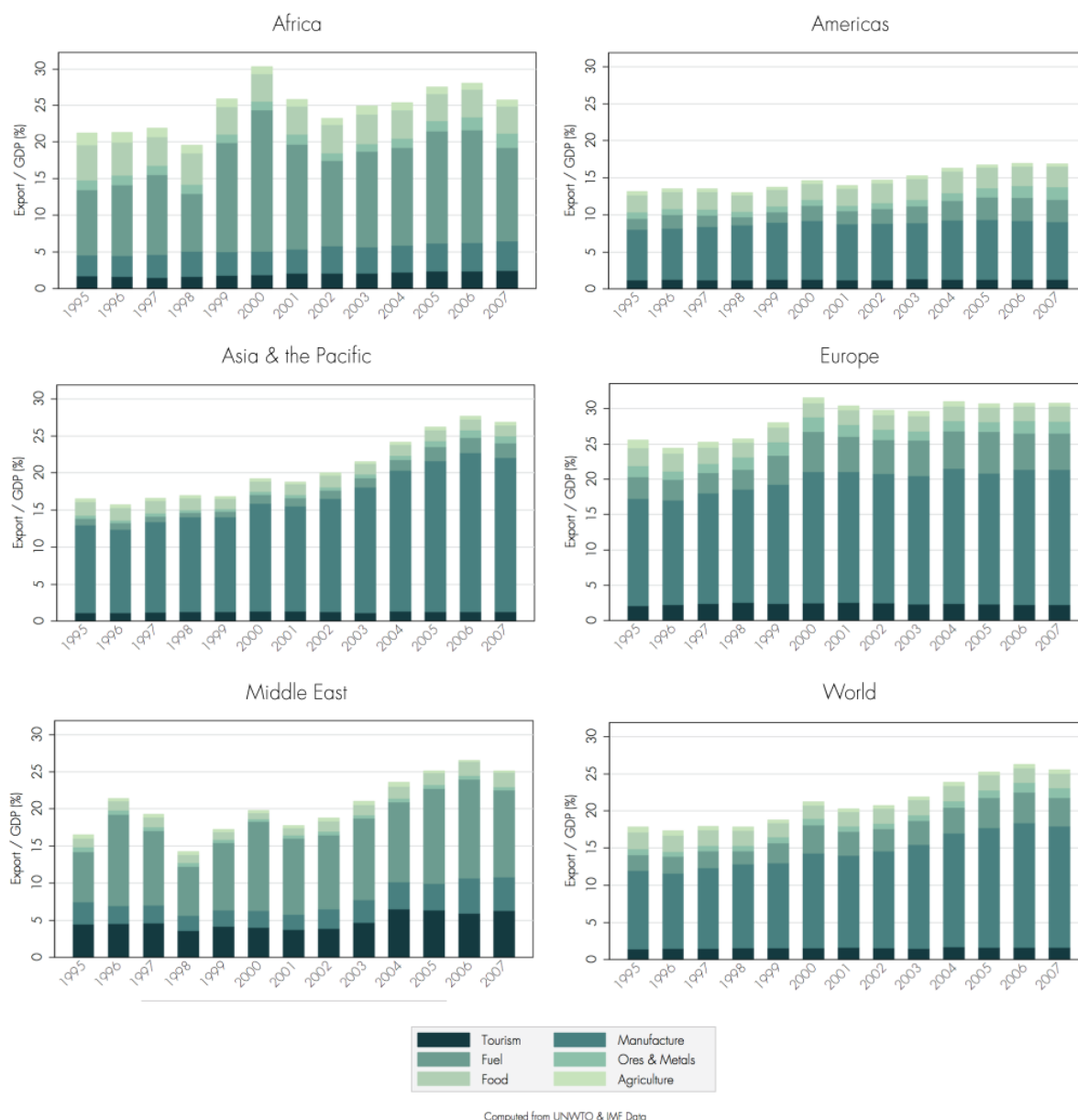


Figure 10 presents data on the relative growth of tourism exports for the two sub-regions within Africa. Data point to the conclusion that a major share of the 3% rise of international tourism within this regional group results from the stronger relative growth of international tourism receipts among North African countries (+6%), while Sub-Saharan countries (+3%) contributed to the growing importance of international tourism in this world region to a lesser degree.

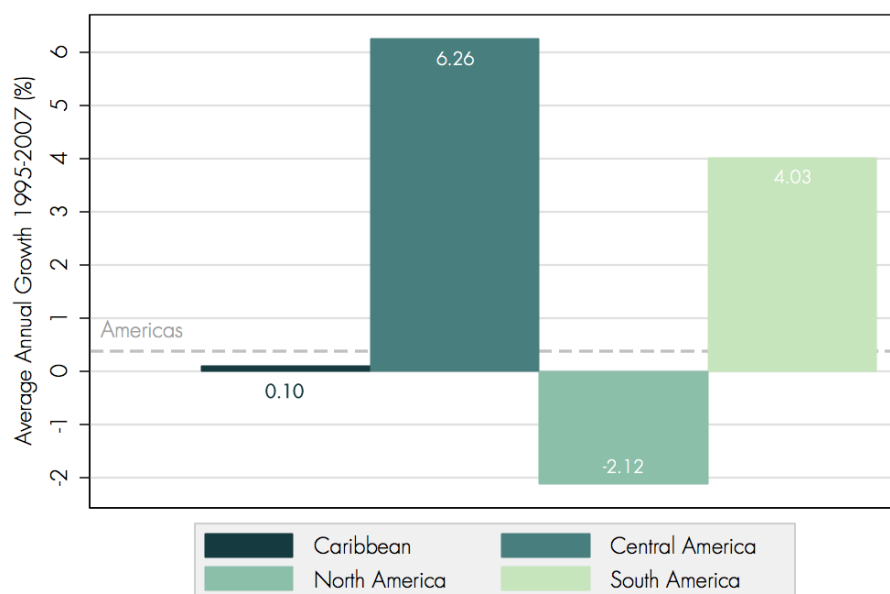
Figure 10 – Average Annual Growth of the Ratio of Tourism Receipts to GDP, Sub-Regions, Africa, 1995-2007



Computed from UNWTO & IMF Data

Looking at sub-regions in the Americas, as presented in Figure 11 international tourism's importance has been on the decline in North America since 1995, much as a result of the impact of September 11 on tourism. It is also important to note that Caribbean countries, which have one of the highest shares of tourism exports to GDP worldwide, have experienced almost no growth relative to GDP between 1995 and 2007, which probably reflects the already high percentage of tourism to other sectors in local economies as well as the decrease in the US outbound to these destinations following September 11. However, the growth of the sector has been exponential in Central and South America. In fact, the growing importance of international tourism in relation to the overall economy has been at the highest average rate among countries in Central America (+6%).

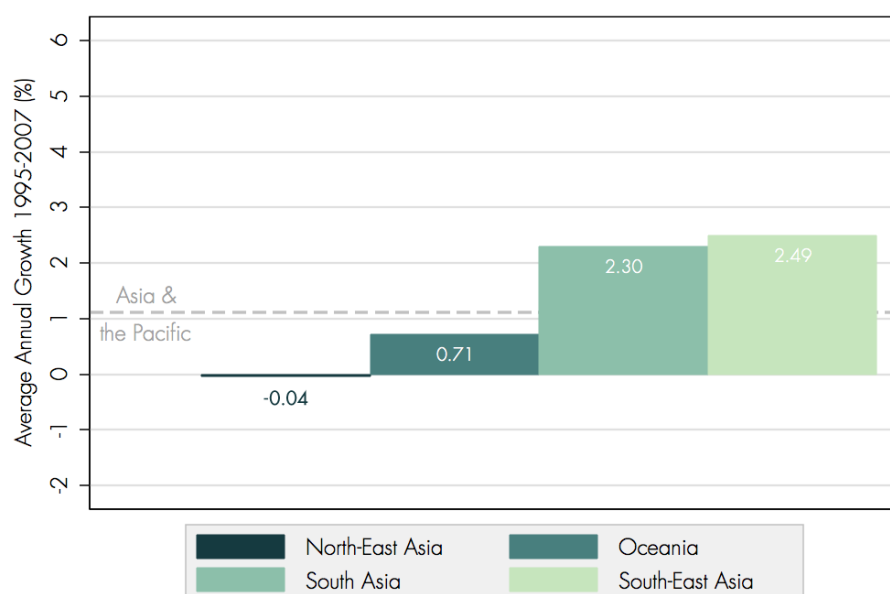
Figure 11 – Average Annual Growth of the Ratio of Tourism Receipts to GDP, Sub-Regions, Americas, 1995-2007



Computed from UNWTO & IMF Data

Within Asia and the Pacific, as displayed in Figure 12, sub-regional average trends have been remarkably diverse. While the weight of international tourism receipts to GDP actually stagnated in North-East Asia during this period, given most probably the strong growth of manufacturing exports, it grew by almost 1% in Oceania, and by around 2% in South and South-East Asia.

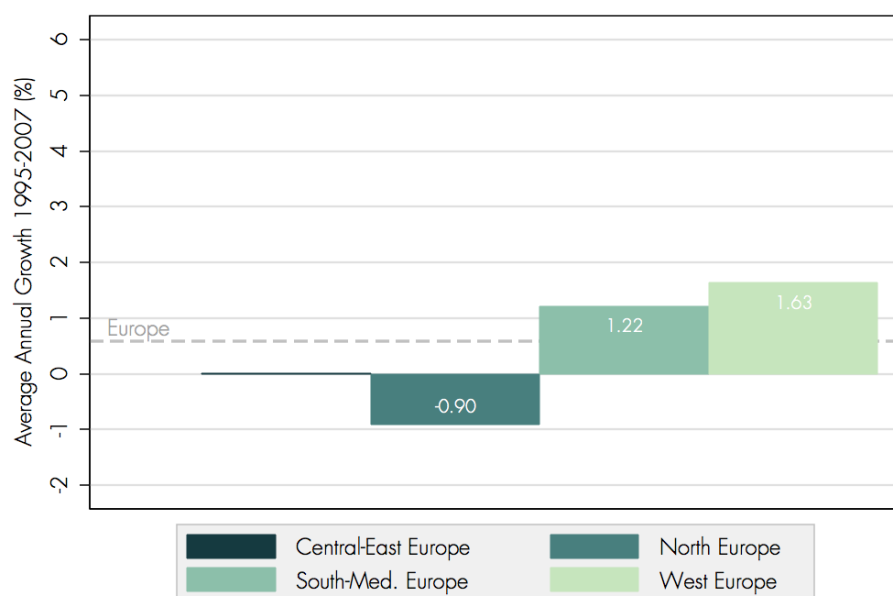
Figure 12 – Average Annual Growth of the Ratio of Tourism Receipts to GDP, Sub-Regions, Asia and the Pacific, 1995-2007



Computed from UNWTO & IMF Data

In regard to Europe (see Figure 13), data show that the average relative significance of international tourism has also followed quite distinct trends by sub-region. Whereas the importance of the tourism sector has increased in Western and Southern-Mediterranean Europe (+1%) it stagnated or declined slightly in Central-East and Northern Europe.

Figure 13 – Average Annual Growth of the Ratio of Tourism Exports to GDP, Sub-Regions, Europe, 1995-2007



Computed from UNWTO & IMF Data

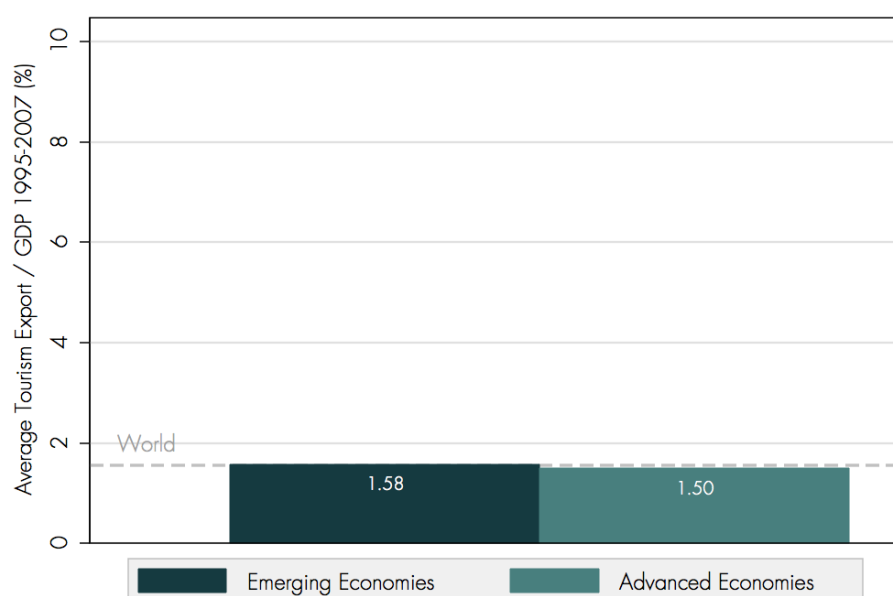
Ratio of International Tourism Receipts to GDP by Region

1. The average importance of tourism exports to GDP has been highest among Middle East countries since 1995. Additionally, only in Europe and Africa was the international tourism receipts' importance relative to GDP above world average.
2. While the growth of tourism receipts since 1995 in relation to GDP was rather slow in Europe, in the Americas and in Asia and the Pacific, it was remarkably strong in the Middle East as well as among African economies.
3. While at a sub-regional level the importance of international tourism receipts to GDP declined in North America, Northern Europe and North-East Asia, the weight of the sector boomed in Central America and in the Middle East as well as in North and Sub-Saharan Africa.

2.3. Importance of International Tourism by Income Groups

A comparison of the average ratio of international tourism receipts (tourism exports)⁶⁷ in relation to GDP between the two groups of (a) advanced economies and (b) other emerging markets and developing countries demonstrates that international tourism has played an evenly important role for both groups of countries. The weighted average ratio of tourism receipts relative to GDP varied only at a marginal level (+0.08 percentage points) during the period between 1995 and 2007, when comparing these major groups of countries.

Figure 14 – Average Ratio of Tourism Receipts to GDP, Advanced Economies versus Emerging Markets and Developing Countries, 1995-2007



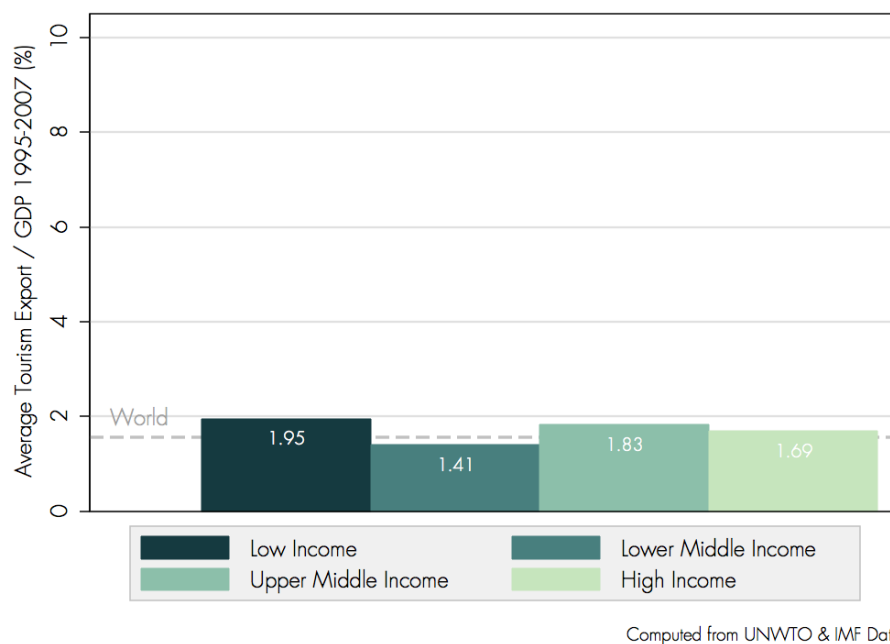
Computed from UNWTO & IMF Data

An analysis according to the four different clusters of countries grouped by income levels as per the classification of the World Bank – low income, lower middle income, upper middle income and high income countries – provides a more precise picture of the importance of tourism exports across different sets of countries. Figure 15 indicates that international tourism's importance in relation to GDP has been growing among low income countries since 1995 (almost 2%). Even though it was lowest among lower middle income countries, the average importance of international tourism slightly decreased the more advanced a country's economy became.⁶⁸

⁶⁷ In the following the terms *tourism exports* or *international tourism receipts* are used interchangeably. Both refer to data on international tourism covered by the Balance of Payments.

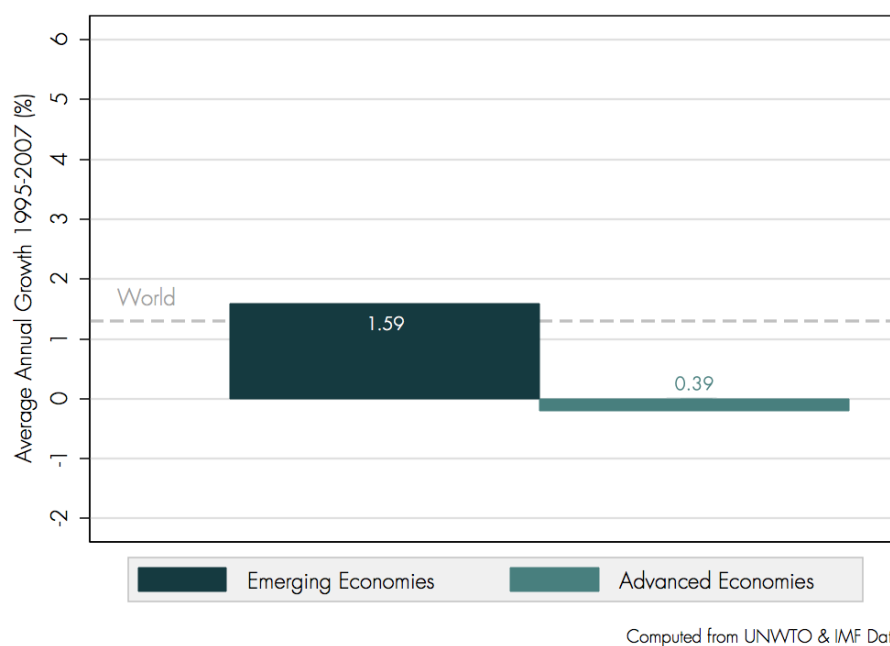
⁶⁸ There is a negative but statistically insignificant correlation between the average ratio of tourism exports to GDP and the average GDP per capita.

Figure 15 – Average Ratio of Tourism Receipts to GDP, Income Groups, 1995-2007



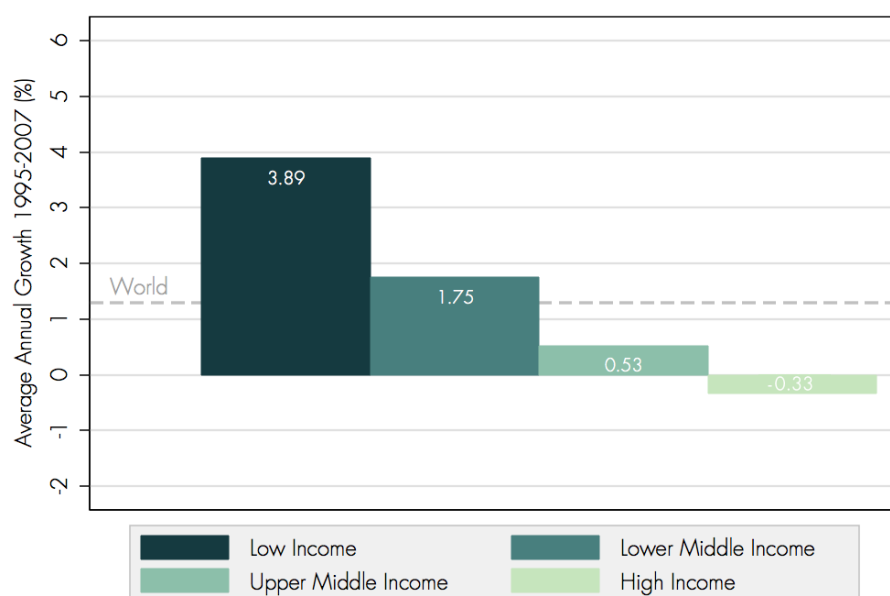
Looking at average growth rates during this period reveals a different picture - whilst the importance of tourism receipts relative to GDP grew between 1995 and 2007 among emerging economies by an average annual rate of 1.6%, it actually decreased by 0.4% among more advanced countries (see Figure 16).

Figure 16 – Average Annual Growth of the Ratio of Tourism Receipts to GDP, Advanced Economies versus Emerging Markets and Developing Countries, 1995-2007



This interpretation is also supported by an analysis of average annual growth rates by income group (see Figure 17). While the average growth of international tourism receipts was above the world average among low income and lower middle income countries, this growth was below the world average in upper middle income countries, and stagnated among high income countries. It is most remarkable to note that the relative average growth of international tourism receipts in relation to GDP was more than three times higher among low income countries, when compared to the world average. This finding supports the growing importance of international tourism as a major source of external earnings, primarily among developing countries.

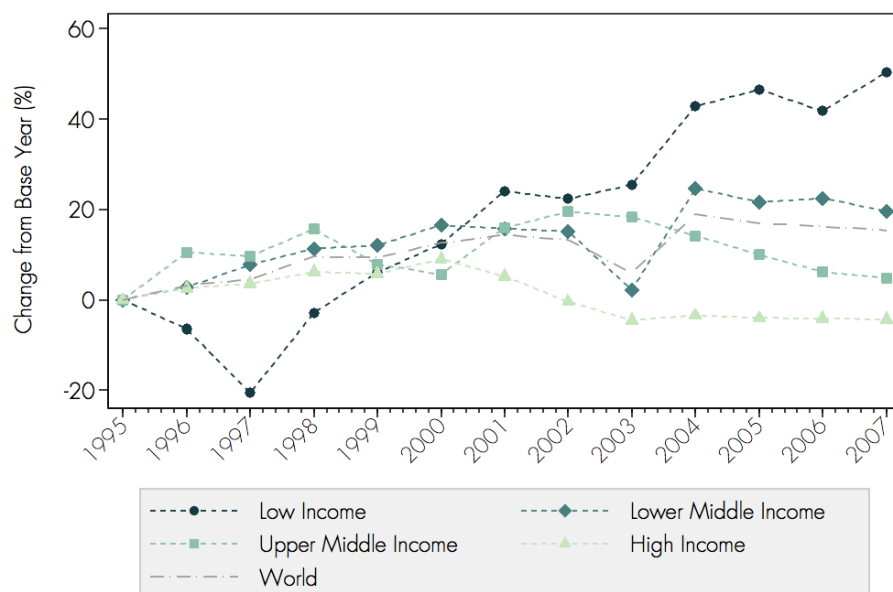
Figure 17 – Average Annual Growth of the Ratio of Tourism Receipts to GDP, Income Groups, 1995-2007



Computed from UNWTO & IMF Data

While looking at annual growth rates of international tourism receipts, as summarised in Figure 18, one can easily distinguish the temporally confined negative impacts of single events, such as the Asian financial crisis in 1997-1998, the terrorist attacks of September 11 and the SARS pandemic in 2003. While the latter crisis has mostly impacted on lower middle income countries, the Asian financial crisis in 1997-1998 has in contrast led to a significant downturn of international tourism receipts among low income countries. As Figure 18 highlights, there was a growing divergence of growth rates of tourism exports relative to GDP since 1995. While growth of international tourism receipts stagnated, and even deteriorated to a negative level since 2002 among high income countries, international tourism receipts relative to GDP expanded steadily among low income countries during the same period.

Figure 18 – Growth of the Ratio of Tourism Receipts to GDP by Income Groups, 1995-2006 (1995 = base year)



Computed from UNWTO & IMF Data

Finally, comparing the share of tourism exports to external earnings generated by other export sectors such as manufacturing, foods, agriculture, ores and metals and fuels (Figure 19), data show that tourism has become an increasingly important source of external income; again primarily among low income countries. On average, international tourism receipts rank – behind manufacturing, food and fuel – as the fourth most important source of export revenues within this group in 2007.⁶⁹

⁶⁹ Please see Annex I, Table 34 to this report for more detailed data.

Figure 19 – Share of Different Exports to GDP by Income Groups, 1995-2007



The Importance of International Tourism Receipts by Income Groups

1. On average, the importance of international tourism receipts has been relatively evenly distributed across all countries since 1995. However, there is a slight tendency for an increasing significance of tourism exports, the less advanced the economy of a country is.
2. In contrast, growth rates of international tourism receipts relative to GDP have varied greatly depending on a country's general income level. While international tourism rose in importance among lower income countries, its weight stagnated among more advanced economies
3. In particular, among low income countries, tourism exports have played an increasingly significant role as a source of external income in comparison to other exporting sectors.

2.4. International Tourism and Economic Growth

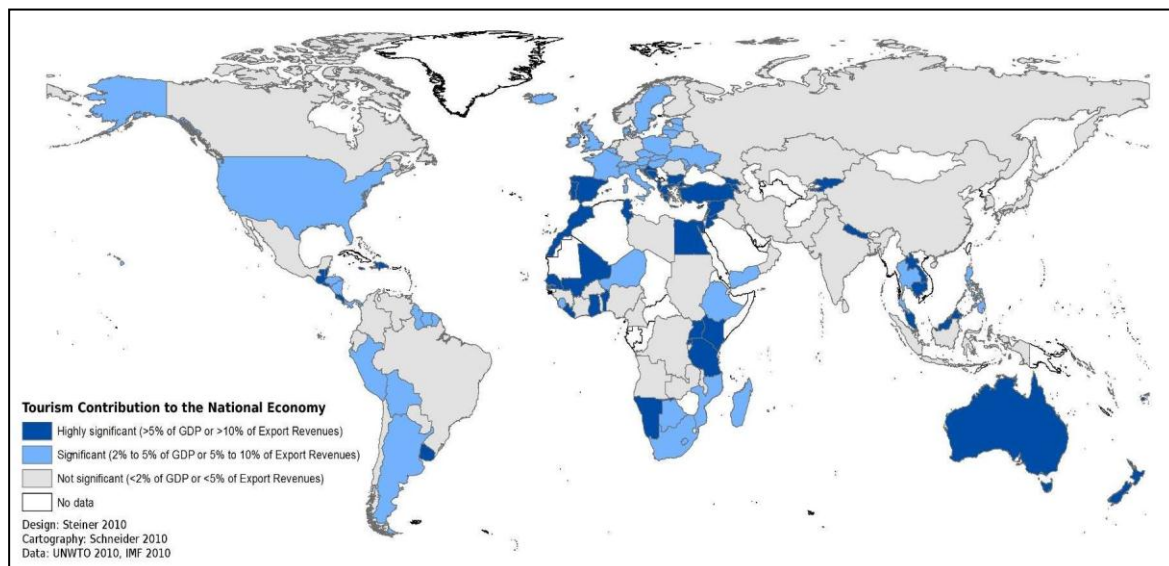
Historical trends demonstrate an increasing economic importance of international tourism, in particular among emerging countries. According to UNWTO, the contribution of tourism to the economic activity worldwide is estimated at some 5% of GDP, its direct and indirect contribution to employment tending to be slightly higher at a range of 6-7% of the overall number of jobs worldwide. Moreover, tourism exports account for 6% of overall exports of goods and services, and 30% of the exports of services.⁷⁰

In 2007, prior to the crisis, international tourism receipts had a highly significant economic weight for many countries, featuring a ratio of more than 5% of GDP or more than 10% of export earnings among 56 countries.

By income groups, international tourism may be considered a significant economic sector in 21 (49%) and a highly significant economic sector in 15 (35%) of the 43 low income countries of the world. Furthermore, tourism played a significant role in 26 (51%) and a highly significant role in 17 (33%) of the 51 lower middle income countries.

In summary, tourism is a major economic sector in about half of the low income and lower middle income countries, particularly in Central and South America, Asia and the Pacific, but also in the Middle East and North Africa (for more details see Map 1).

Map 1 – Significance of International Tourism for National Economies, International Tourism Receipts as a percentage of GDP and overall exports, 2007



⁷⁰ UNWTO (2010e).

Regression analysis⁷¹ shows that the ratio of tourism exports to GDP has the second strongest positive effect on growth of GDP per capita, closely following the ratio of fuel exports but surpassing the ratio of exports in manufacturing (see Table 55, Annex I for all of the coefficients). These results strongly suggest that in the period between 1995 and 2007, *ceteris paribus*, a 1% average increase in the share of tourism exports to GDP has caused an almost 0.38% increase in the growth of GDP per capita on a global level. These results must however be taken with caution, as the model is fairly narrow, considering the large number of factors that can potentially explain economic growth.

The sub-regional data (Table 56, Annex I) confirms that tourism – compared to other export sectors such as food, agriculture, fuels, ores and metals and manufacturing – has been an important driver of economic growth particularly among low and lower middle income countries as well as by regions in the Americas and the Middle East.

The contribution of tourism to the growth of GDP per capita has been particularly strong in low income countries and by region among countries in the Americas. While in low income countries, *ceteris paribus*, a 1% average increase in the share of tourism exports relative to GDP has caused a 1.6% increase of per capita GDP, in the Americas the same impetus has led to a 1.7% growth of GDP per capita since 1995. Compared to other export sectors, tourism additionally makes the strongest historical contribution to the growth of GDP per capita in low income as well as lower middle income and by region in countries in the Americas and the Middle East.

Neither in Africa, Asia and the Pacific and Europe nor among upper middle income and high income countries can a similar statistically significant effect of tourism exports on the growth of GDP per capita be observed.

International Tourism Receipts and Economic Growth
Compared to other export sectors, international tourism – in league with manufacturing and fuels – has been a strong driver of economic growth per capita, with a particularly strong statistical effect on low and lower middle income countries as well as by region among countries in the Americas and the Middle East.

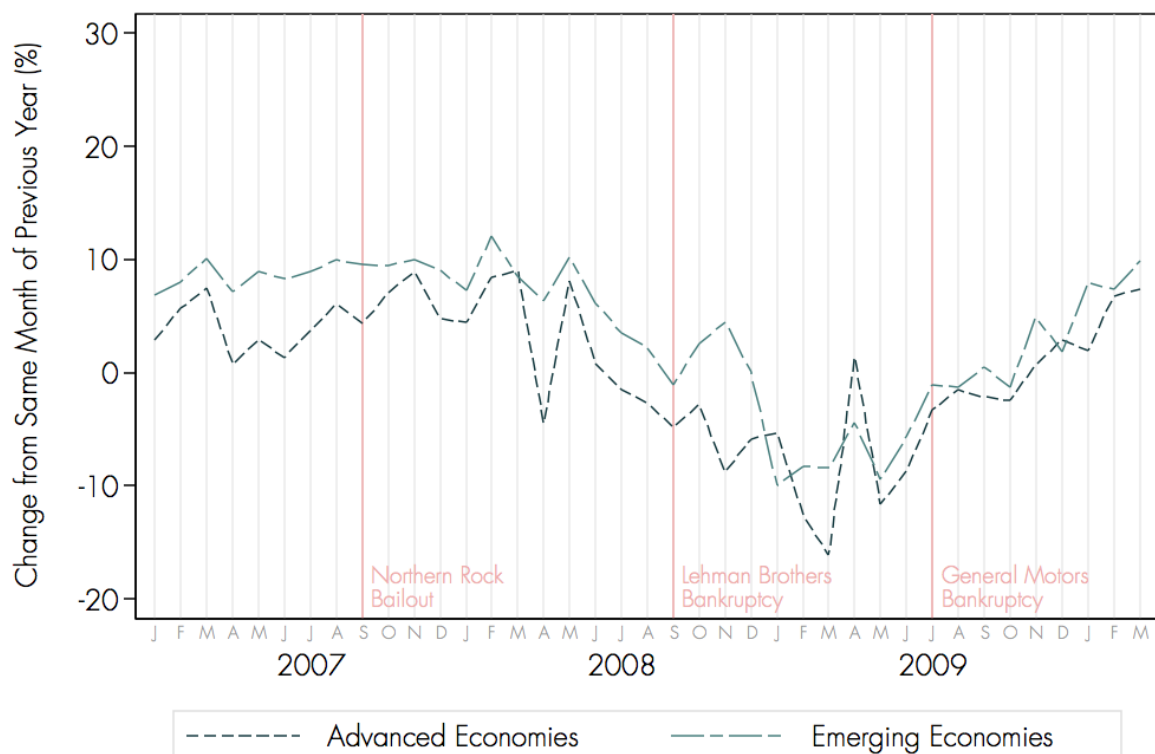
⁷¹ A fixed-effect (FE) regression model is employed, which attempts to monitor heterogeneity. The focus of the analysis is to understand overall growth differentials attributable to the dynamics of each exporting sector instead of explaining growth differentials across countries *toutcourt*. An FE model is more suited to this type of analysis (Wilson et. al. (2007)).

3. Impact of the Global Economic Crisis on International Tourism

3.1. The Impact on Tourism Demand (2007-2009)

Although the negative effect of the decrease in demand for tourism exports caused by the global economic crisis may be discerned in international tourist arrival data across all income and regional groups, its intensity and duration varies greatly between different regions as well as sub-regions. Northern and Western Europe, Northern and Central America as well as Southern Asia have been particularly hit by a sharp decline in tourist flows. On the other hand, the Middle East and some countries in the Caribbean have been considerably less affected and have managed to recover much quicker. Africa has not been affected by the crisis in terms of international tourist arrivals. In regard to income groups, low income countries have been significantly less affected and have recovered considerably faster than the rest of the world and those of high income countries in particular. An analysis of international tourist arrivals monthly data between advanced economies and emerging economies (see Figure 20) reveals only slightly different trends between these two groups of countries.

Figure 20 – International Tourist Arrivals: Advanced versus Other Emerging and Developing Countries, January 2007-March 2010



Computed from UNWTO & IMF Data

However, Figure 21 illustrates the fact that high income countries were hit hardest by the decline of international tourist arrivals during the global economic crisis. Moreover, recovery among high income countries occurred more slowly, when compared to the rest of the world. By contrast, in comparison to the three other groups, low income countries felt the immediate decline of international tourist arrivals during the summer of 2008 to be considerably stronger. However, recovery already started in late 2008, only interrupted by a short decline between March and May 2009. By the end of 2009, low income and lower middle income countries were performing significantly better than upper middle and high income countries with respect to international arrivals of the previous year.

Figure 21 – International Tourist Arrivals by Income Groups, January 2007-March 2010

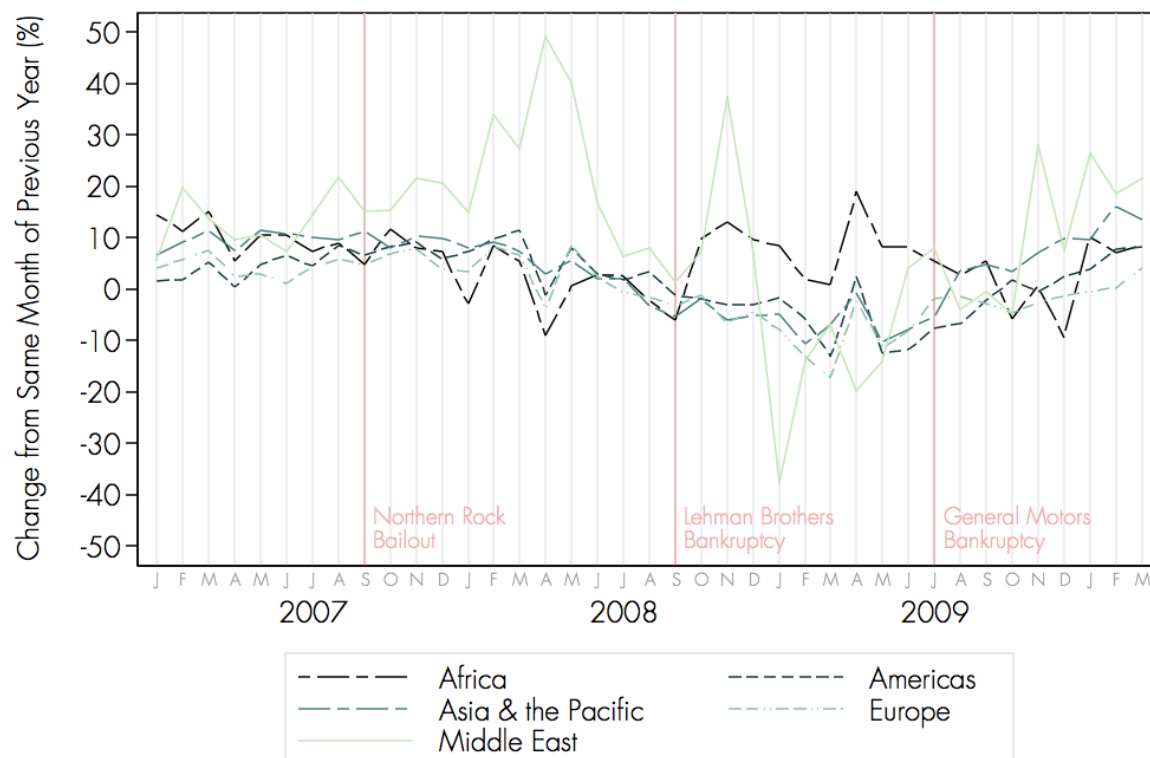


Computed from UNWTO & IMF Data

Looking at the regional level in Figure 22, countries in the Middle East – whose series is important to note are affected by a high volatility – were affected by the decline of international tourist arrivals comparatively late, even though the relative decline of arrivals was the strongest within this region during early 2009. However, recovery in the Middle East has also been among the most solid on a global level. In contrast, monthly growth rates of international tourist arrivals in African countries turned negative at a very early point in 2008, probably influenced by the increasing cost of air travel in the early part of 2008 as a consequence of the rise in oil prices. Annual change in Africa remained below zero for only a few months, and began to recover as early as late 2008. Decline as well as recovery of international tourist arrivals among European countries

was on average the most accentuated among world regions. Even though decline rates in the Americas and Asia and the Pacific were quite similar to those in Europe, recovery in these two regions of the world occurred at a slightly quicker pace, when compared to international arrivals to European countries.

Figure 22 –International Tourist Arrivals by Region, January 2007-March 2010



Computed from UNWTO & IMF Data

Examining the sub-regional level, Figure 23 indicates that the timing and the scope of the monthly growth of international tourist arrivals were not completely similar between the two African sub-regions of North Africa and Sub-Saharan Africa. Countries within Sub-Saharan Africa appear to have been affected at a relatively early point in time during 2008, as early as half a year prior to the Lehman Brothers' bankruptcy. This region then experienced continuous recovery, only interrupted by a second period of decline during October and December 2009, whereas North African countries, more dependent on arrivals from European source markets, suffered most during the end of the summer in 2008 and 2009.

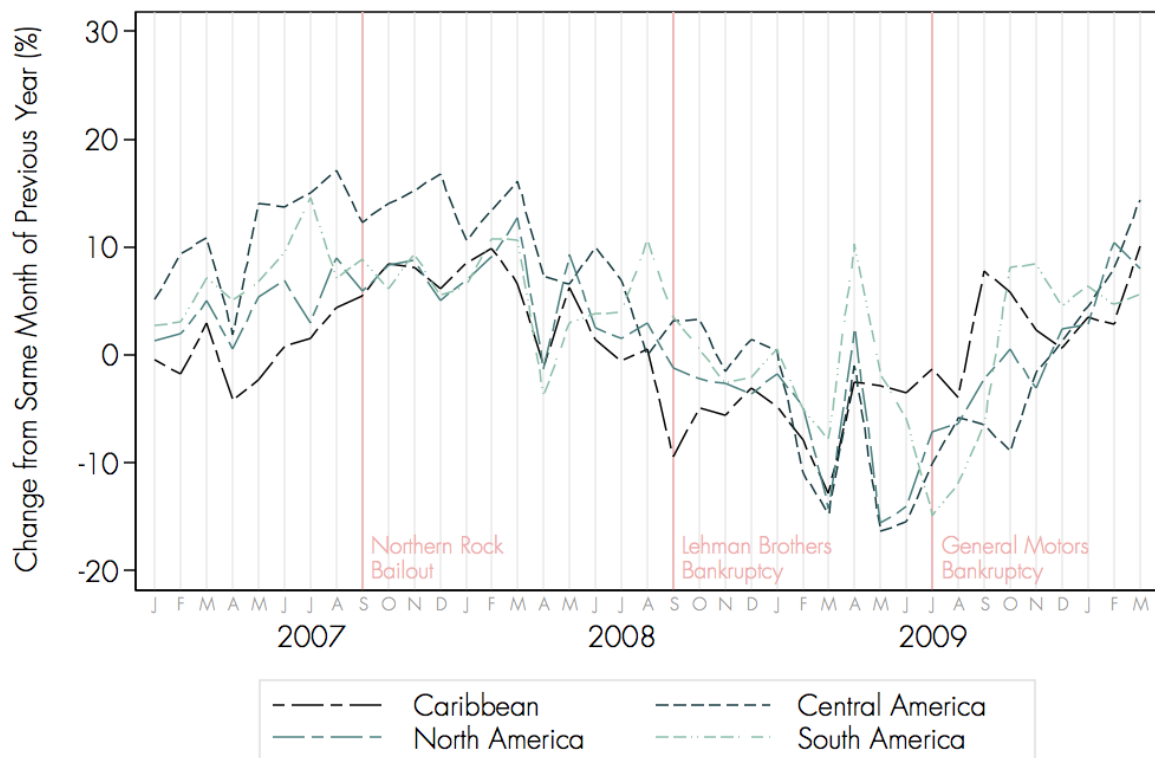
Figure 23 – International Tourist Arrivals in Africa, January 2007-March 2010



Computed from UNWTO & IMF Data

Figure 24 points to comparatively similar developments of monthly international tourist arrivals in all four sub-regions of the Americas. Two distinct observations arise: firstly, Caribbean countries experienced a pre-crisis decline of international tourist arrivals during the summer of 2007. In 2008, international tourist arrivals largely corresponded with developments of the other sub-regions, whereas in 2009 Caribbean countries performed comparatively better than North and Central American countries. Secondly, since early 2009, hardly any other sub-region has suffered more in terms of decreasing international tourist arrivals as the North American and Central American countries due to the fact that the USA is such a significant source market in these two sub-regions.

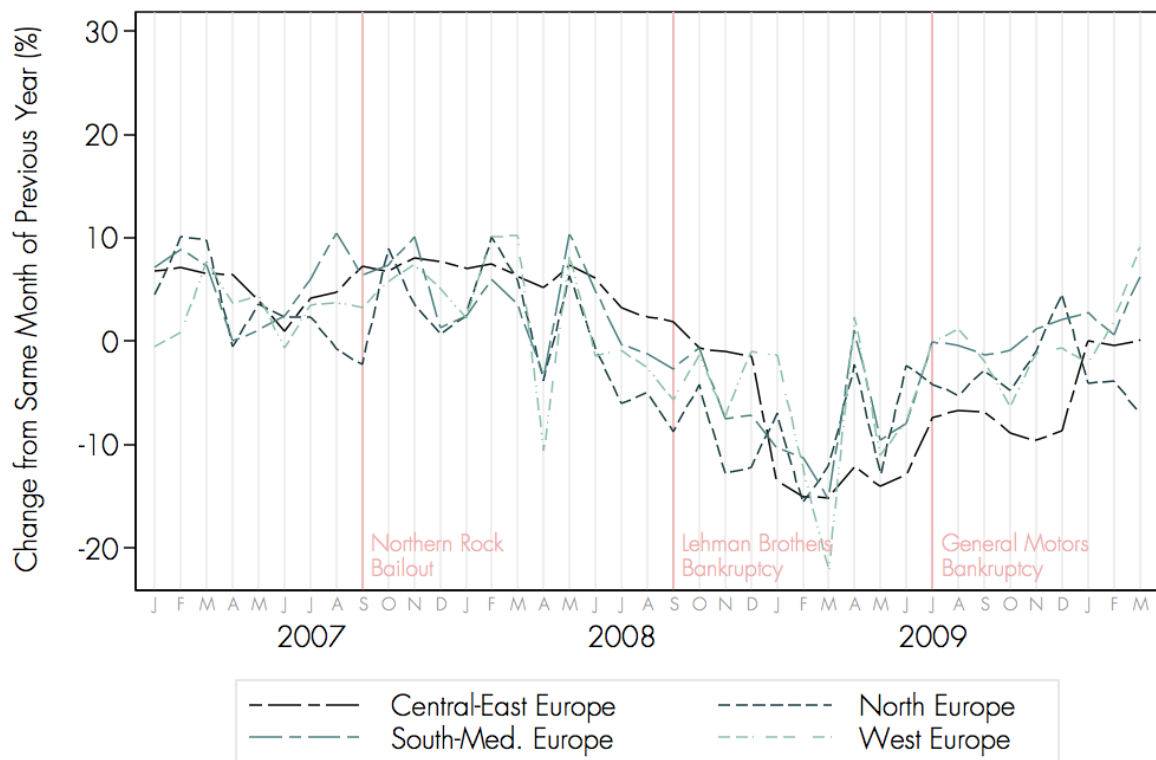
Figure 24 –International Tourist Arrivals, the Americas, January 2007-March 2010



Computed from UNWTO & IMF Data

In regard to European sub-regions (Figure 25), Northern Europe, where destinations such as the UK or Ireland have a strong link with the US outbound market, appear to have been slightly more affected by the decline of International tourist arrivals. On the other hand, Southern Mediterranean countries were somewhat less affected by the decline of international tourist arrivals. Overall, however, all four European sub-regions experienced a largely homogenous reaction to the global economic crisis.

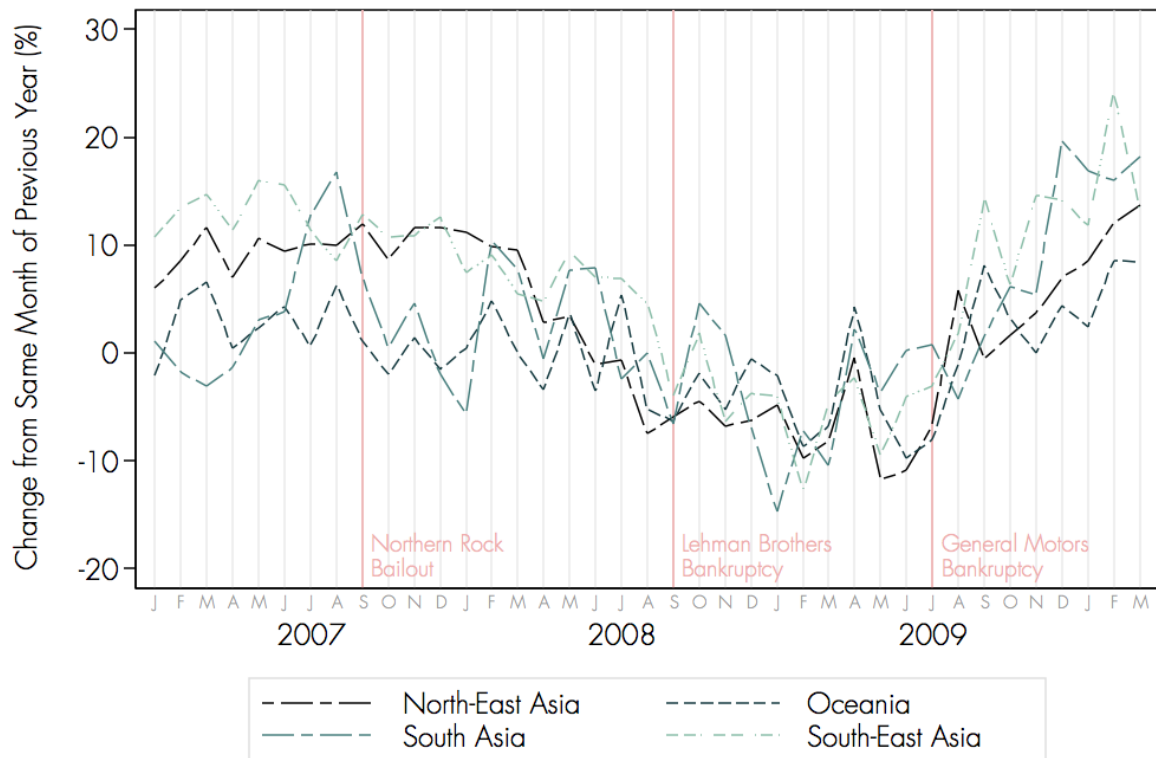
Figure 25 –International Tourist Arrivals, Europe, January 2007-March 2010



Computed from UNWTO & IMF Data

Figure 26 describes the trend in international tourist arrivals for the Asia and Pacific sub-regions. This region shows a rather homogeneous trend of bust and boom during the global economic crisis: each of the four sub-regions appearing to elude the downturn in international tourist arrivals in quite a similar way.

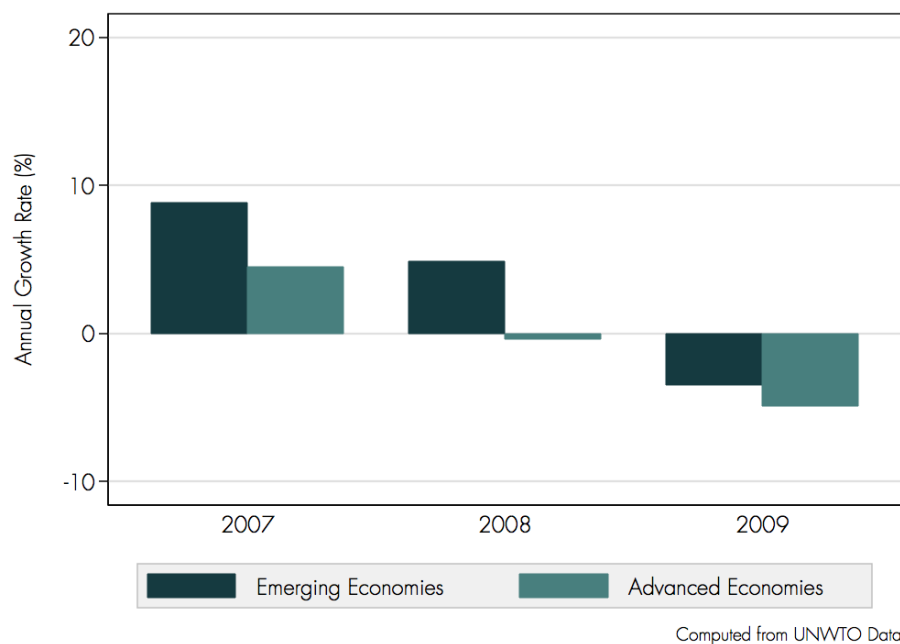
Figure 26 –International Tourist Arrivals, Asia and the Pacific, January 2007-March 2010



Computed from UNWTO & IMF Data

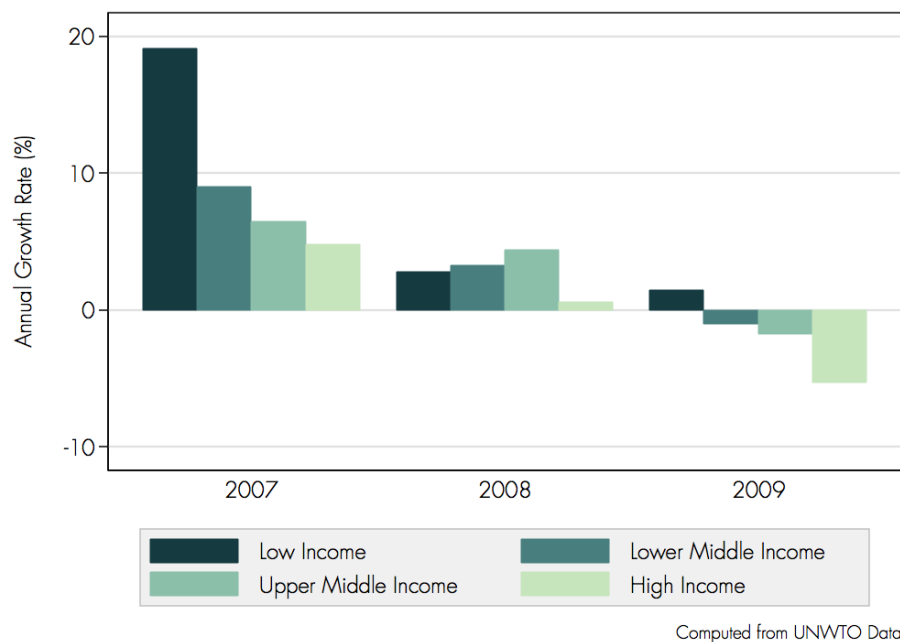
Using simple OLS-regression analysis in order to test the influence of different source markets on cross-country differences of international tourist arrivals during the crisis years 2008 and 2009, annual changes of international tourist arrivals have been determined by different income groups and regions. Looking at the comparison between advanced versus emerging economies, as presented in Figure 27, data point to the conclusion that international tourist arrivals to advanced economies were considerably more affected by the global economic crisis.

Figure 27 –International Tourist Arrivals, Advanced versus Emerging Economies, 2007-2009



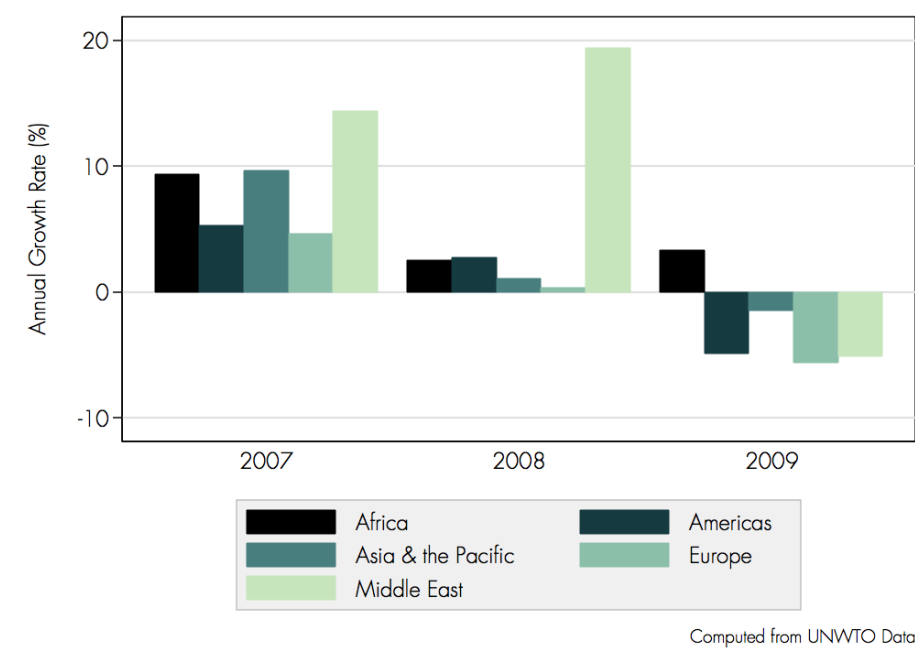
As Figure 28 demonstrates, in 2008 the growth of international tourist arrivals slowed down in all of the four income groups, when compared to growth rates of the previous year. However, there was no decline in any of the groups. In 2009, however, growth rates did turn negative in all income groups with the exception of low income countries.

Figure 28 –International Tourist Arrivals by Income Groups, 2007-2009



As presented in Figure 29, the data provided by regions support the previous assumption that African countries were least affected by a decline in international tourist arrivals as a result of the global economic crisis. Neither in 2008 nor in 2009 did the annual average growth of international tourist arrivals turn negative among countries in this region. In 2009, growth rates decreased in all regions except in Africa. Nonetheless, it is important to note that growth rates turned negative in Asian countries to a significantly lesser degree, when compared to the Americas, Europe and the Middle East.

Figure 29 –International Tourist Arrivals by Region, 2007-2009



The analysis presented in Table 57 (Annex I) – observing source markets’ effect on growth rates for 2008 based on year 2007 – and in Table 58 (Annex I) – comparing growth rates for 2009 based on year 2007 – provide sufficient evidence on the influence of the difference in the geographical composition of international tourist arrivals and the decline of general arrival rates during the economic crisis. A larger dependency on source markets in the Americas and in Europe – the regions where the crisis originated from and had the highest impact – has led to a stronger decline in international tourist arrivals. In fact, when regrouping tourist arrival shares from Northern Europe, Western Europe and North America into a new variable, the effect is significantly stronger. In contrast, a larger dependency on African, Middle Eastern and Asian source markets has made the decline of international tourism less pronounced. Although differences in the origin of international tourism (major source markets) may only partially explain disparities in the decline of international tourist arrivals in reaction to the global economic crisis, the results suggest that countries with a higher dependency on Western source markets – particularly those within Europe – suffered more during the global economic crisis. This may largely be explained by the origin of the global economic crisis in the Western hemisphere, which is the major source market for international

tourism on a global level. The effect must therefore not be seen from a purely geographic but rather economic dimension. During the economic crisis, countries that attract tourists from the wealthier parts of the world suddenly found themselves in a more difficult situation.

These results lead to the more general question, whether only the high dependence on Western – i.e. wealthy – source markets or the dependence on a single source market in general had a negative effect on international tourist arrivals during the global economic crisis. A second regression analysis utilises a measure of source market domination prior to the outbreak of the global economic crisis as the main independent variable (domination in Table 59, Annex I). The value of source market domination is the largest share (in percentage) of tourist arrivals from one of the five world regions in 2007. Furthermore, some variables are introduced into the model in order to monitor other effects such as regional dummies and a measure of sole Western source market domination.

The results (Table 59, Annex I) suggest a significant negative effect of source market domination on growth rates, when comparing international tourist arrivals in 2008 and 2007. When control variables, such as regional dummies and Western domination are introduced, this effect remains significant. The results from this step-by-step strategy suggest that dependence on any single source market had a negative effect on international tourist arrivals during the global economic crisis; not only dependence on Western source markets. In other words, the more diversified the international tourism sector of a country was, the less the country was affected by the reduction of international tourism due to the global economic crisis. Nonetheless, the effect of Western source market domination – a variable indicating whether tourist arrivals are dominated by Northern European, Western European or North American tourists – turns out to be almost 5-times stronger than that of general domination. This indicates that although dependence on a single regional source market itself had a negative effect on international tourist arrivals, the dependence on Western source markets was particularly detrimental to international tourism arrivals during the global economic crisis.

It has to be kept in mind that the indicators of regional source market domination can merely serve as distant proxies for the level of diversification. In order to test whether source market diversification strategies may in fact increase a tourism sector's resilience to exogenous shocks in the future, a real indicator of source market diversification is necessary. An adaption of statistical dispersion measures such as the popular GINI coefficient may be potentially employed to fill that gap. Unfortunately, with the current available data such calculations are not possible, since source market figures are often incomplete. Efforts should thus be made to increase the completeness and detail of source market data during the implementation of credible systems of tourism statistics (STS).

Impact of the Global Economic Crisis on International Tourist Arrivals

1. International tourist arrivals within advanced economies were significantly more affected in comparison to international tourist arrivals within emerging countries.
2. Growth of international tourist arrivals turned negative during 2009 across the globe, with the exception of low income countries.
3. On a regional level, international tourist arrivals were the most resilient among Middle Eastern countries during 2008. While all regions experienced a negative trend of international tourism in 2009, only in Africa did growth rates remain on a positive level.
4. Countries with strong links to European and North American source markets were the most negatively affected.
5. Countries with a more diversified international tourism sector were generally less affected by the decrease in international tourist arrivals during the global economic crisis.
6. Improving availability and detail of source market data will help to assess the benefit of diversification strategies in the future.

3.2. The Impact on Tourism Segments

As elaborated on in the previous section, aggregate demand for tourism decreased as a result to the global economic crisis. While it is possible to get a differentiated picture of this effect on each regional and income group, the data presented so far has not provided insights into the impact on different tourism segments. A comprehensive analysis of the effects of the economy on individual types of tourism, however, appears to be a vital tool for governments and tourism authorities, in order to design policies that are tailored to the specific problems that national tourism sectors face. This kind of information may furthermore serve as an eye-opener for future reforms to the sector, for instance in terms of the development of a certain segment, such as eco-tourism, which might be relatively less affected by the economic crisis. Initiatives to promote this segment may increase the likelihood of making the sector more resilient in the future to exogenous shocks.

Although the availability of data does not allow for a comprehensive quantitative analysis, anecdotal evidence points to specific trends. Tourism segments may be categorised along two different dimensions: by motivation and by scope. The former draws a distinction between different motivations for people to travel: leisure, business and visits to friends and relatives. Worldwide, leisure tourism accounts for 51% of all international tourist arrivals, while business tourism constitutes 14% and visits to friends and relatives and other purposes 28% of all arrivals.⁷² The latter categorisation distinguishes international, regional and domestic tourism. In fact, information on policy responses to the economic crisis indicates that some authorities have chosen an increased emphasis on domestic and regional tourism promotion to balance the decline in international tourism, and in long-haul in particular.⁷³

Table 2 displays some evidence on the first dimension of tourism segments. The selection of cases is by no means representative and was chosen for reasons of data availability. A discernible pattern may not be deducted from the figures presented in this table. Elsewhere, it has been suggested that during the economic crisis business tourism suffered more than leisure tourism.⁷⁴ This trend cannot be confirmed. Instead the variation on the data hints towards underlying contextual factors that determine what kind of affect the economic crisis had on tourism segments in the different countries. One example of such contextual factors may be the type of leisure tourism a country's tourism sector is offering, e.g. luxury vs. low-cost tourism. A similar point may be made about business tourism: Some countries may attract business tourism from a certain business sector as a result of the national economic structure and therefore the effect of the economic crisis may vary greatly between various business sectors.

⁷² UNWTO (2010).

⁷³ UNWTO (2009a). A complete database on national stimulus measures for the tourism sector is available at UNWTO's website at www.unwto.org/trc.

⁷⁴ Smeral (2009).

Table 2 – Change in International Tourist Arrivals by Purpose of Visit, 2009 (%)

	<i>Leisure</i>	<i>Business</i>	<i>Visit to Friends, Family and other</i>
<i>Australia</i> ⁷⁵	-2.2	-11.3	12.8
<i>Nepal</i> ⁷⁶	-72.3	-1.2	n.a.
<i>South Africa</i> ⁷⁷	5.1	-15.7	n.a.
<i>United Kingdom</i> ⁷⁸	3.0	-20.0	-10.0
<i>Vietnam</i> ⁷⁹	-14.8	-0.2	1.4

Airline passenger figures from the Air Transport Association (IATA) are a good indicator of the effect of the economic crisis on the tourism segments as most business tourists are travelling in first and business class (premium class).⁸⁰ While economy-class travel – accounting for 90% of total passengers – only dropped by 3.8% in the first three quarters of 2009, premium travel figures were down by 19% during the same period. Due to the small share of business tourists within the total number of passengers, the small decrease in economy class numbers may only, to a limited extent, be explained by businesses opting for economy class instead of premium class tickets. Rather it points to a generally higher decline in demand for business tourism than for leisure tourism.

Regarding source markets the limitation of data at the time of writing is particularly challenging. While equipped with a certain set of assumptions, arrivals data by means of transport (air, land, sea) may be employed to complete missing data on regional tourism; however, data coverage is still not sufficient to draw any conclusions. For example, in Nepal international tourist arrivals increased by 3.6% in 2009, while data on regional as well as domestic data is not provided. Tourists arriving by land may be considered regional and therefore the respective figure of a 4% increase indicates a positive trend in regional tourism. Nonetheless, data on domestic tourism is missing and cannot be derived from other data. Even if data were completed, some exemplary data suggest the same difficulties discussed in relation to data on tourism segments by purpose of visit. A comparison of the two developing economies, India⁸¹ and South Africa, exemplifies this. In 2009, international arrivals decreased by 3.3% in India and increased by 3.6% in South Africa. Domestic tourism, however, presents the opposite picture with arrivals growing by 15.5% in India and dropping by 8% in South Africa. Therefore, different

⁷⁵ Department of Resources, Energy and Tourism, Government of Australia (2010).

⁷⁶ Ministry of Tourism and Civil Aviation, Government of Nepal (2010).

⁷⁷ South African Tourism Strategic Research Unit (2010).

⁷⁸ Visit Britain (2010).

⁷⁹ Vietnam National Administration of Tourism (2010).

⁸⁰ IATA (2009).

⁸¹ Ministry of Tourism, Government of India (2010).

trends in international versus domestic tourism may be explained by country specificities.

Impact of the Global Economic Crisis on Tourism Segments
While international business tourism seems to have been significantly more affected than other purposes of international tourism during the global economic crisis, limited data available points to manifold country-specific trends depending on the general economic structure of the country and its national tourism structure.

3.3. Implications for Employment

The tourism sector is extremely labour-intensive and a significant source of development and employment. According to estimations by ILO, in 2010, the sector's economy will account for more than 230 million jobs, equivalent to about 1 in every 12 jobs globally. Additionally, international tourism is characterised by a diverse inter-linkage between related occupations within different sectors. These include directly related occupations (hotels, restaurants) as well as indirect occupations within other economic sectors (transport, agriculture, construction, etc.). One job in the core sector indirectly generates approximately 1.5 additional jobs in the related sectors. Along with the tendency to indirectly influence employment in related sectors, tourism caters for workers who have less access to the labour market including the young workforce, women, migrant workers and rural populations. The sector has a high proportion of people less than 35 years of age, half of which are 25 or under, about 10-15% of those being under the age of 18. Divergences between qualifications and workplace realities are observable for women, who make up between 60 and 70% of the labour force. ⁸²

The global economic crisis had a significant, regionally distinctive impact on global employment.⁸³ Employment data for the hotels and restaurants sector (ISIC Category H) hints towards the effect of the global economic crisis on jobs related to the tourism sector.⁸⁴ Despite the narrow scope of the indicator and the limitation of data available,⁸⁵ a few interesting trends may be identified. Comparing the change of quarterly employment in various sectors of the economy from 2008 to 2009 on a world level,

⁸² ILO (2010c).

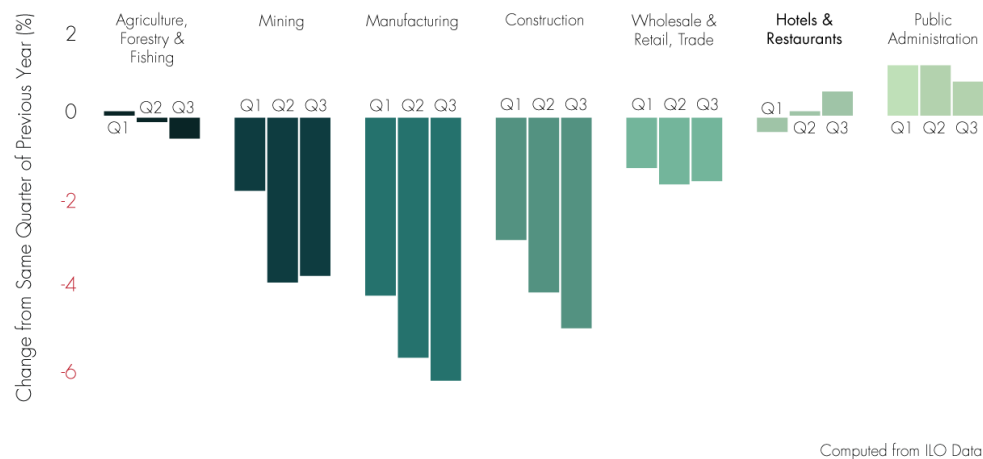
⁸³ ILO (2010b).

⁸⁴ Crisis related employment data are provided by SECTOR/ILO and have been available at the 1 digit ISIC Rev.3 level in the category H (Hotels and Restaurants).

⁸⁵ Data were available for the following 56 countries: Australia, Austria, Barbados, Belgium, Brazil, Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong (China), Hungary, Iceland, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Macau (China), Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Rep. of Korea, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan (Province of China), Thailand, Turkey, United Kingdom, USA, Venezuela.

Figure 30 suggests that jobs in the hotels and restaurants sector were much more resilient than those in most other sectors. Despite a small decline (-0.5%) in the first quarter of 2009, growth became positive in the second (+0.2%) and third quarters (+0.8%) hinting towards recovery.

Figure 30 –Quarterly Employment by Selected Sectors, World, 2008-2009



By comparing trends in emerging (Figure 31) and advanced economies (

Figure 32), employment data highlight the trends observed in the data on international tourist arrivals. Not only does overall employment suffer significantly less in emerging economies, also jobs in hotels and restaurants were particularly more resilient in those economies. Despite the negative trend in advanced economies, employment in hotels and restaurants was affected on a much lower scale than employment in other sectors of the economy. However, findings need to be universalised with caution due to limited data availability primarily among emerging countries.

Figure 31 –Quarterly Employment by Selected Sectors, Emerging Economies, 2008-2009

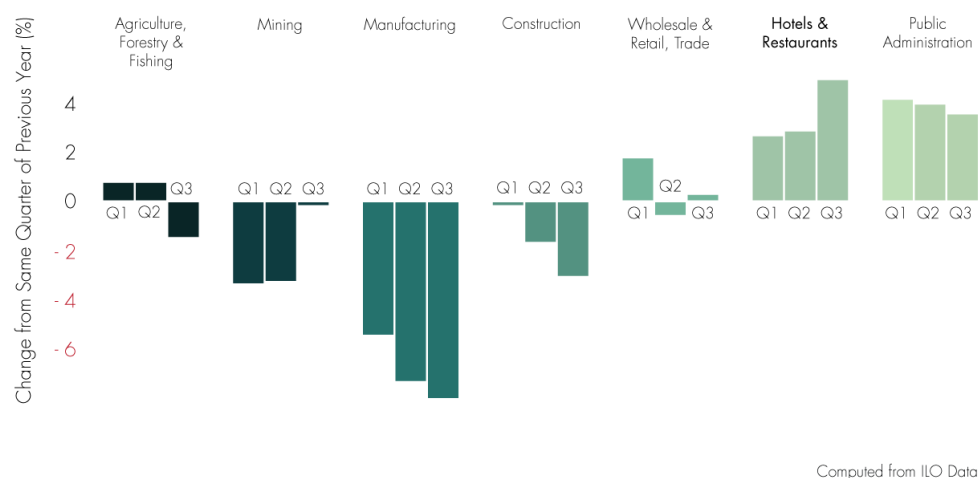
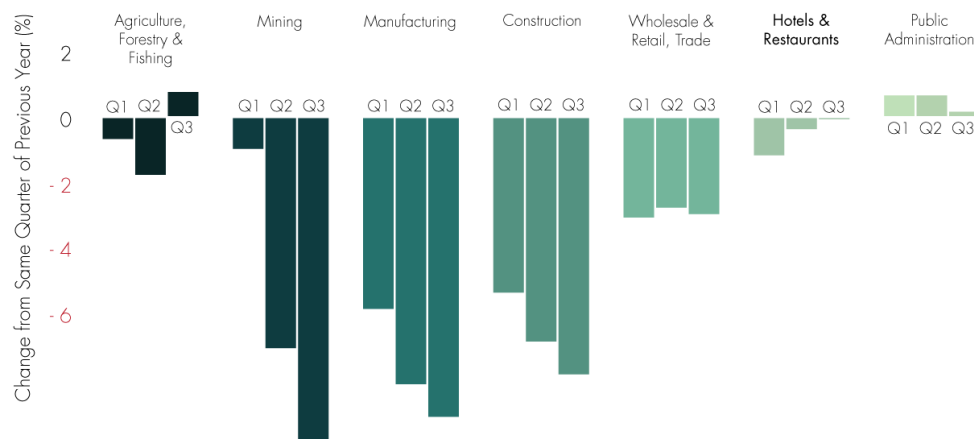


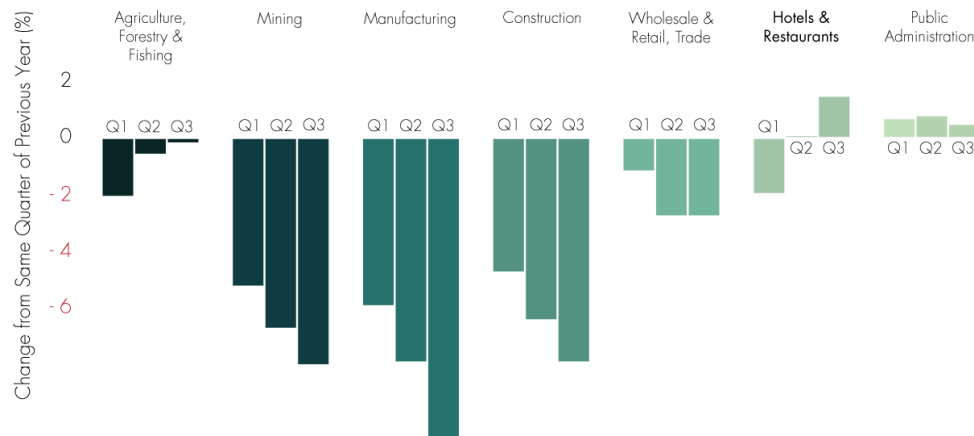
Figure 32 – Quarterly Employment by Selected Sectors, Advanced Economies, 2008-2009



Computed from ILO Data

Disaggregating data into geographical groups also yields some interesting observations. Similar to the overall trend, employment in the hotels and restaurants sector in Europe (Figure 33) was impacted by a decline in the first quarter (-2%) and recovered afterwards, generally being less affected than employment in other sectors of the economy.

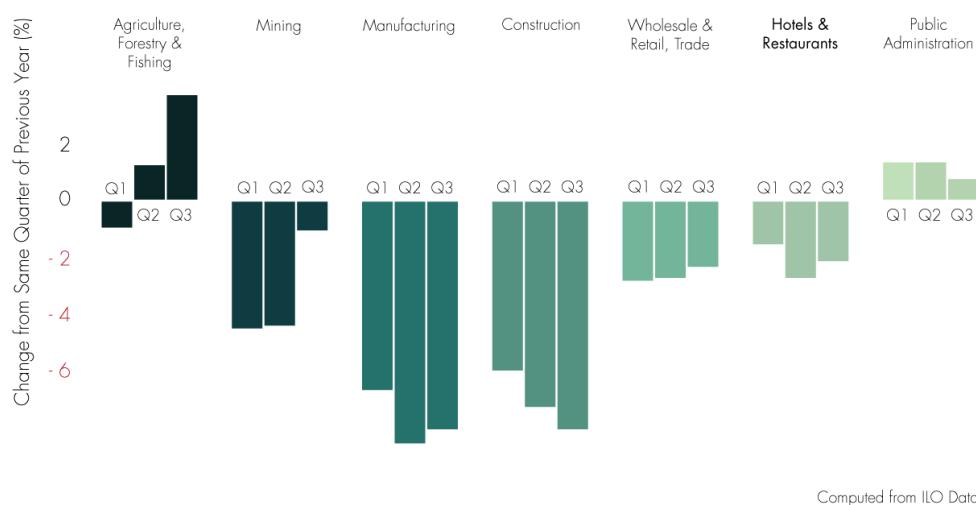
Figure 33 – Quarterly Employment by Selected Sectors, Europe, 2008-2009



Computed from ILO Data

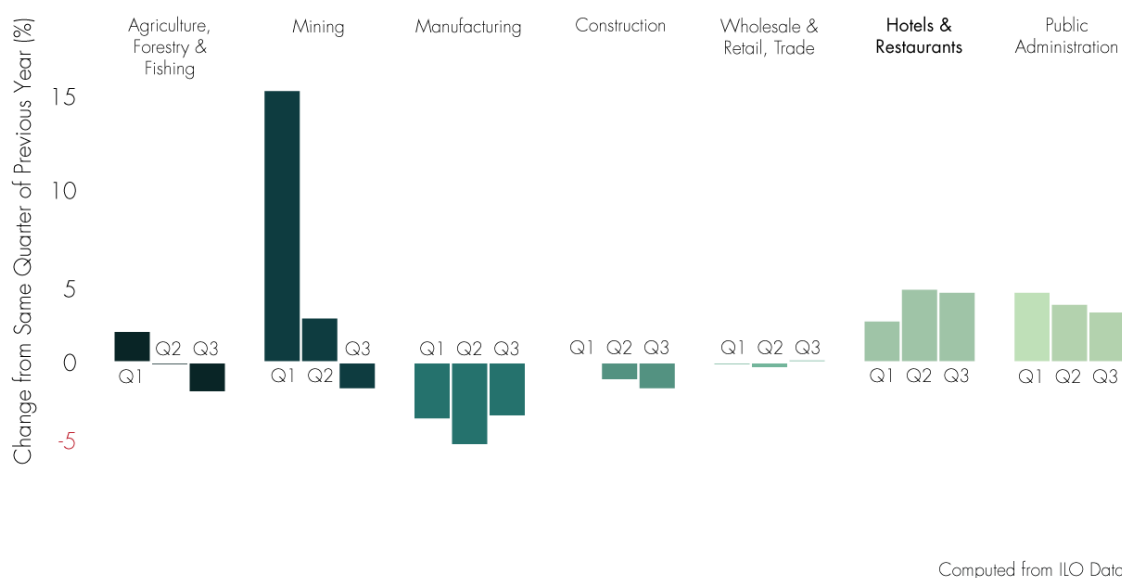
Employment data for the Americas (Figure 34) is limited to Barbados, Canada, Jamaica, Mexico and the USA. It is within this region that one may observe the strongest decrease in employment rates in the hotels and restaurants sector worldwide.

Figure 34 – Quarterly Employment by Selected Sectors, Americas, 2008-2009



In sharp contrast to the previous observations, employment levels in Asia and the Pacific (Figure 35) have been affected by the downward trend to a considerably lesser extent and employment in hotels and restaurants even increased strongly during 2009 (+4.9% in the second quarter).

Figure 35 – Quarterly Employment by Selected Sectors, Asia and the Pacific, 2008-2009



In summary, data on employment in the hotels and restaurants sector – albeit limited – follows the trends identified in the previous section on international tourist arrivals - i.e. that the adverse effects of the global economic crisis on international tourism were significantly stronger in developed than in emerging economies. A comparison of regional data identifies the Americas and Europe as those

regions that were hardest hit by the crisis in terms of employment in tourism. Despite the decline in employment rates, it is important to note that in contrast to almost all other sectors of the economy, jobs in the hotels and restaurants sector were comparably more resilient to the crisis and employment levels recovered to pre-crisis levels during 2009. However, this picture provides only limited insights restricted to the macro-level. Positive figures in some regions will not provide any specific indicators about the quality of work or the kind of contracts (permanent, part-time, temporary etc.) that may have changed during the recent global economic crisis.

The Global Economic Crisis and Employment in Hotels and Restaurants
<ol style="list-style-type: none">1. Employment in hotels and restaurants in comparison to other economic sectors was less affected by the global economic crisis. On average, employment growth rates were still positive, featuring the second highest rates following public administration.2. Negative employment growth in hotels and restaurants has been observed only among advanced economies, and by region, in Europe and the Americas.

4. Policy Responses to the Global Economic Crisis

4.1. Global Measures

This section reviews information on measures undertaken to mitigate the impact of the crisis on tourism. An initial assessment of the policy response measures implemented by countries worldwide to mitigate the effect of the crisis was made available in September 2009. This initial assessment includes information on around 70 countries. The information has been collected through a questionnaire sent by UNWTO to its Member States as well as through online sources.⁸⁶ The measures were grouped and coded into eight categories:

1. Fiscal measures
2. Monetary measures
3. Human resources measures / employment measures
4. Marketing and promotion measures
5. Travel facilitation
6. Public/Private partnerships (PPPs)
7. Regional cooperation
8. Environmental measures

Figure 36 and Figure 37 present an overview of the response measures implemented across the four income groups and the five regional groups, respectively.

Despite the low rate of response among low and low middle income countries, a few patterns may be highlighted. The most common policy responses to the crisis were marketing and promotion, public/private partnerships and a combination of fiscal and monetary measures. This pattern is consistent in all income and regional groupings. In a follow-up survey conducted by UNWTO in March 2010 to assess the implementation of its *Roadmap for Recovery*⁸⁷, the level of response was slightly higher.⁸⁸

⁸⁶ UNWTO (2009a), A complete database on national stimulus measures for the tourism sector is available at UNWTO's website at www.unwto.org/trc.

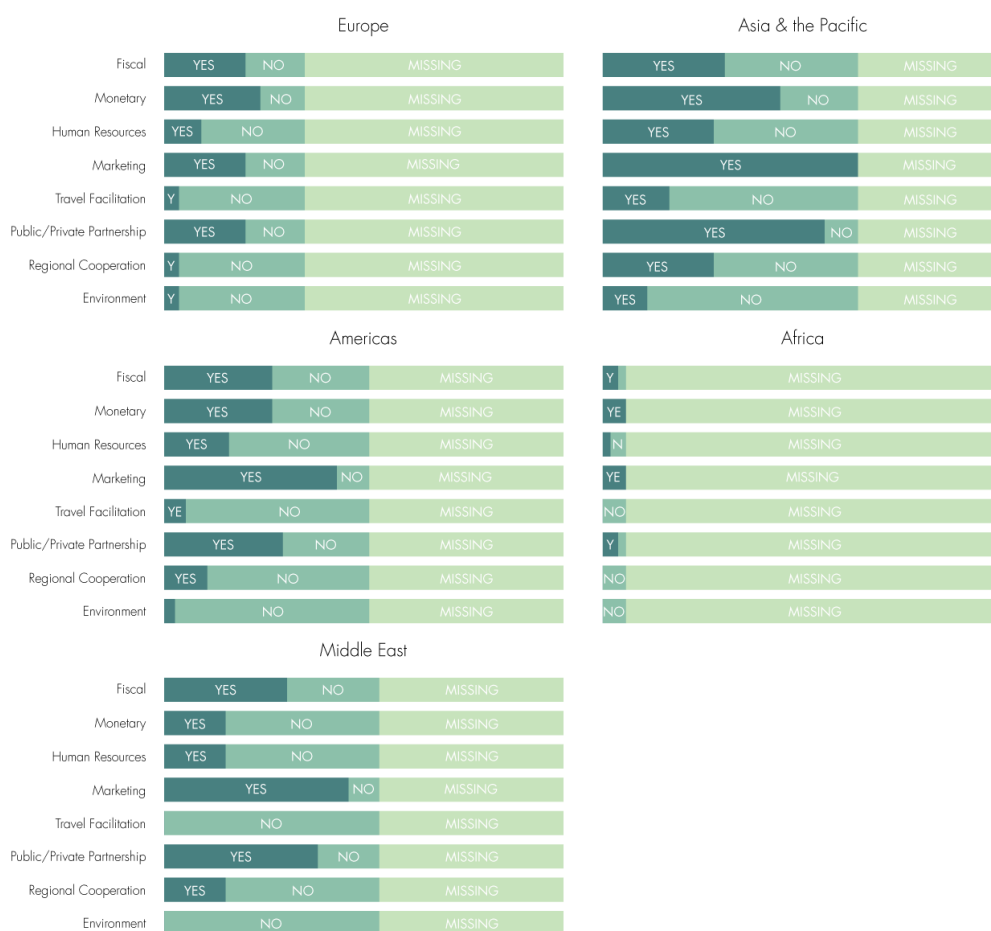
⁸⁷ UNWTO (2010a).

⁸⁸ UNWTO (2010a).

Figure 36 – Policy Measures by Income Groups



Figure 37 – Policy Measures by Regions



To provide a more focussed analysis, the policy measures have been regrouped using five broad categories (Figure 38):

- a) *Marketing and Promotion*, including increased advertising efforts by governments, increasing tourism promotion budgets, subsidies to advertisement activities by private promotion agencies and hotels or joint promotional campaigns.
- b) *Business Regulatory Support and Subsidies*, including tax reductions with the specific aim to ease the negative effect of the crisis on the tourism sector, loans with favourable rates specifically aimed at benefiting the tourism sector, moratoria on repayments, or termination of a previously planned tax.
- c) *Consumer Regulatory Support and Subsidy*, including discounts achieved by changes in government regulation, deals with domestic or international tourism operators to decrease prices (possibly involving direct government subsidies), promotional offers to target certain markets (made possible by government subsidies), which however do not include plans to cut tariffs or taxes and promotional offers exclusively planned and financed by the private sector.
- d) *Reducing Barriers and Facilitating Travel*, including the relaxation of visa policies, border traffic agreements and the increase in connections to international destinations (namely air access), although not including investments in infrastructure and human capital due to their long-term horizon.
- e) *Long-term Investment and Regulations*, including investment in infrastructure and human capital, commissioning research to understand the effect and nature of the crisis, activities aimed at expanding the breadth of tourism services (e.g. the development of eco-tourism), although not including any type of investment or regulation that is not specifically aimed at making the tourism sector more resilient towards exogenous shocks.

Figure 38 – Policy Measures by Income Groups

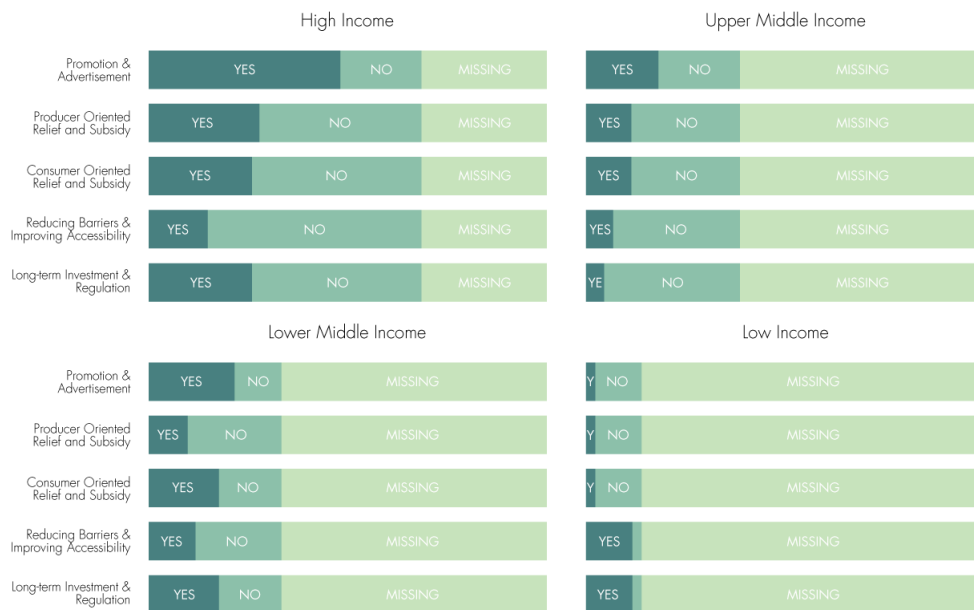
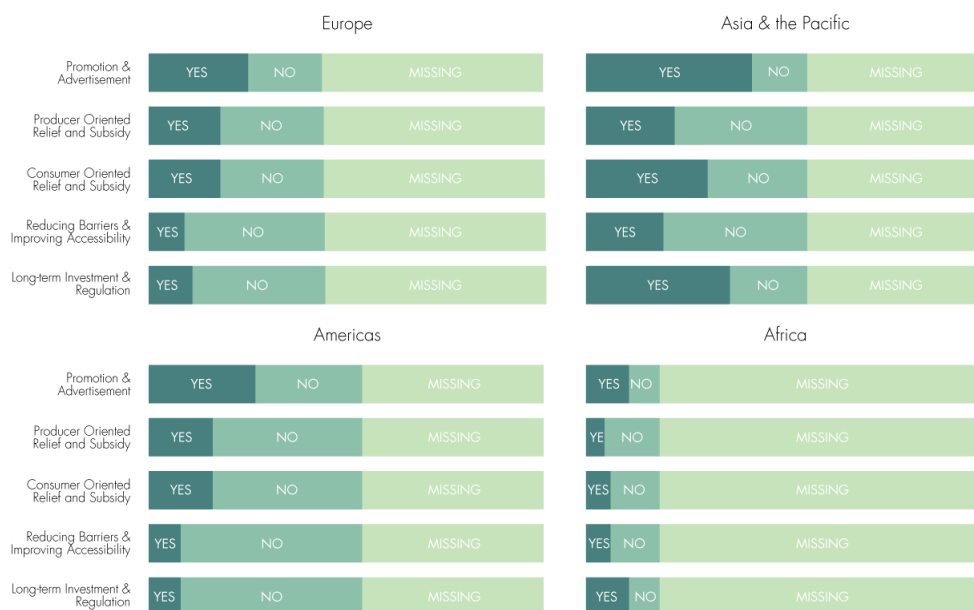


Figure 39 – Policy Measures Implemented by Regions



At global level, 24% of countries implemented some kinds of policy measures in the realm of promotion and advertising, followed by 14% and 15% of countries which either employed measures in terms of business and consumer support and/or subsidies. 15% of the countries designed measures regarding long term investments and regulatory

change, whereas only 10% of countries reduced barriers, thus attempting to improve accessibility of national markets.⁸⁹

The dominance of the promotion and advertising strategy in trying to mitigate the negative effects of the global economic crisis may also be observed on the level of income groups and regions. Promotion and advertising was the preferred strategy within high income, upper middle income, and lower middle income countries, being most frequently chosen as a within-crisis policy measure in Asia and the Pacific, the Americas and among European countries.

It is interesting to note that as an almost common pattern among all regions and income groups, policy measures in the realms of consumer and producer-directed regulatory relief and subsidies have most often been the second likely choice of governments during the crisis. Surprisingly, long-term investment and regulations have been particularly popular among countries in Asia and the Pacific region – 36% of countries in this region implemented policy measures in this category – whereas such measures were the least likely chosen strategy among countries in the Americas (8% of countries in the region).

Is there a statistically significant effect of any of the implemented tourism related policy measures on the annual change of international tourist arrivals? Table 60 (Annex I) presents results of a sub-sample analysis of highly dependent countries on Northern and Western European and North American source markets⁹⁰ – the three sub-regions most affected by the global economic crisis.⁹¹ The regression analysis demonstrates that promotional policy measures – including advertising efforts by governments, increases to tourism promotion budgets, and subsidies to advertising activities by private promotion agencies and hotels and joint promotional campaigns – are positively and significantly related to the growth of international tourist arrivals. Therefore, among all policy measures implemented, marketing and promotion appears to have been the most effective short-term method of reducing the negative effects of international tourism, given the technical constraint that the number of observations is relatively low as well as keeping in mind the generally low response rates in the country surveys on crisis related policy measures. It remains to be seen how these implemented policy measures will contribute to mid-term patterns of recovery.

⁸⁹ Please note: Categories are not mutually exclusive, which means that more than one policy measure might have been implemented by a single country.

⁹⁰ This sub-sample contains only those countries with a dependency on Northern and Western European as well as North American countries.

⁹¹ As discussed in section II.3.1, dependence on these source markets was particularly detrimental to international tourism arrivals during the recent global economic crisis.

Policy Response to the Global Economic Crisis

1. The most common policy responses to the crisis across regions and income groups have been marketing, public/private partnerships and a combination of fiscal and monetary measures.
2. Policy measures in the field of marketing and promotion, namely those aimed at the European and North American source markets have been the most common for coping with the negative effects of the global economic crisis on international tourism.

4.2. Policy Measures Regarding Employment and Vulnerable and Poor Groups

The decline in international tourism demand following the global economic crisis placed considerable strain on the livelihoods of poor and vulnerable groups worldwide, particularly in developing economies. Due to the downward trend of international tourist arrivals, businesses in the tourism sector are expected to have had difficulties paying wages and potentially decided to lay-off some of their employees. However, this might be only the tip of the iceberg as only a small share of tourism related employment and income generation in developing economies is part of the formal sector. Thus, many households relying on income from informal activities relating to international tourism will have been forced to tap their savings, sell their assets or engage in less profitable activities. Without specifically targeted support from policy makers, many households may have been pushed further into poverty as a result to the global economic crisis and its impact on tourism demand.

Unfortunately, policy measures targeted at poor and vulnerable groups within the tourism sector have rarely been implemented. Examples of policy measures aimed at maintaining formal employment in tourism are also scarce. Initiatives of this sort have been most extensively brought forward in the Caribbean region. Among a number of smaller island economies, a large share of the region's total labour force is employed in the tourism sector and with close to two thirds of international tourists coming from the United Kingdom or the USA, most Caribbean islands have been severely impacted by the decline in international tourist arrivals.

The Government of Barbados for example set up a US\$12.5 million Tourism Industry Relief Fund (TIRF) in early 2009 to help tourism sector firms to remain in business and to maintain employment levels. Registered tourism accommodation and ancillary services enterprises could apply for subsidies and were supported by a help desk to facilitate the application process. Similar measures were taken by some of the neighbouring islands. The governments of Grenada and Jamaica lowered the General Consumption Tax (GCT) by 50% for tourism sector businesses and provided loans aimed at protecting employment in the sector.

In addition to tax cuts tailored to the tourism sector, some countries have implemented policies to facilitate access to and repayment of loans. The authorities in Malta are reported to have negotiated the establishment of a one-year moratorium on loan repayments as a response to the cash-flow shortage of many businesses operating in the tourism sector. The government of Thailand made available a total of US\$147 million to local banks, in order to provide troubled enterprises with fast, cheap credit loans. After businesses had demonstrated that they were not indebted prior to the crisis, the interest of a loan was covered by the fund for two years. Similar initiatives were reportedly discussed in Egypt and Tajikistan. A more direct measure to maintain employment has been established in Singapore. Under the Job Credit Scheme,

employers received a 12% cash grant on the first US\$ 1,700 of each of their employer's monthly wages for the first year.

Despite the lack of policy responses specifically designed to maintain employment in the tourism sector, and particularly to benefit poor and vulnerable groups affected by the economic crisis. Many of the policy measures presented in the previous section will have second-order effects on the trend of employment levels and the livelihoods of poor and vulnerable groups. A large share of the countries increased their tourism authorities' marketing budgets, aiming to attract visitors, despite the crisis, with aggressive promotional campaigns. While the effects of these initiatives may take some time to materialise, an increase in the number of international tourist arrivals would naturally boost tourism revenues. Furthermore, some countries opted to make travelling to the country cheaper by reducing airport fees and passenger taxes. Despite the lack of explicit policy measures targeted at poor and vulnerable groups, these social segments will also have benefited from a recurring trend of international tourist arrivals due to policy actions in other fields.

In addition to these policies, which may indirectly benefit poor and vulnerable groups in the short to medium term, authorities in several countries have launched long term orientated reform packages. These may be grouped into two categories: a) policies aimed at increasing the destination's global competitiveness and b) policies targeted at making the sector more resilient to exogenous shocks in the future. The former category covers infrastructure projects, educational programmes and plans to upgrade services offered across the tourism sector. If these initiatives lead to an increase in tourism exports and thus to larger value-added programmes, not only will the number of tourist arrivals increase, but also the revenue per arrival. Informal businesses and households are potential beneficiaries of these policies, as long as local business and large complex development go hand-in-hand. The second category includes studies, network meetings and strategy discussions. The purpose of most strategies is to understand how this crisis affected the tourism sector and how broadening the portfolio of tourism services can assist in making the sector more resilient in the future.

The crisis posed also opportunities to implement proactive measures to improve employment in tourism. For example, upon signing the collective agreements in February 2010, Italy's tourism sector proved its willingness to improve employment conditions for employees and seasonal workers of subcontractor companies by providing moderate pay increases until April 2013.⁹²

It is also clear that the sector also has the capacity to be a potential key driver throughout economic recovery periods, particularly when looking at its supply/demand links incorporating other economic sectors. The development of segments such as eco-tourism has the potential to create positive spill-over effects into local, small-scale businesses as these segments tend to spend more money away from tourist centres

⁹² ILO (2010b):p. 27.

than regular beach tourists. Eco-tourism, for example, has become over the past few years synonymous with opportunities for growth, employment and the reduction of sales costs. It could generally become a way to innovate and create competitive advantages for local companies and communities that are able to transform the concept into new productive modes of operation and management. Furthermore, it requires the formation of Private/Public Partnerships, not just funding and regulatory frameworks. This transformation also involves workers who benefit from decent working conditions, are motivated, skilled and have access to supportive labour relations at all levels.⁹³

Specific Policy Measures
<ol style="list-style-type: none"> 1. While specific policy measures targeted at poor and vulnerable groups within the tourism sector have rarely been implemented during the global economic crisis, a number of policy actions targeting international tourism demand indirectly benefit these social groups. 2. Long-term policies aimed at improving a destination's global competitiveness as well as making the sector more resilient to exogenous shocks are the most promising tools for absorbing the potential negative effects of similar crises events in the future.

⁹³ Ibid.

5. Policy Recommendations

Improving data availability and data quality on global, national and sub-national levels

Due to its range of impacts and the wide spectrum of stakeholders involved, there is a need for a holistic approach to tourism development, management and monitoring. However, data availability as well as data quality are the two most important preconditions to achieve this goal. The supply of more complete and reliable statistics is essential for policy-makers to make effective decisions. Only with sufficient and adequate data is it possible to engage in different types of tourism sector analysis. This is crucial in the evaluation of the different aspects of tourism and the support and improvement of policy and decision-making on a global, national as well as on a sub-national level.⁹⁴

Since international tourism receipts recorded in the Balance of Payments are only a very rough proxy of the real impact of international tourism on the overall economy of a country, implementing a more appropriate statistical measurement of the economic relevance of tourism must be a top-priority. Progressing with the development of basic tourism statistics and of Tourism Satellite Accounts (TSA) as suggested in the *International Recommendations for Tourism Statistics 2008 and the Tourism Satellite Account: Recommended Methodological Framework 2008*⁹⁵ respectively, will be a significant first step towards achieving this goal.

While the introduction of TSA as a major tool for measuring tourism contribution to the economy has been recognised by many countries, progression in designing a more effective and efficient tourism policy framework also requires the advancement of a more complete and credible set of basic tourism statistics; together, basic tourism statistics and TSA constitute the System of Tourism Statistics (STS). A part from the information system created by a STS, which is the foundation for a reliable and accurate national Tourism Information System (TIS), further attention should be given to the short-term, monitoring, namely on the following indicators:⁹⁶

- a) early warning indicators derived from sources such as credit card records, air traffic slot allocation or bookings;
- b) short-term performance indicators of turnover and employment within the tourism industries derived from administrative records produced by official sources such as fiscal sources and social security schemes.

⁹⁴ United Nations Statistical Commission (2008): p.1.

⁹⁵ United Nations Statistical Commission (2008): pp.76-77.

- c) business cycle indicators derived from business tendency surveys based on qualitative information regularly given by staff personnel in some key countries.

Diversification of Source Markets

As the 2008-2009 global economic crisis has uncovered, dependence on a number of source markets may to a higher exposure to shocks. Furthermore, the analysis of data on more than 150 countries in this report has demonstrated that not only the reliance of Western countries or advanced economies was linked to the decline of international tourist arrivals. The dependence on a limited number of source markets also severely impacted destinations during the global economic crisis. This supports the call for diversification of source markets as a long-term resilience mechanism. In order to consolidate the evidence on the benefits of diversification strategies, the availability and quality of source market data by region needs to be improved.

Creation of flexible and efficient promotional tools

A number of country experiences have shown that targeted source market promotional campaigns have had a positive impact on the negative trends in terms of international tourist demand during the recent global economic crisis. This factor points to the growing importance of close source market observation and research going hand in hand with the development of flexible and efficient promotional tools.

Marketing programmes should address underlying demand shifts for better value/deals as well as competitive realities. Embracing the shift in consumer preferences towards internet and multimedia delivery is fundamental. Partnerships and regional cooperation as well as the benefits offered by involvement in major events, especially sports, ought to be explored in order to enhance tourism promotion.

Public and private sector partnerships should be strengthened wherever possible in this field, in order to maximise synergies between national, regional and international stakeholders. Close monitoring and analysis of changing trends and an early response is a precondition that will help the international tourism sector to maintain its competitiveness. This will require increased collaboration, research and information exchange between public and private sectors, international organisations and educational institutions as well as the development of new tools and data analysis.

Focus on the Roadmap for Recovery to improve resilience, provide stimulus and promote the transformation to the green economy in the tourism sector

In March 2009, UNWTO announced a *Roadmap for Recovery*, which includes 15 recommendations based on three interlocking action areas: resilience, stimulus y green economy. The *Roadmap* sought to uncover the contribution tourism can make to the global efforts mitigating the economic crisis by creating jobs and promoting trade flows. It identifies key areas which can help improve resilience, provide stimulus and promote the transformation to the green economy in the tourism sector, thus better preparing it

and the global economy for future crises. More importantly, the issue of job creation and retention is highlighted through the 15 recommendations.

Roadmap for Recovery

I. RESILIENCE

1. Focus on Job Retention and Sector Support
2. Understand the Market and Respond Rapidly
3. Boost Partnerships and 'Competition'
4. Advance Innovation and Technology
5. Strengthen Regional and Interregional Support

II. STIMULUS

6. Create New Jobs – particularly in Small and Medium Enterprises (SME's)
7. Mainstream Tourism in Stimulus and Infrastructure Programmes
8. Review Tax and Visa Barriers vis-à-vis Growth
9. Improve Tourism Promotion and Capitalise on Major Events
10. Include Tourism in Aid for Trade and Development Support

III. GREEN ECONOMY

11. Develop Green Jobs and Skills Training
12. Respond Effectively to Climate Change
13. Profile Tourism in all Green Economy Strategies
14. Encourage Green Tourism Infrastructure Investment
15. Promote a Green Tourism Culture in Suppliers, Consumers and Communities

III. Case Studies: The Maldives, Costa Rica, and Tanzania

Specific Characteristics of the Case Studies

Three case studies were selected in order to evaluate the specific impacts of the recent/current economic crisis on the distinct tourism labour markets. This was to be carried out specifically with regards to vulnerable and low-income groups, but also looking at medium and long-term public and management strategies implemented to mitigate the impact of the crisis within the context of particular developing countries.

The selected examples cover not only a wide geographical spectrum (Map 2) – the **Maldives** in South Asia, **Costa Rica** in Central America, and **Tanzania** in Sub-Saharan Africa – but also have their very own specifics. Because a considerable amount of the empirical and statistical findings and their interpretation strongly depend on the specific characteristics of a country – e.g. its labour market, its regulations and law enforcement as well as tax schemes, its education system, and not least its natural resources and environmental potential – the three case studies will be introduced and discussed in detail in the following sections of the report. Some of the three countries' most distinguishing characteristics are briefly introduced in this section.

Map 2 –Analysed Case Studies in this Report



Small island states, such as **the Maldives**, tend to depend on tourism more than non-island destinations.⁹⁷ Amongst other factors, this includes a large proportion of employment, which occurs in the tourism sector or in tourism-related activities. The Maldives, for example, has established a tourism sector, which, though small by international comparison, is vital for the national economy,⁹⁸ contributing 28% of the country's GDP. Its tourism sector is shaped by island or resort economies with hardly any links to different industrial sectors. Even most of the souvenirs are imported from China, as input products and labour costs are comparatively too high. However, the striking underwater flora and fauna attracts a number of tourists from all over the world who wish to experience the natural beauty of a country threatened to be submerged in the near future.

Table 3 – The Maldives at a glance

Government: Republic	Economy:
President Mohamed "Anni" NASHEED	GDP: \$1.307 billion (2009)
Capital: Male	GDP per capita: \$3,652 (2008)
Area: 298 sq. km	GDP by sectors:
Population: 298,968 (2006)	Agriculture & Fishery: 5.8%
Urban population: 38% of total population (2008)	Industry: 16.4%
Annual growth: -0.168% (2010 est.)	Services: 81.7% (2009); of which tourism: 28% (2008)
Migrants: -12.58 migrant(s)/1,000 population (2010 est.)	Inflation rate (consumer prices): 4% (2009)
Birth rate: 14.55 births/1,000 population (2010 est.)	Unemployment rate: 14.4% (2006 est.)
Life Expectancy: total population: 73.97 years: Male: 71.78 years, Female: 76.28 years (2010 est.)	Poverty rate (2008): 16% (2008)
Literacy rate: 93.8%	Currency: Maldivian Rufiyaa, MVR
	HDI (2007): 0.771 (worldwide rank 95)

Source: MMA (2010); Word Bank (2010); CIA - World Fact Book

Unlike the effects of previous external shocks such as the tsunami in December 2004, which had a devastating but only very short-term local-regional impact on the tourism sector, the 2008-2009 economic downturn had massive and far longer lasting effects on the Maldivian economy. This occurrence is due to the fact that its source markets were, to a large extent, hit by the crisis themselves, thus affecting international tourist arrivals.

In contrast to the Maldives, both Costa Rica and Tanzania are located on the mainland, both being far more dependent on regional tourist inflows, e.g. from the US market in the case of Costa Rica.

Central America was hit hard by the impact of the economic slowdown with a strong decline of international tourist arrivals in 2009. However, travel within the area has been

⁹⁷ Ellul (1999); McElroy & Olazarri (1997); Liu & Jenkins (1995); Hein (1990).

⁹⁸ Telfer & Sharpley (2008): p. 8.

buoyant and arrivals from two of the most important tourist source countries – USA and Spain – have been surprisingly strong in the first quarter of 2010.⁹⁹

Costa Rica – and specifically the North-Western region Guanacaste – is famous for its eco-tourism, which is widely recognised for setting an international benchmark. The country's tourism development policies explicitly embrace the principles of sustainable development, having established strict legal requirements and enforcement schemes for companies to adopt. Hence, tourism links to other sectors in the country are strong but depend on the main tourist source market, the USA, which suffered a lot from the crisis, and also raised the country's vulnerability after the break-out of the credit crunch in the USA in 2007.

Table 4 – Costa Rica at a glance

Government: Constitutional Democracy	Economy:
President: Laura Chinchilla	GDP: \$29.32 billion (2009 est.)
Capital: San José	GDP per capita: \$10,900 (2009 est.)
Area: 51,100 km ²	GDP by sectors:
Population: 4,516,220 (July 2010 estimated)	Agriculture: 6.4%
Urban population: 62% of total population (2008)	Industry: 24.9%
Average annual growth (2002-2008):	Services: 68.7% (2009 est.); of which tourism: 6.8% (2009)*
Population: 1.6% and	Inflation rate (consumer prices): 7.8% (2009 est.), 13.4% (2008 est.)
Labour Force: 2.4%	Unemployment rate: 4.9% (2008), 7.8% (2009)
Migrants: 10.2% of total population	Poverty rate (2008): 24% below national poverty line
Birth rate: 17.43 births/1,000 population (2010 est.)	Currency: Costa Rican Colon
Life expectancy at birth (2010 estimated):	HDI (2007): 0.854 (high) (worldwide rank 54)
Male: 75 years, Female: 80 years	
Literacy rate: 96%	

Source: Word Bank (2010), CIA - World Fact Book; *Macroeconomic Statistics Banco Central de Costa Rica (2009)

Tanzania is well known for beach tourism on Zanzibar, safari-tourism in its national parks and mountaineering and trekking in the Kilimanjaro region. Despite these long established markets the country has started some interesting initiatives – especially in the Northern Wildlife Circuit – in order to enhance the cultural tourism product over the last decade. These approaches contributed to strengthen the backward and forward links between local industrial sectors. Overall, the country is a newcomer, or a youngster, amongst the established tourism destinations. Tanzania's new government reformed and liberalised the economy, putting great emphasis on the development of the tourism sector.

⁹⁹ UNWTO (2010h): p. 35.

Table 5 – Tanzania at a glance

Government: Republic	Economy:
President Jakaya KIKWETE	GDP: \$57.69 billion (2009 est.)
Capital: Dar es Salaam	GDP per capita: \$1,400 (2009 est.)
Area: 947,300 sq. km	GDP by sectors:
Population: 41,048,532	Agriculture: 26.4%
Urban population: 25% of total population (2008)	Industry: 22.6%
Average annual growth: 2.04% (2010 est.)	Services: 50.9% (2009 est.)
Migrants: -1.3 migrant(s)/1,000 population (2010 est.)	Inflation rate (consumer prices): 12.1% (2009 est.)
Birth rate: 34.29 births/1,000 population (2010 est.)	Unemployment rate: n.a.
Life Expectancy: Male: 50.56 years, Female: 53.51 years (2010 est.)	Poverty rate (2008): -36% (2002 est.)
Literacy rate: 69.4%	Currency: Tanzanian shillings (TZS)
	HDI (2007): 0.530 (worldwide rank 151)

Source: Word Bank (2010), CIA - World Fact Book

Data and Methodology

In accordance with the aims of the Global Pulse Initiative and the RIVAF-program (see Introduction), the methodology of the country case studies seeks to bridge the gap between macro and micro perspectives on the impact of the global economic crisis. Thereby, the study aims to provide insights into the impact of the crisis on employment, income opportunities and the livelihood of poor and vulnerable groups and their households. To understand the ramifications of the crisis on the everyday life of poor and vulnerable people, it is of special relevance to develop an understanding of the crisis-coping capacities of their households.

To develop such a picture is a methodologically, challenging task. Therefore, the methodology triangulates various approaches, in order to be able to assess the impact of the crisis on various levels and scales as comprehensively as possible. On the national level, the study collects and synthesises secondary data from existing studies as well as from national and international authorities, employing *documentary analysis* and *descriptive statistics*. Due to the explorative character of the study, these efforts are complemented by *qualitative stakeholders' expert interviews*.¹⁰⁰ Owing to the tight timeframe of the project, the expert interviews predominantly focused on people with a good view of the development within different industries along the value chain, rather than only concentrating on the management of single firms. The sample of experts identified encompasses decision makers on state levels, representatives of business associations and unions, hotel management staff, travel agencies, travel guides, transport companies, restaurants, incoming agencies, etc. The intention of this kind of

¹⁰⁰ Hoffman et. al. (1995).

qualitative case study research is to develop an empirically informed understanding of the localised patterns of the impact of the crisis and of the behaviour of organisations, firms and individuals.¹⁰¹ The qualitative approach does not only demonstrate which crisis reactions have been implemented within the tourism sector, but also allows an interpretative reconstruction and understanding of the mechanisms of the impacts on poor and vulnerable groups.

To gain insights into the impact of the crisis on the livelihood of poor and vulnerable groups, *small-n quantitative, standardised surveys* have been carried out with low and unskilled employees in the tourism sector. Questionnaires covered a wide range of topics, such as the household size of the employees, the number of wage earners per household, educational levels of employees, terms of employment, potential income or job losses during the crisis, estimates of the chance to find a new job within the sector in case of unemployment and other topics. The resulting picture of the employment and income situation was completed by in-depth *biographical and narrative interviews* with tourism employees, investigating the crisis resilience and coping capacities of their households. This kind of qualitative research is primarily designed for providing exemplary ideas of the impact of the economic crisis on the livelihood of people by illustrating typical crisis coping capacities and strategies of affected people. Due to its qualitative character, it does not seek to produce representative results but rather to develop an understanding of typical living conditions on the ground. The interviews have been analysed and patterns of the impact of the crisis on the livelihood and vulnerability of people working in the tourism sector have been identified. Recurring problems and experiences of interviewees have been merged into typical cases. In order to protect the data privacy of the interviewed employees, these patterns are discussed by constructing biographies of fictional standard workers, presenting the experiences and insights which have been reported similarly by a larger number of interviewees. The biographies are discussed in the country case studies analysis and documented in the Annex of the respective case study.

Since the general impact of the crisis, the overall situation and structure of the tourism sector as well as the country-specific conditions vary significantly between the three case studies; the described general methodological approach has been adjusted to fit the specific contexts and cases.

The Maldives

The research agenda for the Maldives mirrors the general methodological approach. *Secondary data* obtained is based on statistics and public reports provided by the Ministry of Tourism, Arts and Culture (MoTAC) and other Government institutions. The selection of the case studies, geographical areas and labour markets to be researched occurred in close cooperation with the Maldivian MoTAC as well as with UNWTO.

¹⁰¹ Stake (1995).

Empirical research is based on three pillars. Firstly, 15 *qualitative interviews* with key people/players in the local economy and representatives of diverse public and private tourism institutions and associations were conducted, in order to trace major impact trends of the crisis on various stages of the value chain and to gain an insight into the crisis reaction patterns in different parts of the sector. Furthermore, three resort islands and one of the city hotel chains were visited, where an additional eight qualitative expert interviews and various off-the-record-conversations with hotel management staff and employees contributed to develop an understanding of the crisis impact on resorts and hotels. Secondly, a *standardised survey* was administered in two of the three resorts visited, comprising 126 questionnaires of locally employed people, mainly working in elementary and low-skilled occupations, in order to gain a comprehensive overview of the specific situation of employees and their families.

In line with the major focus of the study on the impact of the crisis on poor and vulnerable groups being employed in the tourism sector, and considering that an isolated, self-contained resort economy is characteristic for the Maldivian tourism sector, it was decided in collaboration with the Ministry of Tourism Arts & Culture to conduct the survey in two of the biggest and longest established resorts of the Maldives, situated in Kaafu Atoll (Male' Atoll), where approximately 1,150 of the total 15,500 hotel and restaurant employees are currently working. One of them is locally owned; the other is operated by a well-known international hotel company. Due to their long-standing experience in the tourism sector, both resorts inherited sustainable, long-term strategic thinking, specifically with regard to measures on employment issues, e.g. investments in their human capital. Moreover, as described in one of the following sections on the 'Historic Development of the Tourism Sector', tourism on the Maldives has its regional roots near the capital Malé, an aspect which is covered by both of the selected resorts. Thirdly, this picture is complemented by *narrative, biographical in-depth interviews* with 10 employees from the two resorts working in different occupations, which were conducted to comprehend the ramifications of the impact of the crisis on the livelihood and every-day-living situation of employees within the sector.

Costa Rica

The research design for Costa Rica followed a similar methodological approach. The *secondary data* used are mostly based on statistics and public reports provided by the Instituto Costarricense de Turismo (National Tourism Board) and other Government institutions like the Caja Costarricense de Seguro Social (CCSS)(the Costa Rica Social Security Fund) and Instituto Nacional de Estadísticas y Censos de Costa Rica (INEC)(National Institute for Statistics and Census of Costa Rica). Field research was conducted in the capital San José and the touristic region Guanacaste in the North-East of the country. The two regions have been selected in cooperation with UNWTO.

As in the Maldives case study, empirical research was based on the three main pillars. In order to obtain a broad overview of the general economic and tourism specific effects

of the economic crisis in Costa Rica, five *qualitative interviews* were carried out with tourism experts from different departments of the Instituto Costarricense de Turismo (San José) and the Chamber of Tourism (Guanacaste). Additionally, eleven key players in the local tourism sector were interviewed in San José and in Guanacaste with the aim of gaining deeper understanding on how the crisis impacted different parts of the tourism value chain in the country.

In a second step, a *standardised survey* was implemented with hotel employees in three hotels in Guanacaste. Guanacaste was chosen as the region for the main field work due to its high dependency on the recent and fast growing tourism sector. With the intention of gaining a broad overview of the specific situation of employees' structure and how they were affected by the crisis, 116 questionnaires were filled out mainly by people employed in medium and low-skilled occupations. Furthermore, five qualitative expert interviews with hotel managers and various other informal conversations with management staff and employees contributed to a detailed understanding of the crisis impacts on the hotel industry, its relations to suppliers and the employment situation.

Finally, data from ten *narrative biographical in-depth interviews* with employees working in different occupations showed how the employees themselves consider their private and occupational situations in relation to the economic downturn and how they deal with the impact of the crisis on their everyday living situation.

Tanzania

This case study on Tanzania examined major impact trends of the economic crisis on the tourism value chain in Tanzania's Northern Safari Circuit and Mount Kilimanjaro, as well as its financial impact on low income groups and crisis response mechanisms by public and private sector bodies.

In September 2010, a preliminary study was carried out in Tanzania to collect data on the impact of the global economic recession on the tourism sector, and undertake a *standardised survey* with 63 people largely from low-skilled occupations associated with the accommodation sector, thus providing an overview of the financial circumstances of employees and their families. The preliminary study further reflects on 14 *biographical in-depth interviews* with employees in different sectors (e.g., accommodation, transport and tour operators), thereby presenting a vivid picture of impact ramifications, as well indicating the individual mechanisms instituted to deal with job insecurity, work loss and economic vulnerability.

The preliminary study was elaborated through further research in May 2011. The first phase of this research centered on the study of existing documentation dealing with the tourism sector in the Northern Safari Circuit and Mount Kilimanjaro, comparing official statistics from national and regional government institutions as well as from other research entities with data collected in a tourism value chain analysis carried out by

Mitchell, Keane and Laidlaw¹⁰² in the same area in 2008. In addition, the first phase involved the identification of potentially informative contacts within local public institutions (such as TANAPA) as well as in private enterprises (for example hotels and tour operators) in order to organise meetings and interviews which were carried out during the second phase.

The second phase involved field research in Arusha, Lake Manyara and the Ngorongoro Crater (covering the Northern Safari Circuit) as well as in Moshi and Marangu, on the slopes of Mt. Kilimanjaro (primarily dealing with mountain climbing expeditions to the mountain). Surveys were carried out at different levels of the supply chain and also aimed to identify the strategies and initiatives undertaken by the tourism sector to meet the challenges posed by declining tourist numbers within the regions. Five different versions of the survey were used:

- A survey for inbound tour operators and a separate survey for accommodation managers (i.e. hotel managers) in the hiking and safari value chains, looking at the impact of the crisis on their operations and staff as well as any strategies implemented to reduce the negative impacts of the crisis.
- A survey for non-tourism sector actors who are dependent upon tourism demand (i.e. shop and stall owners), looking at the supply chain linkages to the local economy.
- A survey dealing with policy makers, looking at the reasoning behind the implementation of any policies or initiatives aimed at dealing with the effects of the economic crisis on tourism.
- A final survey involving focus group interviews of hotel staff, park guides (for both the safari's and the Mount Kilimanjaro climbing expeditions), porters, driver guides and cooks to gain more understanding of the employment, wage and tipping situation for those lower down the tourism supply chain.

The third phase involved the analysis of the collected data and included an analysis of the impacts of the global economic crisis on the tourism supply chain within the country, an overview and identification of patterns in the initiatives undertaken by local entities (both private sector and public sector) and their effectiveness as well as policy recommendations aimed at improving the pro-poor effectiveness of tourism sector responses to the global economic crisis as well as responses to periods of declining tourism within a country or region.

¹⁰² Mitchell, J. Keane, J. & Laidlaw, J. (2009) "Making Success work for the poor: Package tourism in Northern Tanzania", Overseas Development Institute, January 2009

Case Study 1: The Maldives

Executive Summary

Tourism is the most important economic sector in the Maldives. International tourism contributes to approximately 28% of the GDP and more than 60% of all export earnings. As an island economy, the Maldives imports almost every kind of commodity required for the tourism sector. Thus, in comparison to other developing countries, links from tourism to other local economic sectors are more limited. Concurrently, its import level has made the Maldives highly vulnerable to the economic downturn faced since 2008. The vulnerability of the Maldivian tourism economy is further increased by a limited product differentiation and a high concentration on European source markets. Roughly three-quarters of the international tourist arrivals between 2000 and 2009 originated from Europe. In the pre-crisis year 2007, the main countries of origin were the United Kingdom (19%), Italy (17%), Germany (11%) and France (7%) followed by the two main Asian source markets, Japan (6%) and China (5%). Tourists, specifically those from the leading Western source markets, became particularly sensitive to pricing and avoided long-haul travel during the economic crisis in 2009, which generated a drop in international tourist arrivals of approximately 4% from these markets since mid-2008. Although intra-regional travel gained momentum, led by the Chinese market, the volume of additional trips did not compensate for an overall decline in demand from traditional source markets. This development resulted in large deficits of hotel/resort occupancy and tourism receipts.

Average hotel room occupancy decreased from 83% in 2007 to 78% in 2008 and to 48% in June 2009. The growth of international tourism receipts slowed down in 2008 and declined in 2009 by approximately 8% in comparison to the previous year, tempting operators in the accommodation sector to adopt cost-reduction strategies. Due to the fact that it is not possible to influence a large proportion of the fixed-costs¹⁰³, cost reduction attempts significantly impacted on the labour market even though the share of the payroll only accounts for 15–20% of the resorts' fixed costs. Since unskilled and low-skilled employees represent more than two thirds of the labour force, poor and vulnerable groups were severely impacted by lay-offs in the sector.

On average, in the Maldives about three people depend on one income. This puts even more pressure on people belonging to such poor groups, since quite a number of them depend on vulnerably employed people living in their household and/or belonging to their families.

¹⁰³ E.g. investment depreciation, high amounts of lease rent, high infrastructure maintenance costs, high import dependency.

The findings in this report reveal that 1,477 or 44% of the foreign workers in hotels and resorts, most of them coming from Bangladesh, India, Sri Lanka or the Philippines, lost their job during the crisis. Considering that foreign workers usually occupy lower positions and therefore have lower incomes, this decrease in employment heavily impacted on one of the most vulnerable groups employed in the tourism sector. Furthermore, an estimated 10% of the domestic labour force in hotels and resorts, which is the equivalent to 1,200 employees, was made redundant. This is more than 1% of the total domestic labour force in the country. Given the average size of 6-7 people per household, this means that the livelihood of approximately 7,800 people or approximately 3% of the total population of the Maldives has been negatively impacted due to lay-offs in the sector.

Additionally, even if employees were not affected by unemployment, many, particularly low-skilled workers, suffered from a loss of income. Since the outbreak of the crisis, managers reported that tourists have not been spending as much money on extra services in the resorts as they used to in pre-crisis years. This resulted in a decrease in the service charge volume, which is the second most important pillar of an employee's income in addition to the regular salary. Particularly for low-skilled employees, this decline was the equivalent to a loss of income of about 20-30%. Given that 68% of the remaining 10,800 Maldivian employees have elementary or low-skilled jobs, the reduction of the service charge impacted heavily on the income of more than 7,000 Maldivians employees and their approximately 40,000 relatives living with them. In sum, the livelihood of another 16% of the domestic Maldivian population has been negatively affected due to the decrease in the service charge. Moreover, results of a standardised survey indicate that married employees and employees with children were often disproportionately affected by a loss of income.

Simultaneously, inflation rates peaked and caused a devaluation of the purchasing power by 17% between 2008 and 2009, which further deteriorated the livelihood of vulnerable groups. In sum, the income situation and purchasing power of low-skilled groups, particularly those employed in the tourism sector, decreased by approximately 35-45%, rendering thousands of people more vulnerable to poverty following a long period of prosperity and growth within the country.

In conclusion, approximately 19% of the Maldivian population belonging to poor and vulnerable groups as well as a large number of expatriate workers and their families who depend on incomes generated by the tourism sector, suffered from the global economic crisis. The study demonstrates that the capacities and assets of such groups to cope with the crisis are quite limited. Therefore, it is reasonable to conclude that the current global economic crisis has significantly contributed to the deterioration in their livelihoods and has made a large number of Maldivians more vulnerable to poverty.

In terms of labour market policy towards the private sector, the study indicates no evidence for crisis mitigating measures taken by the Maldivian government intended to directly impact on poor and vulnerable groups. Whereas marketing and promotional

measures taken by the Maldivian government and the private sector have been quite successful and released pressure from the sector, cost-reduction measures of the private sector impacted negatively on the livelihood of poor and vulnerable groups.

Considering the results of this study, several policy recommendations may be deduced, in order to mitigate the impact of future crisis situations. The study reveals that the system of tourism and employment statistics needs to be speeded up in order to achieve more effective crisis monitoring and measures that impact indirectly on the tourism labour markets by improving the overall crisis resilience of the tourism sector. Accelerating the recovery from decreases in tourism demand is also strongly encouraged. Specifically, measures intended to diversify the generating markets and tourism segments appear to be a promising means, for reducing future risks. Adjustments to the tourism-related government revenue system as well as to the fiscal policy to facilitate the granting of loans may furthermore contribute to releasing pressure on the sector and mitigating negative crisis impacts on the levels of employment. Finally, the implementation of measures intended to directly impact on poor and vulnerable groups are discussed. Additional education programs, adjustments to labour laws and implementations of basic unemployment and health insurance schemes will most likely increase the capacities and assets of poor and vulnerable groups required to cope with external shocks, thus substantially reducing their vulnerability to poverty.

1. Country Profile

1.1. Geography and Tourism

Overall, the Maldives are blessed with a number of resources which tourists from all over the world are looking for. The Republic of Maldives is located in the Indian Ocean, about 700 km south-west of Sri Lanka. It encompasses a territory of roughly 90,000 square km spread over an archipelago of 24 ring-shaped atolls with 1,190 small islands, which cover a total land mass of only 298 square km. The atolls represent one of the largest tropical coral reefs in the world, which forms an 860 km long chain of islands, spread over an area located between 7° North and 0.5° South and 72° and 74° East. The maximum natural ground level of its islands is only 2.3 metres above sea level, making the country vulnerable to an increase in sea levels due to global warming. The remoteness of the country predestines it for people seeking peace and tranquillity and recovery from everyday life.

Tourism development on the Maldives is very much focussed on its natural environment. Remote, quiet islands with palm trees, sandy beaches and an amazingly beautiful marine coral reef environment attract divers as well as sun and beach tourists. The country attempts to complement its product portfolio with spa-services, which are offered in most of the resorts, and by increasingly attracting honeymooners from all over the

world who will appreciate the country's romantic atmosphere and reputation. The mixture of this kind of paradise image and the islands' loneliness is another reason why the establishment of a high quality, luxurious tourism product succeeded on the world markets.

The islands are surrounded by lagoons and reefs, forming natural barriers against the sea. Due to high levels of salt in the soil near the beach, the biodiversity of the land vegetation and wildlife is limited. However, the limited biodiversity is supplemented by the abundance of marine life. The sea around the Maldives is well known for its rich fishing grounds.

The diversity of sea life is amazing, with beautiful coloured corals and over 2,000 species of fish, ranging from reef fish to sharks, moray eels, rays and whale sharks. This has made the idea of boat safaris catch on: This sophisticated activity involves living on a boat for several days and includes daily dives and snorkelling. Additionally and consequently, fishing is traditionally one of the main commercial resources of the country and attracts tourists with the promise of rich sea food dishes.

Although the Maldives may be considered a year-round destination, two seasons dominate the Maldives' tropical climate. Temperatures range from 24 °C (75 °F) to 33 °C (91 °F) and it is quite humid throughout the year. The north-east monsoon from December until the end of March brings about the dry season, while the rainy season from the end of April to the end of October is the result of the south-west monsoon that brings strong winds and storms to the islands. However, the annual rainfall is still moderate for a tropical monsoon climate with averages of 2,540 mm/p.a. in the north and 3,810 mm/p.a. in the south. The monsoon climate is the main driver of the seasonality of tourism arrivals in the country. During the rainy season between May and September, tourism demand usually calms down, while it peaks during the European winter from November until March.

Tourists usually come to the Maldives on package tours booked with a tour operator from their own country. This circumstance is reflected in a relatively long average length of stay of 8.5 days per tourist; the average tourist spending per night amounts to US\$119. Traditionally, Western tourism source markets are the strongest.

The Maldivian tourism economy has grown due to the high concentration of European source markets. Roughly three-quarters of the international tourist arrivals between 2000 and 2009 came from Europe. Prior to the economic crisis, tourism development had been remarkably strong in the country. The pre-crisis year 2007 ended as a historical record in terms of international tourist arrivals growth, which peaked at 676,000 (a 12% increase) generating US\$602 million in receipts. In the same year, tourists from Europe accounted for 73% of all tourist arrivals, whereas tourists from Asia and the Pacific contributed 22%, from the Americas 2% and from the Middle East and from Africa 1%. In 2007, the United Kingdom was the most important single source market (19% of all international tourist arrivals in the country), followed by Italy (17%), Germany (11%) and

France (7%) as well as the two main Asian source markets, Japan (6%) and China (5%). Russia accounted for 5%, Switzerland 4%, the Republic of Korea 3% and India 3%. The concentration on the Western generating markets makes the country highly vulnerable to external shocks due to any economic slowdown in the main market economies.

In 2006, the total population of the Maldives amounted to 298,968 people, of which 93,073 or 31% were aged under 15 and 13,944 or 5% were over 65 years of age. This 'healthy' population condition is also the source of the labour force in the tourism sector. The average population growth rate between 2000 and 2006 was 1.7%; the average household size is 6.5 people. According to the local traditions and norms, children take care of their parents from a certain age onwards. Therefore, most of the elderly live with their children.¹⁰⁴ Nursing homes do not exist. On average, 1.7 additional people are dependent on the income of one employed person.

The official language is Divehi, while English is common in the business circles and in the tourism sector. Islam is the single state religion of the country. The political system of the Maldives is stable and is organised as a presidential republic. In 2008, major political changes took place with the introduction of a new constitution as well as elections for a new president and a new parliament.

Only 200 of the country's 1,190 islands are currently inhabited. Malé is the capital of the country and the only urban area in the country with a population of more than 103,693 who live in an area less than 2km². 70% of the inhabited islands have a population of less than 1,000 people. The country's characteristic geographic fragmentation mirrors the challenges for the still underdeveloped inter-island infrastructural links, with specific regards to regular and reasonable ferry or aeroplane services that could facilitate the movement of tourists within the country. Furthermore, the country is characterised by a widely dispersed population and low population density, which makes delivering social and public administration services to poor and vulnerable groups in the remote atolls very difficult and costly for the government. For this reason, the government has begun to implement regional development and population consolidation programmes and to develop regional growth centres on selected 'focus islands'.¹⁰⁵ These programmes aim at minimising the serious diseconomies of scale that occur when providing socio-economic services to widely scattered populations. The strategy is to encourage the inhabitants of small and remote islands to move voluntarily to larger islands in order to enjoy a better standard of living.

1.2. Economy and Tourism

As tourism constitutes one of the main economic activities in the country and poverty alleviation is strongly evident in programmes such as the United Nations Millennium Development Goals (MDGs), it is not surprising that tourism should be viewed as a vital

¹⁰⁴ MoPND (2008).

¹⁰⁵ MoPND (2002).

strategy to diminish poverty. In 2007, tourism exports accounted for 28% of the Maldivian GDP.¹⁰⁶ With this potential, tourism has been identified as a strategic economic sector, in order to contribute to the achievement of the MDGs in the Maldives.¹⁰⁷

According to World Bank classification, the Maldives belonged to the lower middle income countries with a GDP of US\$1.26 billion and a GDP per capita of US\$3,652 in 2008. GDP growth averaged at about 10% per year between 2000 and 2007, with a remarkable 18% peak in 2006 due to a rebound in tourism and reconstruction following the tsunami of December 2004. GDP growth decelerated between 2007 and 2009 from 7.2% to 3.1% as a result of the global economic crisis.¹⁰⁸

The country has gone through a phase of major economic challenges since 2003. Since 2001, the Maldivian Rufiyaa (MRF) is bound to the US\$ with a fixed exchange rate of MRF 12.8 per US\$. Decreasing tourist arrivals and fish exports and an increase in government spending on social welfare, subsidies, and rising civil servant salaries culminated in a balance of payment crisis, which was eased with a US\$79.3 million IMF standby agreement in December 2009. In consequence, the inflation rate of average consumer prices rose from less than 1% in 2002 to more than 12.3% in 2008 and 4.0% in 2009. The unemployment rate is estimated at 14% of the total labour force of 128,836 people in 2006, with a higher incidence among women (24%) and young people aged between 15 and 24 years (22%).¹⁰⁹

As typical for a small island economy, the Maldives are highly dependent on imports due to the scarcity of natural resources and a lack of a robust industrial basis, making it necessary to import almost all kinds of goods. The country incorporates a number of small industries for shipping, boat building, coconut processing, garments, woven mats, rope, handicrafts, coral and sand mining.

Besides these smaller economic activities, the country's economy heavily depends on tourism, construction and the fishing industry. In 2005, fisheries generated revenue of US\$46.5 million and contributed 7.5% to the GDP, employing approximately 9,300 locals and 1,700 expatriates. Since then, fish production and revenues have constantly been decreasing. By 2009, the fisheries' proceeds had diminished to US\$26.2 million due to various seasonal and environmental factors and an increase in the cost of fuel since 2006. Due to the rise in fuel prices, the efficiency of the industry decreased, which is why fewer fishing trips are made during low catch periods, resulting in a significant decrease of the total catch.

Featuring a large number of government and private housing projects and an increasing number of resorts on the market, the construction sector has witnessed an annual

¹⁰⁶ MoTAC (2009): p. 29

¹⁰⁷ MoPND (2007); UNCTAD (2003).

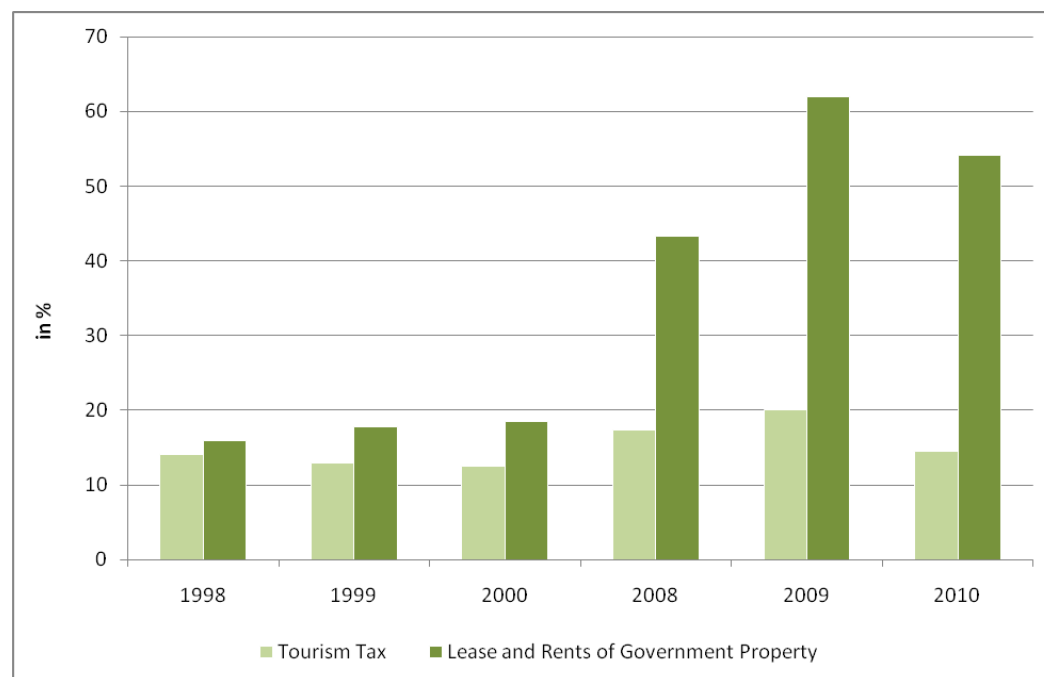
¹⁰⁸ Economic data cited in this section derives from the World Bank (2010b) and from the Maldives Monetary Authority (MMA) (2010).

¹⁰⁹ MoPND (2008).

growth of around 20% since 2005, generating revenues of US\$54 million in 2008. By mid-2008, the increase in international prices of fuel, construction-related materials and labour on the one hand, as well as deteriorating public finances and increasing investment reluctance in the tourism and real estate sector on the other hand, put considerable pressure on the sector.¹¹⁰ In sum, the sector has undergone a severe recession, experiencing a 30% decrease in revenues of US\$38.6 million.

In the pre-crisis year 2007, tourism exports with a total of US\$602 million contributed 28% to the GDP and generated more than 60% of export receipts. In the same year, tourism contributed 38% to the overall government revenue. Tourism-related taxes represent one fifth of government's tourism-related revenues, the remainder being generated by lease rent. Tourism-related government revenues are based on three pillars, the departure tax, the bed tax and the lease rent. The departure tax of US\$12 per person, charged to each passenger departing from Malé International Airport and the bed tax of US\$8 per tourist per day staying in one of the countries' tourist accommodation establishments, contribute to the overall tourism tax revenue, which accounted for approximately 22% of the total government's tourism revenues in 2007. The remaining share of government revenues stems from the lease rent charged by the government for each of the publicly owned tourist resort islands (Figure 40). The lease rent is defined per bed per year in a bidding process of potential investors applying for the lease of one of the publicly owned islands. Therefore, the range of lease rent varies greatly from US\$2,000-US\$3,000 per bed per year to US\$ 25,000 per bed per year in some of the more recent and attractive island development projects.

Figure 40 – Growth of Tourism-Related Government Revenues in the Maldives, 1998-2010



¹¹⁰ UNDP (2009): p. 8.

Source: MoFT (2010), Lease and Rents of Government Property includes to a large proportion “Resorts lease rent” and to a minor proportion “Lease and rents of other government property”

Consequently, a new hotel project with 200 rooms will provide the government with an annual lease rent income of US\$10,000,000. The high level of lease rent is largely responsible for the trend that the Maldivian tourism sector predominantly targets the upper segments of the market. Otherwise it would be impossible for investors to generate enough revenues to afford a lease rent of US\$50,000 per room per year. Given for instance an average annual occupancy of 80%, an investor will have to bear fixed costs of US\$171 in terms of lease rent for every room per night. However, with reference to the taxation system, it is worth mentioning that so far no income tax or general sales taxes have been raised, which means that government income from tourism is only slightly affected by a possible decrease in the income generated by the tourism sector.

Government income from tourism contributes to the overall government budget. However, even though tourism revenues are the main source of government income, the share of government expenditure on tourism is comparatively low. As a result of its economic diversification strategies, the new administration plans to implement policy measures to reduce the country’s dependency on the two major economic activities, tourism and fisheries. As such, the following policy measures taken from the Trade Policy Review¹¹¹ will be put in place to achieve industry diversification in the medium to long term.

Table 6 – Government Tourism Revenue and Government Expenditure on Tourism 2005-2008

	2005	2006	2007	2008
Government revenue from tourism (MRF mn)	911.8	1,776.9	2,525.1	1,969.7
Government expenditure on tourism (MRF mn)	57.4	100.8	111.8	170.8
Share of tourism in total government expenditure	1.0%	1.4%	1.2%	1.6%

Source: MoTAC (2009)

Tourism: As the pivotal sector, the government plans to further expand eco-friendly sustainable tourism based on available resources in a manner that will increase the local added value by encouraging greater local participation. In particular, measures will be put in place to introduce new products such as cultural and health tourism, private islands and international hotel schools to provide world-class hospitality training. The existing regressive tax regime and financing constraints will be addressed to encourage local SME investments and participation in the tourism sector.

Fisheries: As a major employment generating sector, measures will be put in place to expand the scope of the fisheries sector in the country's economy and to address its declining trend in GDP share. With this aim in mind, the market would be further

¹¹¹ WTO (2009): pp. 23-24.

liberalised to enable local fishermen to benefit more directly with fewer intermediaries in the market. While the policy of sustainable fisheries would be continued and promoted to prevent over-exploitation, new measures such as the introduction of marine culture, research and training facilities are being considered to further diversify the sector. In addition, participation of SMEs in value-adding activities within the sector will be promoted. Surveillance of the Exclusive Economic Zone will be strengthened, in order to address existing impediments to the effective management of the fisheries industry.

Agriculture: Agriculture in the Maldives is limited, resulting from the salinity of the soil and due to the small amount of land available for arable production. Nevertheless, as a net food importing country, small scale farming practices will be promoted and encouraged to increase food security and livelihood opportunities for locals. New technology, such as hydroponics and auto-pot cultivation systems, and new crop varieties conducive to the Maldivian climate and geography will be introduced to further diversify the sector. Incentives will be provided to increase production of locally marketable crop varieties, and small-scale value-adding activities will be encouraged in support of SME development activities. Recognising the importance of the sector for domestic food security, the government is considering formulation of comprehensive agribusiness development policies in the immediate future to encourage small-scale industrial development.

Energy: Increasing energy security and diversification is an important policy measure pursued by the new administration. Targeted reduction of the dependency on imported fuel products is being implemented by encouraging the use of and investment in alternative fuels and renewable sources of energy. In addition, the fuel market will be opened up to competition and decentralised service delivery models will be introduced to enhance sector competitiveness.

1.3. Poverty and Vulnerability

According to a 2007 study by the Asian Development Bank,¹¹² many typical characteristics of poverty are not evident in the Maldives compared to other parts of South Asia. Its steady rise in GDP enabled the country to achieve some of the best economic, social and health indicators in the region. The average per capita income of the Maldives is around US\$2,600; the adult literacy rate is 98%; average life expectancy is 72 years; infant mortality is 21 per 1,000 live births; and maternal mortality is 141 per 100,000. The Maldives' Human Development Index (HDI), at 0.75, is the highest in South Asia.

A nationally accepted definition of poverty does not exist in the Maldives. However, for practical purposes it seems feasible to adopt the poverty definition of the Asian Development Bank, which defines a 'low' poverty line with an income of MRF10

¹¹² For the assessment of poverty on the Maldives discussed in this chapter cf. ADB (2007). Data on poverty is not regularly updated on the Maldives. Thus, all references and ratios with regard to poverty data are based on 2005 data.

(~US\$0.78) per person per day and a 'high' poverty line with an income of MRF15 (~US\$1.17) per person per day in the case of the Maldives.

Between 1997 and 2005, the country succeeded in reducing the number of the poor living on the basis of an income of US\$1.17 (MRF15) per person per day from 40% to 16% of the population. Poverty remains a phenomenon spread unevenly within the country, featuring a significantly higher incidence in remote atolls. Islanders in the Northern and Southern-most parts of the country in particular have to live on low incomes. Income distribution in general is highly skewed, particularly in the tourism sector.

Despite progress in poverty reduction, the degree of vulnerability of large groups of the population is quite high. Between 1997 and 2005, more than half of the islands' population moved between poverty classes at least once, many of them moving in and out of poverty, rather than exiting it.

Typically, poor and vulnerable groups live in larger households than the non-poor. Their health status is worse and a larger share of women and people with less education are impacted by poverty – especially if women are heading the household. The vulnerability of households increases if fewer household members are employed and if the amount of remittances from family members is thus lower. Prior to the economic crisis, the probability of drifting into the group of the poorest households was higher if family members were predominantly engaged in the primary and secondary sectors like agriculture, fishing and local manufacturing and was lower when working in tertiary sectors such as tourism, trade and transport or government.

1.4. Development of Resort Tourism

In 1956, the British Royal Air Force began developing their base on Gan in the Southern-most atoll of the country called Addu, employing hundreds of Maldivians and resettling local people on neighbouring islands. After the Maldivian government officially granted the British facilities in Addu Atoll, British troops ceased to be responsible for Maldivian defence in 1965. With the opening of the first two resort hotels with a total of 280 beds in 1972, tourism development, especially on the islands near Malé, gained momentum. Through the abandonment of the British air base a number of well-trained English speaking Maldivians from Addu Atoll moved to the capital where employment chances rose through the on-going tourism development.

Historically, tourism development concentrated on the geographic regions of the Kaafe and Alifu Atolls due to their physical proximity to Malé and its international airport. Up to the present day, the largest share of the hotel capacities is concentrated on these atolls (Map 3). A one island/one resort concept was implemented, aiming at developing non-inhabited islands for tourism purposes. This concept was intended to separate tourists and the local population, in order to mitigate possible negative social and cultural effects on the local community. The development of the tourism sector is heavily supported by the national government, which slightly decentralised the regional development. The

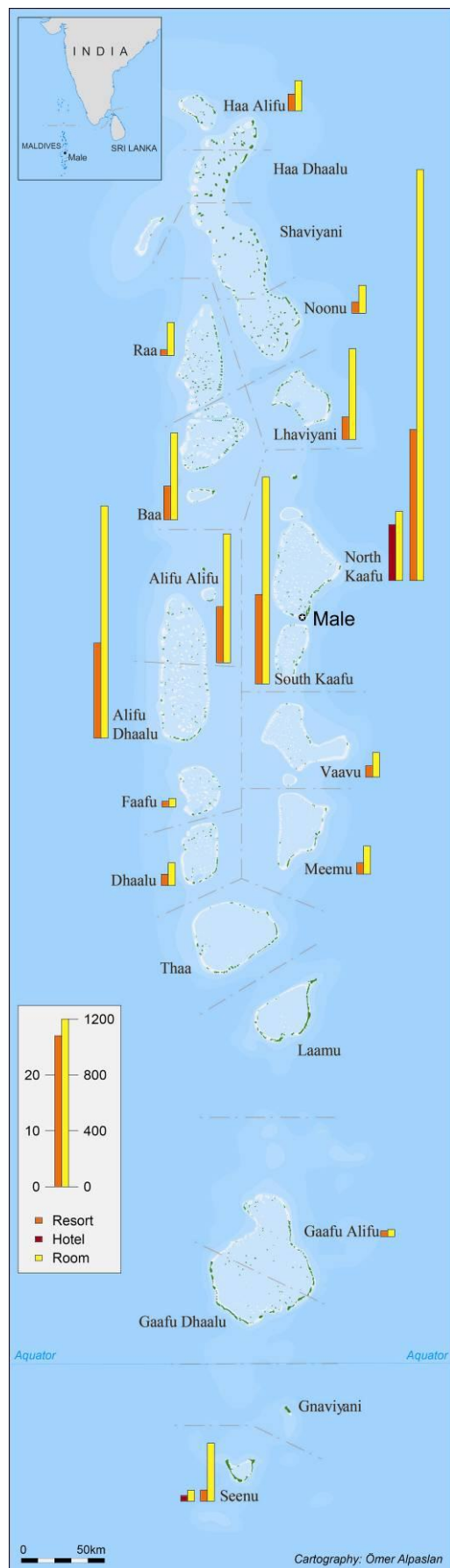
new Third Tourism Master Plan 2007-2011¹¹³ was developed in 2006 and serves as an economic and social development tool. It aims at sustainably developing the sector by adopting environmentally and socially responsible tourism practices. The plan, unlike the two previous ones, stipulates strategies and actions and defines target dates and performance measures for achieving its goals.

According to the government development strategy, publicly owned islands and resorts are leased to operators according to the Tourism Act 2/99 decreed by the Ministry of Tourism and Civil Aviation. Investments in the resort sector have increased over the years. In general, investments have become larger with the market moving increasingly towards the higher end in the past decade. Some recent investments have reportedly been within the range of US\$150 million.¹¹⁴ Until now, 12 out of the 24 Maldivian atolls have been opened up for tourism development.

¹¹³ MoTCA (2006).

¹¹⁴ UNDP (2009): p. 6.

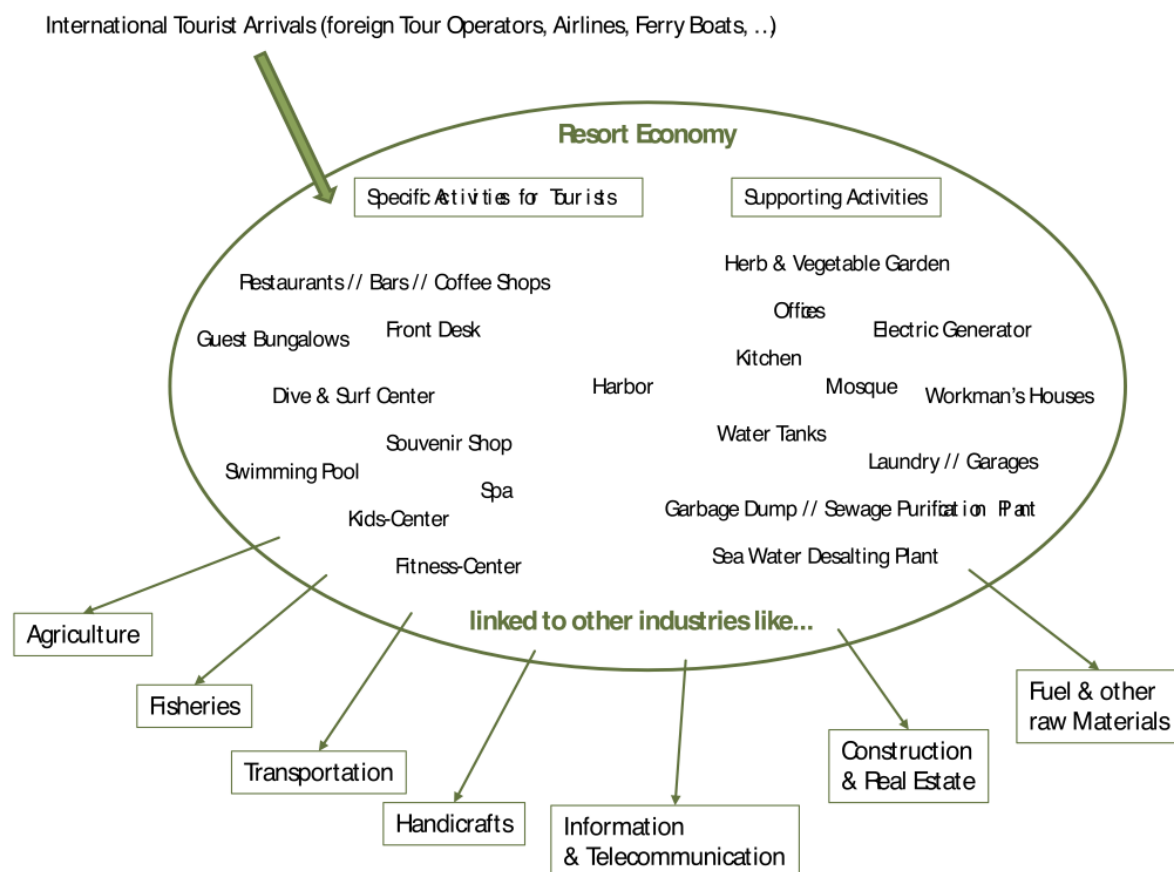
Map 3 – Resort/Hotel Beds and Rooms in the Maldives, 2010



From the early 1970s until 2008, the national accommodation capacity expanded to 13 hotels in Malé, 94 island resorts, 24 guesthouses and 143 safari boats offering a total of 23,464 beds. 29% of the bed capacity in resorts is managed and controlled by foreign companies, whereas local companies as well as joint ventures dominate the operational structure with 52% and 19% of the bed capacity, respectively. In 2009, 67 additional resort hotels entered the planning process or construction phase, generating another 1,186 beds for the market in new resorts, hotels and safari boats. In total, bed capacities increased by 5% to 24,650 beds. Even though the development of supply has been very dynamic in the past, occupancy rates managed to remain highly satisfactory. In the pre-crisis year 2007, the average occupancy of hotels rose to 83%, exceeding the occupancy rate of 81% in 2006. Therefore, the large number of undeveloped islands still entails a high potential for further tourism development.

The resort economy in the Maldives is highly specialised in the luxury market segment and concentrates on a small number of very important source markets. It may also be characterised by a highly complex service and economic structure (Figure 411).

Figure 41 – Economic Links of a Tourism Resort Economy



Each service provided on the resort requires skilled people employed in related positions, e.g. construction workers, front desk officers, kitchen and housekeeping staff, gardeners, bar tenders, waiters, electricians and technicians, diving instructors and managers (see Pictures 1-4)

However, comparing resort economies on the Maldives with other destinations, the situation on the Maldives is peculiar in two ways. First of all, due to the one island/one resort policy, every resort has to build and maintain a self-sustaining infrastructure on its island. Therefore, resorts on the Maldives have to bear relatively high infrastructure maintenance costs, including water supply and waste water management, electricity supply, employee housing etc.

Picture 1 – Ferry Boat Workers at Malé International Airport



Picture 4 – Garden Workers Building a New Garden

Picture 2 – Waiters Preparing Dinner at a Resort



Picture 3 – Service Staff for Tourists' Luggage

Secondly, resorts on the Maldives are highly dependent on the imports.

Due to the small size of the Maldivian national economy, forwards and backwards links from the resort economy into neighbouring industries of the country are limited. Value chain linkages within the country are comparatively underdeveloped. Although tourism's contribution to the Maldives' GDP is enormous, leakages of tourism receipts are also significant. Resorts need to import all kinds of commodities ranging from fuel, food and beverages, furniture and equipment through to construction material. This high import level contributes to the Maldives becoming a rather expensive tourism destination, while it also causes the country's economy and commodity price structure to strongly rely on the state of the international economy.

In this regard, the import level of the Maldivian tourism sector also exposes its economy to external shocks. Specifically, when commodity prices continued rising worldwide culminating in 2006/2007, increasing prices of building materials for construction work as well as gas and fuel for maintaining daily resort businesses put pressure on the cost-structure of the resorts.

The costly infrastructure and import relevance combined with a high level of lease rent result in a comparatively high level of fixed costs. In contrast, employment costs play merely a minor role in the overall cost structure, contributing approximately 15-20% to the fixed costs of the resorts.¹¹⁵ As a result, the resorts on the Maldives must achieve an average 65% occupancy to cover their cost burden, which is a significantly higher number than international benchmarks.

Simultaneously, income, capital gains, value-added-tax (VAT) or corporate tax do not exist in the country.¹¹⁶ Instead, duties are levied on all imported goods with the exception of fixtures, fittings and other building materials for the construction of the resorts. Thus far, the liberal fiscal policies in the Maldives rely on the assumption that foreign businesses are able to repatriate 70% of their turnover, whereas expatriates are allowed to repatriate 100% of their salaries.

1.5. Structure of the Maldivian Tourism Labour Market

Overall, tourism has great potential to offer income as well as employment through its labour intensity and the opportunities for small-scale businesses, while it also provides opportunities to geographic areas that are economically disadvantaged because of their remote location such as the Southern and Northern-most atolls in the Maldives.¹¹⁷

In 2006, the 13 hotels and 94 resorts operating on the islands employed 12,090 Maldivian people.¹¹⁸ This represents about 9% of the total domestic employment rate. Furthermore, hotels and restaurants employed 3,462 expatriate workers and foreign

¹¹⁵ Interviews with Hotels and Resort Managers and representatives of MATI.

¹¹⁶ Jamal & Lagiewski (2006).

¹¹⁷ Yamakawa (2007).

¹¹⁸ Domestic employment data refers to census data from 2006 (MoPND 2008). Regular continuous updating of domestic employment data does not exist.

employees as of December 2007.¹¹⁹ This constitutes 22% of the total number of employees in hotel and resorts and 5% of the total of 70,075 foreigners working in the country. Even though this represents a large proportion of the jobs in the country, one has to consider several structural specifics in the general Maldivian labour markets.

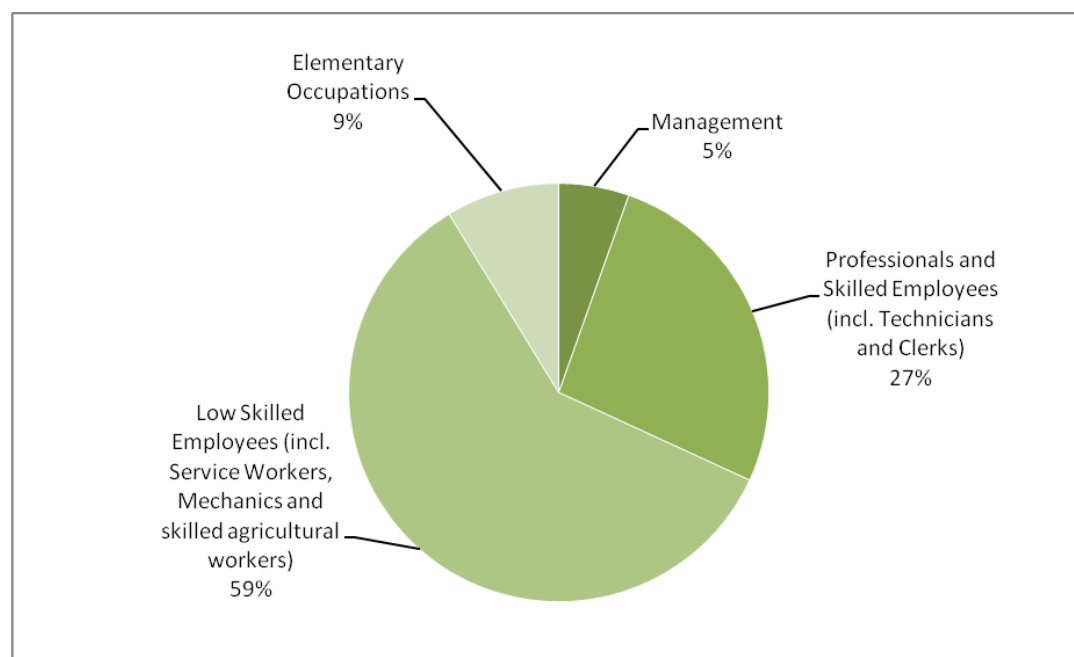
First and foremost, the gender imbalance is of particular relevance. The share of male workers is significantly larger than that of female employees in almost every economic sector. Apart from the agriculture/forestry and manufacturing sectors, this gender ratio has remained fairly stable only in the civil service sector, including community and social services, which geographically is situated mainly in the capital Malé. With the exception of the fishing sector, the most unequal gender ratio may be located in the hotels and restaurant sector, where only 12.5% of all employees are women.

Thus far, reasons for this kind of discrepancy may be found in the absence of suitable on-site resort accommodation for women, a traditional lack of familiarity with the tourism sector as well as the lack of public activities to encourage women to work in this sector. Today, Maldivian women mainly work in Malé tourism offices, in front office positions in hotels, restaurants or resorts as well as in unskilled maintenance employment such as ground cleaning. Maldivian men still favour traditional occupations in boat crews but are also employed in significant numbers as waiters, bar tenders or cleaners. The latter occupations are quite desired, as they offer contact with the tourists, thus being promising sources for tips.

The largest share of Maldivians working in hotels and resorts are low-skilled employees (59%) – most of them trained on the job as service workers, waiters, cleaning personnel or cooks. Taking into account that another 9% have elementary or unskilled occupations, more than two thirds of the Maldivian resort labour market is occupied by low-skilled employees, while 5% of the employees belong to management and 27% to skilled occupations (Figure 42). However, the large share of low and unskilled Maldivians further subjects the labour market to high dependency and vulnerability.

¹¹⁹ In contrast to domestic employment data, data on expatriate employment is regularly updated by the Ministry of Human Resources, Youth and Sports (MoHRYS). All expatriate employment data cited in the report refers to data which was provided directly by the Ministry.

Figure 42 – Share of Maldivians Employees in Hotels and Resorts by Occupational Skill Level (2006)



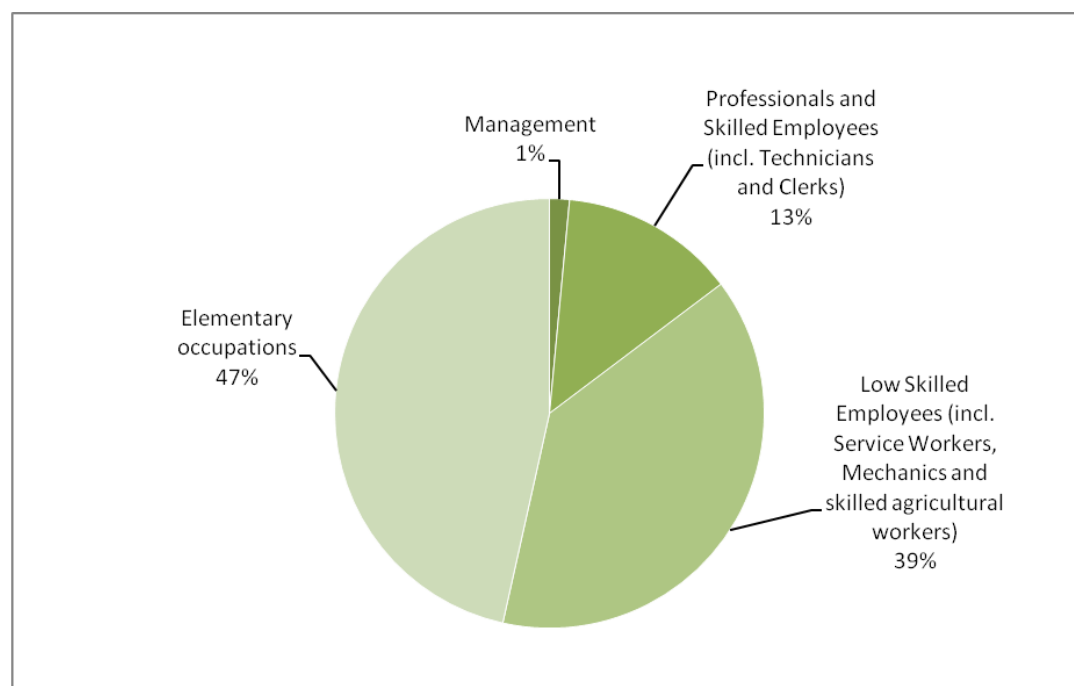
Source: MoPND (2008)

The large proportion of foreign workers may be identified as the second structural characteristic in the Maldivian labour market. At the moment, expatriate workers, mainly from Asia, occupy one in every four positions. Foreign employees are largely recruited from Bangladesh (39,383 or 50% of the total foreign labour force in 2009), India (22,259 or 28%), Sri Lanka (8,905 or 11%) and the Philippines (1,111 or 1%). More than others, they have suffered from the severe decline in low-skilled occupations, such as service or construction and craft related positions.¹²⁰

Depending on the sector, foreign workers usually initially receive a two-year-contract with an annual renewal option. In almost every sub-labour market of the private industry, the segmentation is similar: expatriate workers predominantly occupy either elementary, low-skilled blue-collar and service jobs or high-skilled white-collar jobs (Figure 433), whereas Maldivians are relatively over-represented in the middle segment.

¹²⁰ Source: MoHRYS (2010)

Figure 43 – Share of Foreign Employees/Workers in the Maldivian Labour Market by Occupational Skill Level (2007)



Source: MoHRYs (2010)

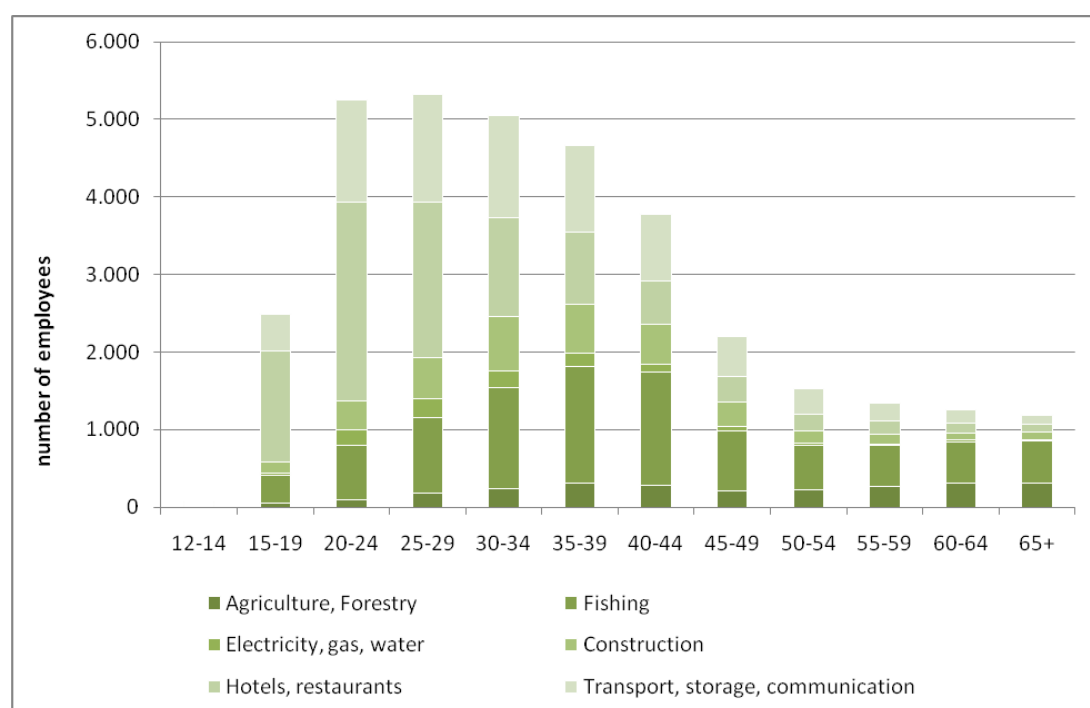
By December 2007, almost every fourth employee in Maldivian hotels and resorts was a foreigner. Within the Maldivian labour market, expats fill most of the blue-collar positions for unskilled people. They are predominantly hired from Bangladesh, Sri Lanka, the Philippines or India. This high relative share of foreigners in blue-collar jobs is a result of the Maldivians' lower interest in working as kitchen staff or in other positions with no or low tourist contact due to the limited opportunities for receiving tips. Trained people particularly in the hotel/resort business sector often regard the Maldives as a stopover to embellish their CV, taking their acquired knowledge and experience with them. The corresponding brain-drain from the country presents a problem yet to be solved. A significant lack of trained local staff still presents high opportunities to skilled foreigners in key managerial positions, thus reinforcing the segmentation of tourism labour markets. The example of diving instructors demonstrates that they are increasingly hired from abroad, since tourists from more and more source countries demand language and cultural proximity.

As stated earlier, jobs offering opportunities of direct contact with tourists are highly desirable as a source of additional income.

A third structural characteristic is determined by the age pattern of employed people (Figure 44), which mirrors the age structure of the Maldivian population and indicates that the largest proportion of employed people belong to the younger age groups, particularly within the 20-39 age bracket.

A significant, but hardly quantifiable share of irregular employment constitutes the fourth structural characteristic of the Maldivian labour market in tourism.¹²¹ Unfortunately, official data on irregular work are not available at the moment, as the Maldivian government introduced formal employment regulations only a few years ago. Hence, irregular employment on the Maldives' Islands does not officially exist anymore. However, anecdotal evidence from interview partners proves that, particularly in construction but also in the hotel and resort sectors, irregular “under the table” work is prevalent. Irregular workers are the most vulnerable group during crisis periods and are therefore likely to be among the first people to be laid-off. Unemployment among people belonging to this invisible labour pool is not considered in official statistics and trustworthy estimates are therefore difficult to make.

Figure 44 – Age Groups of the Current Maldivian Employment



Source:

MoHRYS (2010)

Individual salary structures within the tourism sector are generally comprised of tips and service charges on top of the agreed weekly/monthly payment. For example, in most island resorts, a 10% service charge is added to each tourism service, including accommodation, restaurant services and other tourism activities. Data obtained from one of the resorts indicate that 99% of the total service charge is distributed among the employees, whereas only 1% remains with the company to cover administration costs. Each employee receives the same absolute share of the overall service charge revenue. Hence, the amount of the service charge contributes significantly to the income of employees, especially of the least qualified, because the ratio of the service charge to their wages is relatively high, as illustrated by the following example:

¹²¹ Cf. The definition of informal employment: ILO (2004).

A cleaner or a waiter without job experience receives an average monthly salary of about US\$250 (approx. MRF3,500). In the pre-crisis year 2007, the service charge might add another US\$250 (approx. MRF3,500) to this employee's pay packet in a good month. Including tips, a waiter might therefore earn a monthly salary of more than US\$500 (approx. MRF7,500).

2. The 2008-2009 Global Economic Crisis and its Impact on the Tourism Sector

Like several other small island nations, the Maldivian economy is highly open and extremely vulnerable to exogenous shocks, partly due to its reliance on sectors dependent on international conditions for growth. On the one hand, the tourism sector is usually one of the first sectors to be impacted following any external crisis. The Maldives experienced negative impacts from natural disasters like the tsunami in December 2004 and was indirectly hit by the impacts of the terror attacks on September 11, 2001. On the other hand, the Maldives' tourism sector also benefited from the 'diverted traffic' in response of the Bali bombings in October 2001. Following notable growth (since the post tsunami decline in arrivals), it is therefore not surprising that exogenous shocks such as the 2008-2009 financial and economic crisis and the increased fear of travelling related to the H1N1 pandemic in 2009 also negatively impacted on tourism in the Maldives. This negative impact has an effect on other economic sectors in the country such as distribution and trade, construction and transportation or fishing, which are closely linked to the performance of the tourism sector.¹²²

2.1. International Tourist Arrivals and Receipts

In general, the impact of the economic crisis is lower than the relevant and sudden decline experienced by the tourism sector in 2005 (-35% of tourist arrivals), in the wake of the Indian Ocean tsunami. This difficult situation in 2005 was followed by a quick rebound in 2006 and full recovery in 2007. The impact of the economic crisis affected the Maldivian tourism sector in the second year of recovery, with a smooth but steady decline. In the first half of 2008, the performance of the sector was, however, still very satisfactory.

From July 2008 onwards, international tourist arrivals to the Maldives started to decline regularly, although the country managed to maintain the average length of stay of 8 to 9 days per tourist.¹²³ Even though the growth of tourist arrivals decelerated in 2008 (1%),¹²⁴ tourism receipts still grew by 10% due to an increase in the average spending per tourist night (Table 7). The crisis hit the Maldives fully in 2009, when tourist arrivals

¹²² UNDP (2009): pp. 6-7.

¹²³ UNDP (2009): p. 16.

¹²⁴ If not indicated otherwise, statistical data in this section derives from MoPND (2000); MoTAC (2009) and MMA (2010).

dropped by 4%. Bed-nights growth rate dropped from 12% in 2007 to 3% in 2008, while it reached an all-time low of minus 6% in 2009.

Table 7 – Maldivian Tourism Development between 2007 and 2009

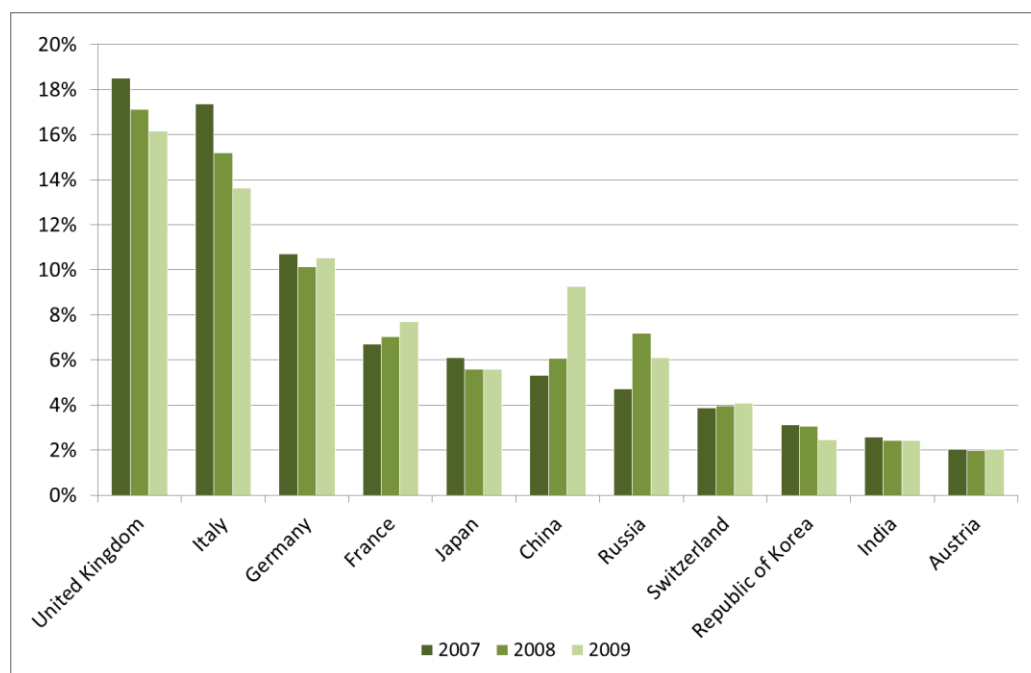
	2007		2008		2009	
	absolute	change 2006/07	absolute	change 2007/08	absolute	change 2008/09
International tourist arrivals	675,889	12.3%	683,012	1.0%	655,852	-4.0%
Accommodation capacity (number of beds)	22,187	8.2%	23,464	5.7%	24,650	5.0%
Tourist bed nights	5,293,224	9.7%	5,446,937	2.9%	5,146,970	-5.6%
Average length of stay (days)	8.5	6.3%	8.0	-5.9%	8.6	7.5%
Hotel occupancy	82.8%		77.8%		70.2%	
Tourism receipts (US\$ mn)	602,4	17.6%	663.6	10.2%	608.3	-8.3%
Average spending per tourist night (US\$)	113,8	7.2%	121,7	6.9%	118,2	-2.9%

Source: MoTAC (2009); UNDP (2009): p. 16

Since the main European source markets for the Maldives were severely impacted by the economic slowdown, many tourists from European countries refrained from long-haul travelling. Tourist arrivals from Europe decreased by 7% and contributed to the decline of tourist arrivals and beds per night in the country between 2007 and 2009. Particularly the decline in tourists from United Kingdom (-15%), Italy (-24%) and Germany (-5%) aggravated the negative impact of the crisis on the tourism economy on the Maldives (Figure 45). These markets are not only the most important generating markets in the Maldives but contribute solidly to the average spending per tourist night. According to industry managers' experiences¹²⁵, the average spending per night by European tourists is significantly higher than that of tourists from other markets as they usually generate a higher consumption of additional services, for example drinks in the evening or spa and wellbeing activities. Therefore, the decline of tourism receipts by 8% between 2008 and 2009 significantly exceeds the overall decrease in tourist arrivals. However, the negative impact of the crisis would have been even more severe if it had not been possible to achieve a significant growth of tourist arrivals from other source markets such as China (+69%) and Russia (+26%) between 2007 and 2009.

¹²⁵ An official analysis of data on average spending per tourist night by nationalities is not available on the Maldives. However, many of the industry managers interviewed, all of whom possess extensive work experience in various hotel companies within the country, agreed that the average spending per tourist night by European travelers is in general significantly higher than those from other regions.

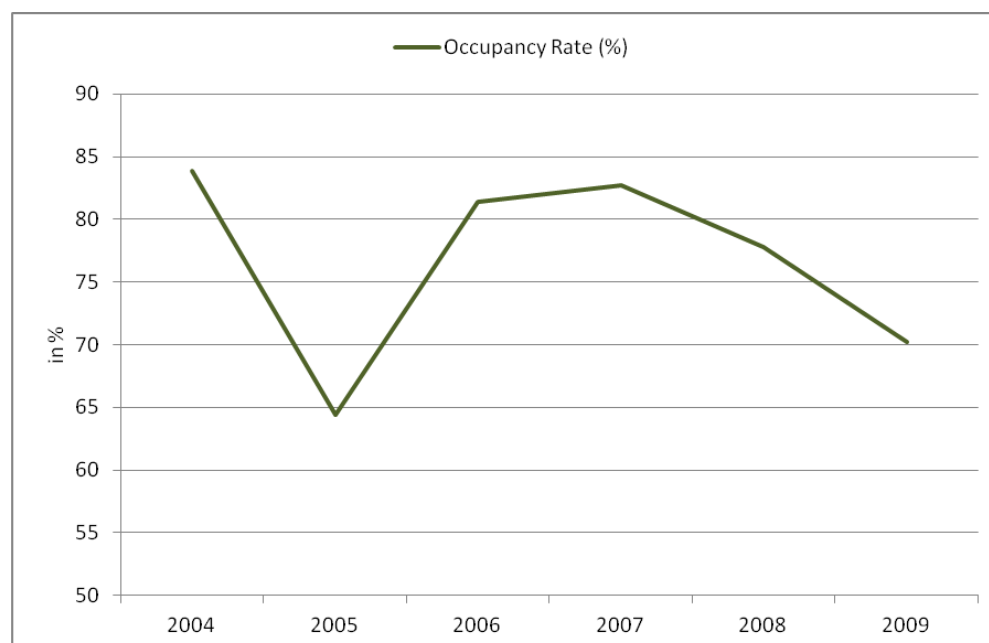
Figure 45 – Market Share by Country, 2007-2009



Source: MMA (2010)

The negative impact of the crisis on hotel occupancies was aggravated by the development of hotel capacities. Cumulative bed capacities in resorts, hotels, guesthouses and safari boats grew by 6% in 2008. Due to two additional properties becoming operational during the period, the overall bed-capacity of the Maldives amounted to 23,464 units in that year, almost entirely provided by resorts and hotels. In 2009, the Maldives' bed-capacity increased by an additional 5% to 24,650 units. The expansion of hotel and resort capacities concurrent to the slowdown and subsequent decrease in demand explain this rather large decline in hotel and resort occupancy which is manifested in a decrease from 82.8% in 2007 to 70.2% in 2009 (Figure 46).

Figure 46 – Growth of the Resort and Hotel Occupancy Rate in the Maldives 2005-2009



Source: MoTAC (2009)

Nevertheless, not all resorts have faced similar negative impacts; some properties have been witnessing robust arrivals, perhaps attributable to the availability of various levels of price and accommodation, and diverse source markets.¹²⁶

2.2. Resort Economies

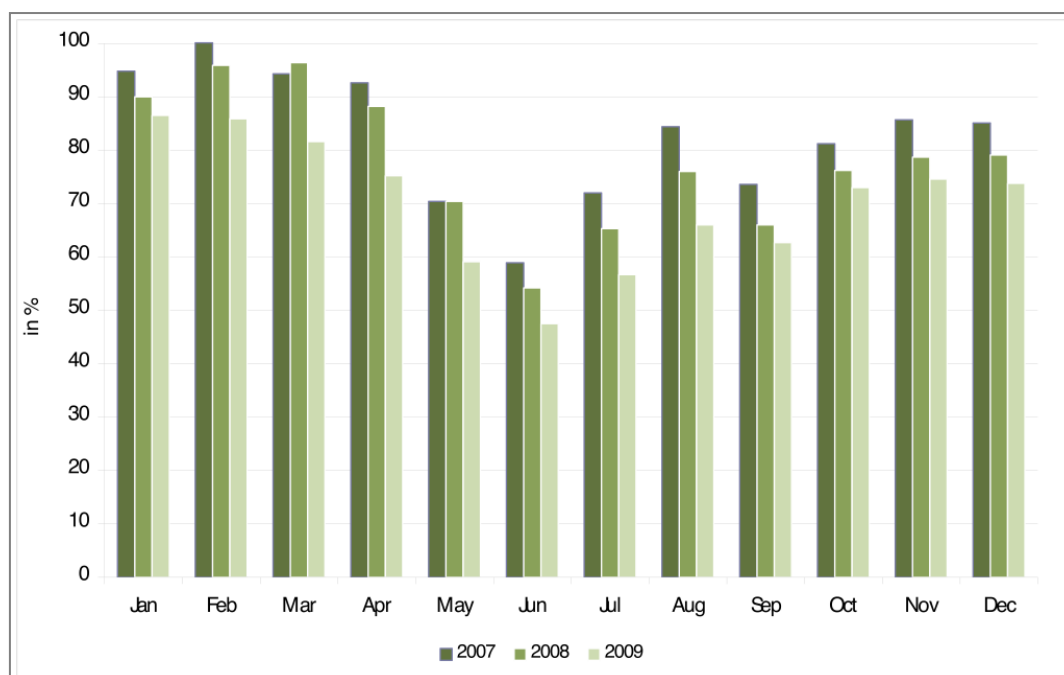
Due to decreasing tourism demand and the resulting decline in the average spending per tourist night, a growing number of hotels and resorts did not only have to cope with a decreasing profitability but increasingly faced the danger of running up losses since mid-2008 (Figure 47), when occupancy rates dropped to 54% in June and 65% in August. Even though occupancy rates recovered again during the high season between September and March, the ensuing profits were not able to compensate for previous years, since they remained comparatively unsatisfactory given the usual high level of occupancy rates during the winter. Moreover, between May and September 2009, the average hotel occupancy did not suffice to exceed the critical level of 65% (see Introduction), in order to cover the fixed costs of the resorts.

Unfortunately, it is not immediately possible for the resorts to influence a large proportion of these fixed costs. Moreover, investment depreciation, the amount of lease rent, expensive infrastructure maintenance costs and high import dependency can hardly be negotiated. Therefore, cost reduction attempts concentrated on a reduction in consumption (e.g. electricity and water) and services (e.g. closure of restaurants and a reduction in the frequency of airport transfers) and also impacted significantly on employment. Even though the payroll only accounts for approximately 15-20% of the

¹²⁶ UNDP (2009): pp. 15-16.

fixed costs in the resorts,¹²⁷ and although measures to reduce the payroll therefore have a limited impact on the overall performance of the resorts, employment expenses are one of the rare cost factors where resort management can be at all flexible. Chapter 3.1 and 3.2 will elaborate on the business crisis mitigating measures and its impact on employment in more detail.

Figure 47 – Monthly Occupancy Rates in Maldivian Hotel and Resorts 2007- 2009 (in %)



Sources: MoTAC (2009); MoPND (2010)

Even though links from the resort economy into neighbouring industries are still underdeveloped due to the high import level of the tourism sector, the impact of the decrease in demand on the countries' overall economic development has been severe. The Minister of Finance and Treasury brought the double-sided impact of any crisis situation affecting the tourism sector, to the fore, when he stated:

“When the crisis hit us, our revenue dropped sharply. Any drop in tourism means a double hit to the government. One is the tourism payments that you have coming from the tax or the bed night tax because the number of bed nights will decline and the number of tourists entering the country will decline. You also have a huge retailing sector that depends on tourism: the transport sector depends on tourism and the construction industry depends on tourism. Either they construct new resorts or they refurbish an older one. There will be cuts in all these sectors; refurbishing will no longer be carried out, no-one will undertake any additions, extensions or maintenance and anything that is carried out will be reduced to a minimum. Therefore our receipts from the import duty will decline as much as the tourism sector declines. Revenue went down

¹²⁷ Interviews with Hotels and Resort Managers and representatives of MATI

to 5 billion, which is almost 2 billion less. If you look at the deficits, you can see that they have increased by 26% last year” (03 June 2010).

Accordingly, tourism related sectors among the supply chains of the resorts have been impacted by the decrease in demand within the resorts. However, most of those losses affected imported goods such as alcoholic drinks, sparing the national economy of the Maldives because of the import dependency of its tourism sector (see chapter 2). Concurrently, tourism related imports declined by 9% in 2008 and by more than 30% in 2009.¹²⁸

Nevertheless, deficits may have occurred in the local demand for fish and agricultural products. Quite surprisingly, however, the agricultural sector did not experience any losses in 2008 and 2009; instead it was able to maintain its growth in revenues. Unfortunately, the condition of the fishing industry was not that robust. Fish is one of the major goods offered to tourists in food and beverage outlets. At a first glance, it therefore seems likely to presume a negative tourism induced impact on the local fishing industry. However, the decreasing amount of fish caught since 2005 by far exceeds the decrease in tourism demand and makes further negative tourism-induced effects on the livelihood of people working in the fishing sector unlikely.

In the construction sector, the impact of the crisis attributed to a decline in the tourism sector is not as plain, either. The current reluctance to invest in construction and maintenance by the Maldivian resorts is only partially driven by the global economic crisis. Interview partners stated, for instance, that resorts are currently facing limited access to investment loans from local banks due to the country’s recent balance of payments predicaments. The interference of various negative trends within the construction sector (see Introduction on the structure of the Maldivian economy) seems to make it impossible to distinguish the crisis induced decrease in construction demand in the tourism sector from other potential impact sources. These methodological problems are made more complicated by the fact that the number of resorts under construction is still growing. Although the construction sector has undoubtedly suffered from the decline in tourism, tourism sector representatives and officials have not been able to provide estimates on the potential loss of additional revenue and to quantify the negative impact of the tourism related investment decrease on the construction industry.

¹²⁸ UNDP (2009): 17.

3. The Impact of the Global Economic Crisis on Tourism-Related Labour Markets

The decrease in tourism demand and the decline of hotel occupancy impacted on the labour market in various ways. Managerial responses and declining service charges and tips impacted on employment and income levels and significantly influenced the livelihood of poor and vulnerable groups employed in the sector.

3.1. Managerial Response Strategies

The declining profitability of the resorts forced resort managers to react, in order to mitigate the impact of the crisis and to introduce cost reduction measures. Since a large proportion of the costs is not flexible and cannot easily be adjusted according to a resort's performance, managers were forced to diminish the cost for the payroll of the properties. In several interviews with key players, it was stated that in some resorts a reduction of staff was implemented as a cost-cutting tool by the management, which in turn affected employment in both the lower and the higher segments of the labour market. Even though only a limited number of establishments actually had to let some of their employees go¹²⁹ the reduction of staff is still quite significant.

Members of the Tourism Employees Association of Maldives (TEAM) stated that according to their own survey, nearly 800 foreign and local jobs in the tourism sector were terminated between July and December 2009 alone. Other key people from MATI or LAM report that disproportionately more management positions were affected, even though most cuts had to be made in low and unskilled positions like those of waiters and room cleaners. Since the latter represent two thirds of the labour force, a significant reduction of the payroll is only possible by also reducing the large number of low and unskilled employees. However, no official statistics exist, making it difficult to give reliable numbers on this issue and increasing the necessity to be careful about revealing the data.

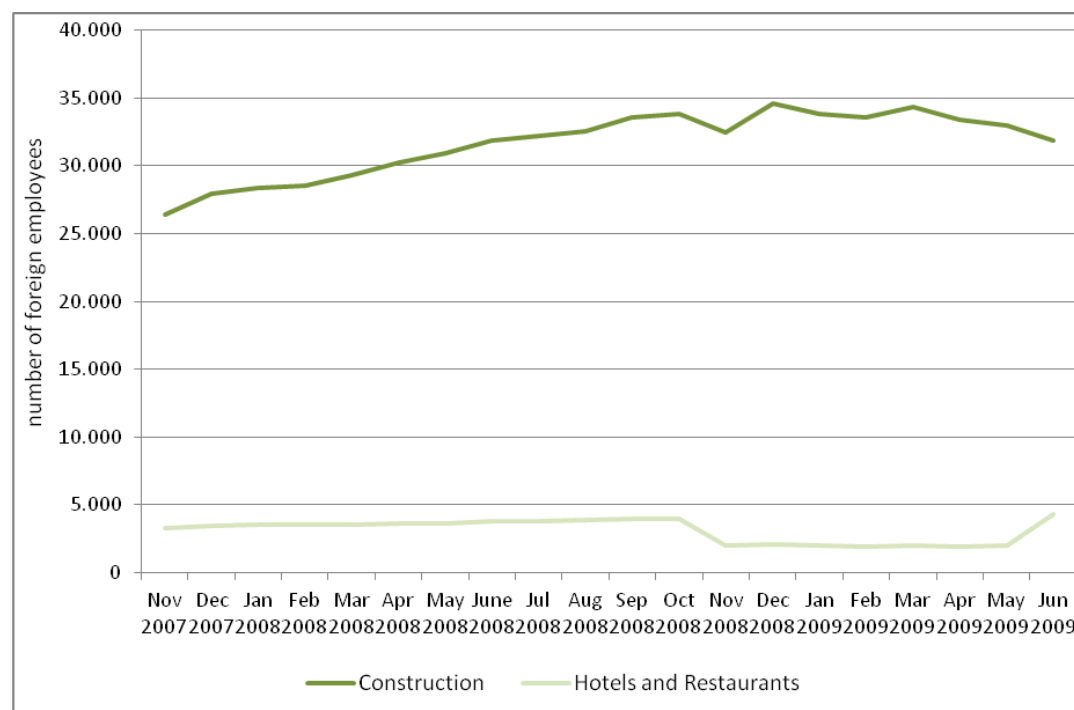
Nevertheless, interviews with managers suggest that the hotel and resort managements largely attempted to prevent immediate lay-offs of expatriate workers, in order to avoid the high compulsory displacement costs for sending those workers back to their home countries. This is why the number of expatriates employed in the sector only decreased dramatically following the regular expiry of their contracts (Figure 48). Employment contracts are usually renewed annually. That fact enabled employers to reduce their staff comparatively quickly. In the pre-crisis year of 2007, 3,462 expatriate workers were employed in hotels and restaurants. This number decreased in 2008 to 2,039 and in 2009 to 1,985 employees – a cut of 44% between 2007 and 2009.¹³⁰

¹²⁹ Information received in interviews with representatives of MATI, UNDP and resort managers.

¹³⁰ Analysing the development of expatriate employment within the sector, the sharp decline and increase of the number of expatriate workers is conspicuous. Although officials of the MoHRYS have not been

Considering that foreign workers usually occupy lower positions and therefore receive lower incomes, this decrease of employment heavily impacted on one of the most vulnerable groups employed in the tourism sector. Even though current official numbers of the development situation of Maldivian employees within tourism do not exist¹³¹, it is likely to assume that there has also been a decrease of jobs, although it was probably not as severe as for the foreign labour force.

Figure 48 – Growth of Foreign Employees by sector, November 2007- June 2009



Source: MoHRYS, 2010

However, based on estimations of hotel and resort managers that an overall 10% decrease in local employment is likely, it is reasonable to assume that approximately 1,200 Maldivian employees may have lost their jobs. Considering that there is no unemployment insurance or welfare scheme on the Maldives and that on average 2.7 people are dependent on only one income, 2,100 additional people have lost their major source of income. This will particularly affect children due to the demographic structure of the country. According to statistics, the average household size in the Maldives is 6.5 people.¹³² Based on this number, another 4,500 people living together with the laid-off employees in the same household would suffer from a decline of the household income.

able to explain this remarkable pattern, a possible explanation may be seen in the termination of fixed-term contracts with contract periods paralleling the seasonality of the sector. Particularities in the procedure of statistical data collection may be another possible explanation in this regard.

¹³¹ Data on Maldivian and expatriate employment within the tourism sector is collected by different national authorities. Whereas foreign employment is monitored on a monthly basis by the Ministry of Human Resources Youth and Sports, data on national employment is collected by the Ministry of Planning and National Development as part of the Population and Housing Census, which is only sporadically updated. Therefore, more recent data or a complete time series monitoring the development of national employment does not exist.

¹³² MoPND (2008).

In sum, it can be assumed that approx. 7,800 people on the Maldives faced a reduction of household income as a result of an increasing level of unemployment in the tourism sector. This represents 2.5% of the population. Even though statistically, each household depends on 2.4 incomes on the Maldives, the number of dependent people is quite high. Responses to a standardised employee's survey¹³³ indicate that 46% of the employees had to share their income with four or more people (Figure). Under these circumstances, it seems to be within reason to presume that the level of vulnerability to poverty has risen for a significant number of households as a result of one of their incomes having been discontinued due to the lay-offs in the industry.

Even employees who were not directly affected by unemployment have suffered from the management measures taken in response to the impact of the crisis. Managers interviewed acknowledged various additional cost-cutting measures, which impacted on employees' income. They encouraged their staff to take their holiday during low season, reduced the amount of working hours or gave staff unpaid holiday leave. Furthermore, management refrained from hiring new employees.

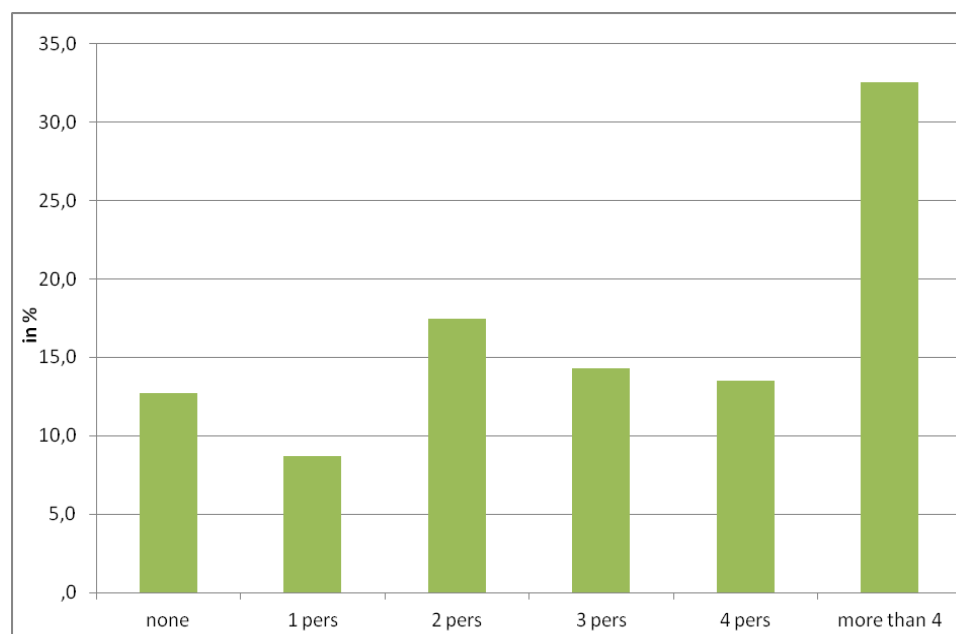
The results of the standardised survey corroborate the findings and estimates presented. Reductions in income were reported by 12% of the employees interviewed. Moreover, it is worth noting that married employees and employees with children more often report reductions of income than single people. 21% of married employees and 25% of employees with children have had to cope with a loss of income, whereas only 6% of singles and 7% of employees without children report income losses.

However, even those employees who have not been affected by such managerial crisis responses suffered due to the crisis. Hotel companies were either able to take advantage of the crisis or were not able to increase salaries. Due to the fact that wages remained stable and average consumer prices increased by approximately 17% between 2007 and 2009¹³⁴, employees experienced a sharp decrease of purchasing power compared to the pre-crisis level.

¹³³ The survey was carried out in June 2010 and comprised 126 participants with a share of 79% male and 21% female employees, among whom 36% were under 25 years old, 50% 25-40 years old, and 15% 40 years and older. Due to the low number of cases and the variety of island resort strategies, this is not a representative survey.

¹³⁴ MMA (2010).

Figure 49 – How Many Other People Depend on One Income?



Source: Own Survey in two large Holiday Resorts

The tourism sector is not as deeply connected with the rest of the local population as may be expected, considering that each resort has historically been developed on a separate island with its own supporting infrastructure, while there has been little development of the human resource capacity on the islands to a level required to meet the needs of this high end market.

Since the impact of the declining tourism demand on linked economic sectors is not evident (see chapter 3.2), it is unfortunately almost impossible to quantify the negative impacts of the declining tourism market on the employment situation in connected economic sectors and their labour markets.

3.2. Impacts on Employees in the Resort Labour Markets

For local employees, the decrease in tourist arrivals, the change in the share of the generating markets and the general reluctance to additional spending within the resorts, resulted in a continuing sharp decline in potential tips.¹³⁵ As suggested earlier in this report, tips are an important share of the total monthly income. The standardised survey conducted with resort employees indicates that almost one third of all employees usually receive tips (28%). Even though this ratio may not be representative of all employees in the sector, it clearly demonstrates that the decrease in tips impacted on a large number of employees.

¹³⁵ According to the ILO Convention 172 (Recommendation 179), (1) the term tip means an amount of money given voluntarily to the worker by a customer, in addition to the amount which the customer has to pay for the services received. (2) Regardless of tips, the workers concerned shall receive a basic remuneration that is paid at regular intervals.

However, the development of the statutory service charge of 10% (see Introduction) on the consumption of goods and services on site also negatively affected the employees' income. The amount of service charge declined disproportionately sharply because of the low occupancy rate. In addition, the change in major source markets further aggravated this negative impact. Since tourists from the main European markets who were still travelling tried to save money by spending less on their consumption in the resorts, and tourists from non-European markets usually spent less during their stay in general, the average volume of service charge declined. Given that tourists' spending on accommodation did not decline accordingly, this effect is only partially apparent in the slight decrease of average spending per tourist night. Therefore, the combination of the structural shift in main generating markets as well as the declining occupancy rate during the crisis impacted heavily on the amount of service charge, which in sum indicates a clear deterioration of wages.

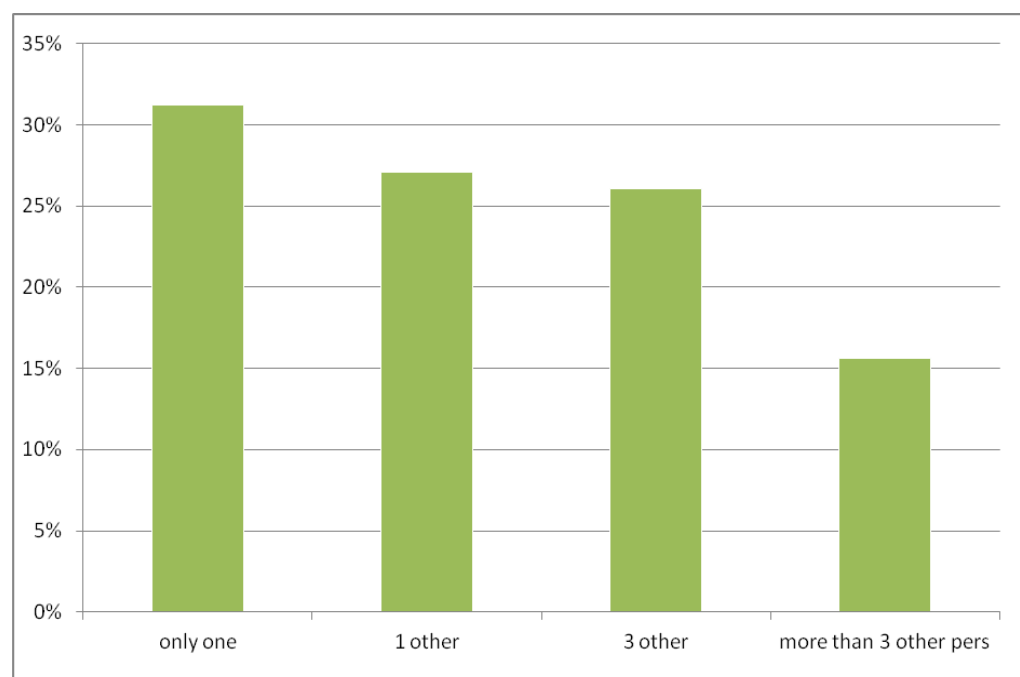
According to general and accounting resort managers who were interviewed, the amount of service charge contributing to the employees' income prior to the crisis might have been around US\$250 (approx. MRF3,500), while the volume of service charge declined to between US\$100 and US\$190 (approx. MRF1,500 to MRF2,800) per month at the height of the crisis. Assuming a fixed monthly salary of about US\$250 (approx. MRF3,500) for a cleaner or an inexperienced waiter, this is an equivalent to a loss of income of about 20 to 30%. Because each employee receives the same absolute share of service charge, its contribution to the income of low-level jobs is disproportionately high. Therefore, the large proportion of less educated and trained employees suffered most due to the decline in tourism demand in the resorts. In view of an estimated 1,200 of the 12,000 Maldivian employees in hotels and resorts losing their jobs during the crisis and 68% of the remaining 10,800 Maldivian employees working in elementary or low-skilled jobs (cf. section 2), the reduction of the service charge impacted heavily on the income of approximately 7,350 Maldivians working in the sector. Considering that on average 6.5 people belong to one household, it can be assumed that the livelihood of 47,775 Maldivians or 16% of the population has been significantly and negatively affected owing to the decrease in service charge.

Yet, TEAM-representatives claim that management departments put their employees under pressure by not following the labour law. They stated that many locally owned Maldivian resort managements stopped paying the 10% service charge to their employees and also delayed salary payments to them. In addition, they started to pay the salary in MRF instead of US\$ to both foreign and local employees. Although it is not possible to evaluate to what extent such illegal actions have been responsible for a negative impact on employees' income, it seems that such practices are not isolated cases.

The data collected on the development of the service charge gains even more significance, if one considers the average number of wage earners per household as Figure 49 depicted for the example of two resorts. In 42% of all 126 cases three or more

people depend on one income in the blue-collar category. If tips and service charge are subject to the amount of the above mentioned decreases, there will be a number of families who will suffer tremendous cuts in their daily lives, be it medical care (see chapter 3.4) for family members, higher education fees for children, travel opportunities between the islands or even stable food supply.

Figure 49 – Wage Earners per Household



Source: Own Survey in Two Large Holiday Resorts

3.3. Estimates of Employees Finding a New Position during the (Post-) Crisis Situation

Estimates regarding the chance of finding a new job within the sector after becoming redundant provide insights into the ability of people and the sector to cope with the shock resulting from the global economic crisis. Therefore, it is a critical part for assessing the impact of the economic crisis on the vulnerability to poverty of tourism employees. Furthermore, the estimates regarding different groups of employees having the chance of finding a new job contributes to link the macroeconomic with the household level.¹³⁶

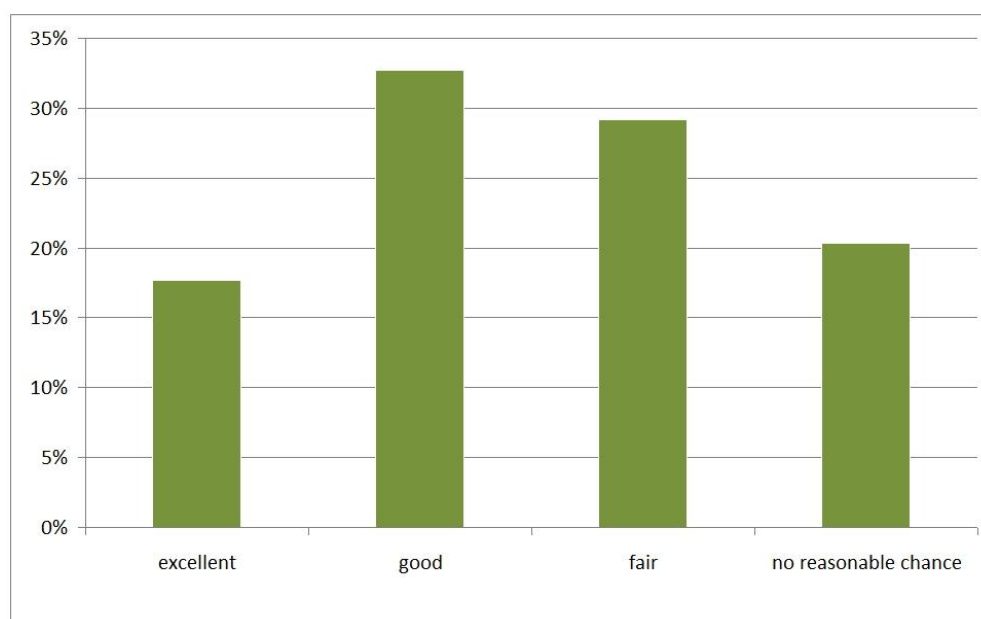
When looking at employment and household poverty, it is obvious that less and less diversified employment of people in one household result in an increasing dependency of households on the performance of the sector they work for. If a household income or employment source becomes unstable, it will certainly impact the well-being of the entire household. A coping strategy for reducing such kind of vulnerability is to have multiple

¹³⁶ Taken together, chapter 1.10 und 1.11 are therefore addressing one of the major concerns and aims of the RIVAF-program.

sources of income.¹³⁷ This, in turn, is not so easily done in countries with a very limited economic base such as the Maldives need to rely on.

Evidence from the standardised employee's survey suggests that in principle, since the beginning of 2009, it has become more for Maldivians to find a job in the tourism sector. Even though the tourism sector has been a major employment generator over the last few years, the job perspectives are now seen more cautiously. While 18% of the employees interviewed estimated their chances of finding a new job within the sector in the event of unemployment as excellent and 33% as good, 29% regarded their job opportunities only as fair and 20% did not even see a reasonable chance to find a new job at all at the moment (Figure 51).

Figure 50 – Estimate of Employees Finding a New Job, June 2010



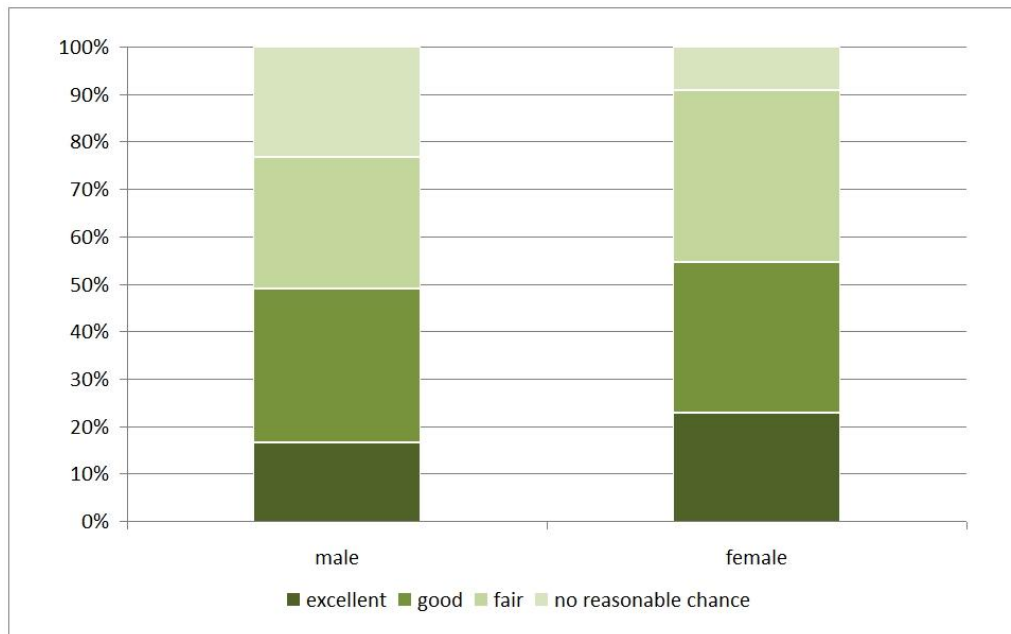
Source: Own Survey in Two Large Holiday Resorts

Whereas there were no significant differences in estimates of people with different marital status, or men and women with children trying to find a new job, gender (Figure 52), age (Figure 52), and education (

Figure 53) did make a difference between people considering their chances of finding a new job in these unstable economic times.

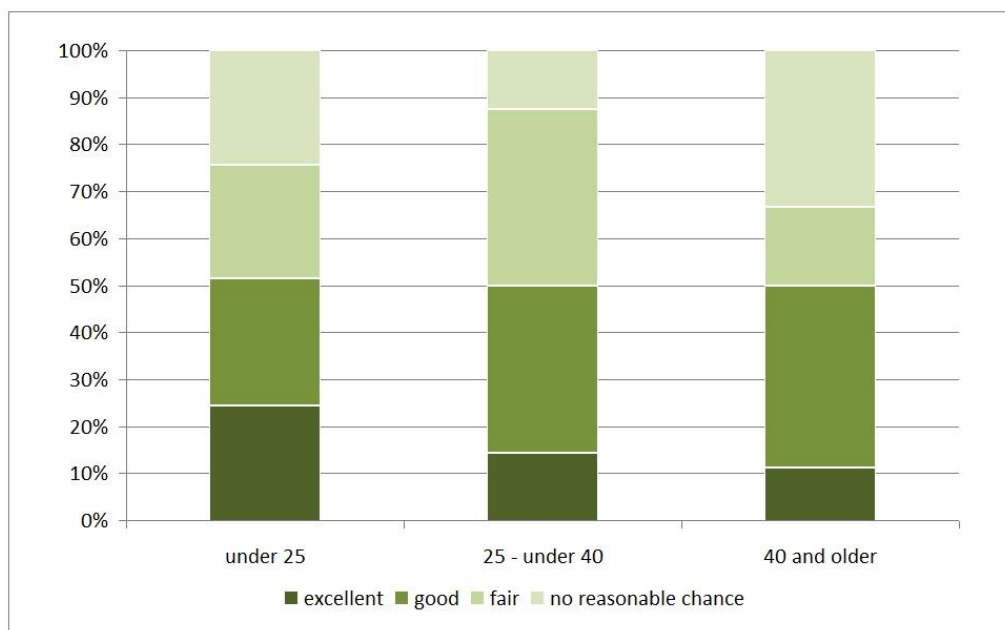
¹³⁷ Fernando & Meedeniya (2009): p. 4.

Figure 51 – Estimate of Employees Finding a New Job (by Gender), June 2010



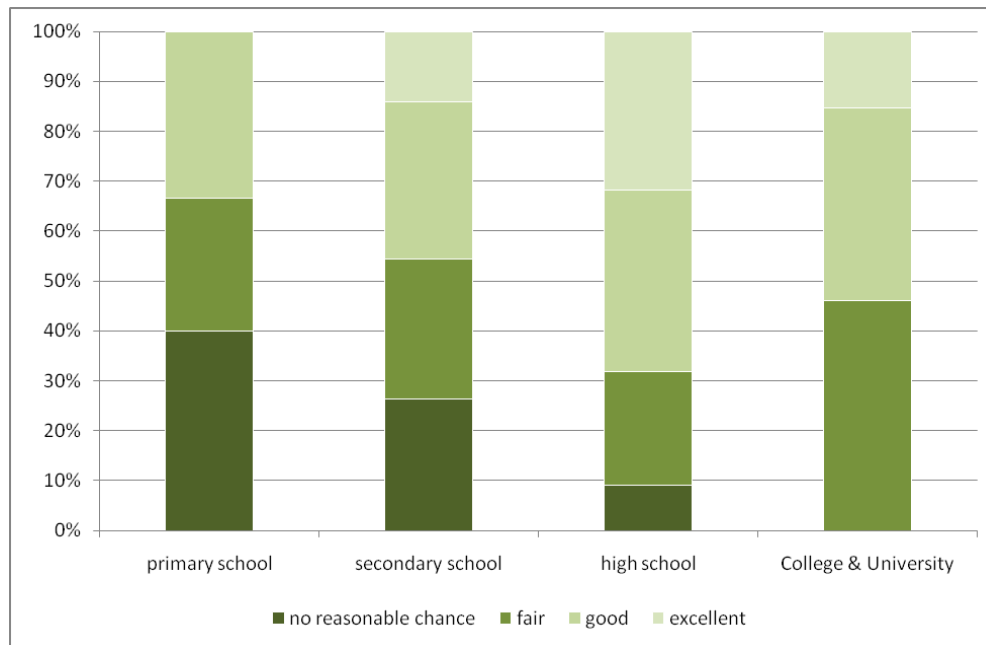
Source: Own Survey in Two Large Holiday Resorts

Figure 52 – Estimate of Employees Finding a New Job (by Age), June 2010



Source: Own Survey in Two Large Holiday Resorts

Figure 53 – Estimate of Employees Finding a New Job (by Education), June 2010



Source: Own Survey in Two Large Holiday Resorts

People younger than 25 years of age are among the most optimistic employees with regard to their job future. This could be a result of their high geographic flexibility and their better education in comparison to people who belong to the older generation. The most pessimistic view is shared by employees aged 40 and over, a number of them having aged parents, perhaps being troubled with their own health and without a decent education (see chapter 3.4).

It seems reasonable that the best educated employees worry least about their future job opportunities in case they will be made redundant as a possible result of management measures taken to mitigate the economic impacts of the crisis on the resorts (Figure 56). More than 50% of those with a high school, college or university education interviewed feel that they had a good or even excellent chance of finding a new job. This well-educated group includes a number of young employees under the age of 25 and between the ages of 25 and 40. The most pessimistic group of employees is the one with people who only completed primary school. Among them are a number of people aged 40 and over. Still, more than 30% of this same group does not worry too much and feels that they have good job chances in the event of possible job losses in the near future.

In sum, women and older employees with a low educational level, who have to take care of a high number of dependent people, tend to be most pessimistic about the chance of finding a new job within the sector in the event of unemployment. This findings mirror the overall structures of poverty and vulnerability in the country (see Introduction). Assuming that the estimates provided are based on the sound experience of the interviewees and that large lay-offs have taken place, it seems reasonable to conclude that the level of vulnerability to poverty has significantly increased during the crisis since redundant employees will very likely face severe problems finding a new job and compensating for the losses of income and security attributed to their unemployment situation. The next chapter will exemplify this situation by providing insights into the individual living situation of employees and their households, the impact of the crisis on their livelihoods and the problems they have in coping with the situation.

3.4. Impacts on Levels of Vulnerability of Poor and Low Skilled Groups

Following a qualitative approach, the impact of the global economic crisis on the vulnerability to poverty of poor and vulnerable groups employed in the tourism sector will now be investigated from a livelihood perspective (see chapter I, 5.4). It focuses on understanding the coping strategies of individuals and households with respect to the impacts of the economic crisis. By doing this, the chapter enables a qualitative evaluation on the level of vulnerability to poverty of low and unskilled employees within the tourism sector.

The examples at hand¹³⁸ point to the different personal strategies of Maldivians to cushion their own level of vulnerability within their professional working fields. Forced to rely on constantly diminishing personal resources and reserves, they are exposed to the impact of the crisis and the resulting loss of income. The cases presented are typical of the situation among employees in the tourism sector and have been described in a similar way in various interviews.

The example of Mohammed (Textbox 1, Annex II) exemplifies the high number of people in one household being dependent on a limited number of incomes. The example also highlights the negative indirect impacts on a family's income and therefore, on the level of poverty risk exposure of Maldivian families.

The example of Mohammed demonstrates that the crisis-induced level of vulnerability to poverty may be mitigated, if the payment-scheme within the Maldivian tourism sector is slightly adjusted. Rebalancing the proportion of fixed wages and the volatile service

¹³⁸ The examples presented represent typical patterns of the impact of the crisis on the livelihood and vulnerability of people working in the tourism sector. As described in chapter III, similar experiences of interviewees have been merged to create typical cases. In order to protect the data privacy of the interviewed employees, these patterns are discussed by constructing biographies of fictional standard workers, presenting the experiences and insights which have been reported similarly by a larger number of interviewees. The fictional biographies can be found in Annex II.

charge shares would at least provide Mohammed with a more calculable and reliable income and therefore reduce the volatility-induced level of stress for the whole family. While Mohammed's strategy of broadening and diversifying his personal qualification profile in different fields of the tourism sector may be regarded as a promising way to reduce his individual unemployment risk, the high dependency of his family on the tourism sector is undoubtedly unfortunate. Furthermore, it seems reasonable to conclude that a high dependency on one economic sector within a family increases the family's level of vulnerability. Mohammed's worries that the crisis will affect his ability to save money for the education of his children is paradigmatic for a negative long-term effect of the crisis on the level of vulnerability of low-skilled employees and their household members, as the crisis reduces their capabilities and assets needed to sustain and enhance their living in the long-run. Since tourism is one of the rare opportunities for Maldivians to earn a decent living, this high household dependency on the performance of the tourism sector increases the level of vulnerability to poverty within the country.

Suzanna (Textbox 2, Annex II) has to deal with a different but also very typical family situation as her parents are ill. Therefore, her family currently has to cope with two negative impacts on its livelihood. This situation is typical for people living in a developing country without public social and medical insurance schemes.

This case demonstrates the high level of vulnerability to poverty of people without savings and a hardly sufficient income to support their family. While the implementation of a loan scheme for seriously affected employees (by the state or by the employer) may relieve some immediate pressure, it will not solve the structural problems of this case, since the level of vulnerability of the family has increased steadily over the last months. Instead of struggling through the crisis, a more sustainable solution may only be achieved by an increased income. This would require a higher skill-level and better education on Suzanna's part. Since she will not be able to take leave to visit a training program outside her company, the introduction of a new public-private co-financed education scheme for employed people, who continue to be paid while they are training, could contribute to improving the situation. Since interviews with resort managers indicate that there is a great lack of qualified tourism employees in the country, this sort of new education scheme would significantly contribute to the benefit of vulnerable groups as well as to the industry itself.

In conclusion, both cases exemplify typical impacts of the global economic crisis on the livelihood of poor and vulnerable groups employed in the tourism sector. These experiences have been corroborated in other interviews. In combination with the results of the assessment of the impact of the crisis on the labour market and the level of income on a more general level, it seems viable to conclude that the economic downturn has severely damaged the ability of low and unskilled tourism employees on the Maldives to sustain their living. In this regard, the qualitative interviews also indicate that the ability of those groups to cope with such external shocks and to adjust to a new

situation is quite limited due to a lack of alternatives within the Maldivian economy. Furthermore, the crisis has threatened the livelihood of many employees as well as their families and households as exemplified by Suzanna's situation. Therefore, it seems justifiable to conclude that the vulnerability to poverty of those groups has significantly increased during the global economic crisis. This most likely resulted in an increase of people living below the poverty line, depending on how fast the negative impacts of the crisis can be out-balanced and how long it will take the employees to reach at least the same level of purchasing power they had prior to the crisis.

4. Public Policy and Business Measures undertaken to mitigate the Impacts of the Crisis on Poor and Vulnerable Groups

The duration of the negative impact of the global economic crisis on tourism demand and on the income of tourism sector employees is a crucial factor for the assessment of the development of the level of vulnerability to poverty of low and unskilled employees in the long-term. Since most households do have the ability to outbalance a reduction of income for some time, an enduring decrease will have a more severe impact on their vulnerability to poverty. Simultaneously, their own ability to contribute to a fundamental improvement to their livelihood is very limited due to the limited variety of income alternatives to the tourism sector.

Therefore, any crisis-mitigating measures aimed at fostering a rebound of tourism demand or a positive impact on the income and resources of vulnerable groups would contribute to the crisis resilience of the whole social system and minimize the danger that a larger number of people would fall back into poverty.

Talking about crisis mitigating measures one has to differentiate between public policy and business measures and between measures that directly or indirectly impact on poor and vulnerable groups. While direct measures explicitly aim to mitigate the impact of the crisis on such groups, indirect measures may mitigate the effect of the crisis on the sector and therefore indirectly relieve pressure on the poor and vulnerable.

Public policy or business measures explicitly intended to directly mitigate the negative influence of the crisis on poor and vulnerable groups have not been identified in any case. Since the Maldivian state faced severe macroeconomic imbalances and the tourism sector struggled itself with minimising the negative impacts of the crisis on their revenue and cash flow, their ability to additionally support the negatively affected employees was very limited.

In terms of labour market policy the Maldivian government did not implement any measures explicitly directed to poor and vulnerable groups. One might have to keep in mind that the starting position of the incumbent government, which came into power in

November 2008, was difficult. Only a few months after the new government was constituted, the worldwide economic slowdown unfurled its destructive power. Hence, governments' novel agendas for social and structural reform have faced market conditions that were hardly conducive to their efforts at privatisation and economic diversification. This could be a reason why short-term as well as direct social and labour market policy measures focusing on poor and vulnerable groups were not introduced. In fact, the Maldivian government proposed redundancy support packages, but only for civil servants who were affected by the civil service rationalisation initiative.¹³⁹

However, the Maldivian government tried to support the private sector by introducing a number of measures, which in turn might have affected employees indirectly. UNDP concludes, in its draft paper on *Assessment of Socio-Economic Impact of Food, Fuel and Financial Crisis in the Maldives*, that general crisis-mitigating measures on the economic front have included ways to increase and diversify tourist arrivals as well as the direct provision of support to tourism, by:

- easing the terms of some tourism development contracts,
- moderating some trade financing,
- extending loan facilities for small and medium sized enterprises,
- developing bank supervision and corporate governance regulations,
- enhancing public revenue and expenditure reduction measures,
- introducing additional monetary instruments for liquidity management,
- seeking foreign concessionary assistance.¹⁴⁰

While it appears logical that these measures may have contributed to support the sector and to tackle a number of its challenges, it is surprising that none of the managers in the sector who were interviewed and none of the representatives of the various associations interviewed judged these measures as an effective and significant support. The interviews suggest that the reason for this judgement may be rooted in the structure of the crisis perception. The problems, which did occur due to the crisis, had been so fundamental and severe, that managers did not perceive the above mentioned support as significant as the implemented measures did not significantly contribute to change the overall negative situation. Nevertheless, it seems viable to assume that particularly easing the terms of tourism contracts and facilitating bank loans has contributed to reduce the pressure on tourism companies. Even though it was too early to evaluate whether this easing of financial regulations has significantly and successfully encourage local SME investment and participation in the tourism sector in the long-run, the approach to open up new business opportunities for groups which are not yet able to

¹³⁹ UNDP (2009): p. 3.

¹⁴⁰ UNDP (2009): p. 3.

participate in the market, seems promising for a more equal distribution of tourism profits within the Maldivian society.

The Maldivian government received a number of grants from donor countries, which was one important basis for introducing the kinds of fiscal measures discussed for the private sector. Beyond that, the government was about to implement a number of measures, which have the potential to indirectly mitigate the impacts of the crisis on poor and vulnerable groups but can also be seen as strategic investments for strengthening the Maldivian tourism position in the worldwide competition among holiday destinations. Besides, the relative and total government expenditures on tourism did increase (see Introduction), which also contributed to the financing of these measures. The new measures include:

- *infrastructural measures* through the development of the country's transportation infrastructure.
- *fiscal measures* by giving investors of new island resort developments more time to finish new developments. Furthermore, a planned taxation rise for the resorts has been postponed by the government.
- *promotional measures* to increase the state's marketing efforts, including, a more selective and prominent attendance at international tourism fairs but also the raising of global awareness for the Maldives as a country faced with environmental issues through high media attention. The expansion of promotional activity is the main reason for the increasing tourism related government expenditure in 2009.
- *educational and training measures* such as more targeted training, in order to meet the needs of hotel and resort businesses to a greater extent, to overcome the significant lack of women working in the tourism sector as well as to reduce the high dependency on expatriate workers for employment in managerial positions within the hospitality sector.
- *social measures* such as the establishment of a health insurance scheme for each employee.

As infrastructural, educational and social measures need a certain amount of time to be implemented and to catch on, it is not yet possible to estimate their success. Nevertheless, since these measures tackle some major weaknesses in the sector and improvements to the level of education and the implementation of health insurance have been identified as major tasks that need to be faced in order to reduce the level of vulnerability of tourism employees (see chapter 3.4), it can be assumed that these measures will substantially contribute to increase the livelihood security of poor and vulnerable groups living from tourism.

Infrastructure measures will furthermore help to maximise socio-economic benefits from tourism development, while in turn they may help to minimise inner-state migration of job seekers, hence increasing participation of tourism receipts by remote islands and atolls.

The implemented fiscal measures did help to relieve the pressure on hotels and resorts. Measures which gave investors more time to finish new developments, did slowdown the development of hotel capacities, which would otherwise have created additional pressure on occupancy rates by bringing more capacity to the market. By postponing the planned taxation rise for resorts the government avoided increasing the pressure on the profitability of the resorts.

In line with the findings of the macroeconomic analysis (see chapter II), promotional measures introduced in the Maldives proved to be very successful. Due to their widespread effects, promotional measures have been positively mentioned by most interviewees. Increasing its investment in marketing and promotion, the government was able to further diversify the main generating markets and to create additional demand in markets outside Western Europe, which helped to mitigate the decreasing demand. If promotion and marketing efforts had not been implemented it is very likely that the negative impact of the crisis would have been even more severe for the country.

Even though the fiscal and promotional measures discussed did not directly impact on poor and vulnerable groups, they reduced the pressure on the revenues of the resorts. If the state had not implemented these measures it would have been very likely that resort managers would have been forced to lay-off even more employees in order to reduce their costs and to minimise their losses. Therefore, both measures successfully contributed to indirectly mitigate the pressure on the national labour market.

While no private business measures have been reported which were intended to directly mitigate the effects of the crisis on low and unskilled employees and their households, a number of corporate crisis responses also affected the livelihood of employees either directly or indirectly. The literature on crisis reactions of tourism companies (Steiner 2007) demonstrates that hotel companies in particular possess a wide variety of crisis reaction alternatives, which differ in complexity of tools and time frame: demand stimulating, demand generating and organisational modifying responses (

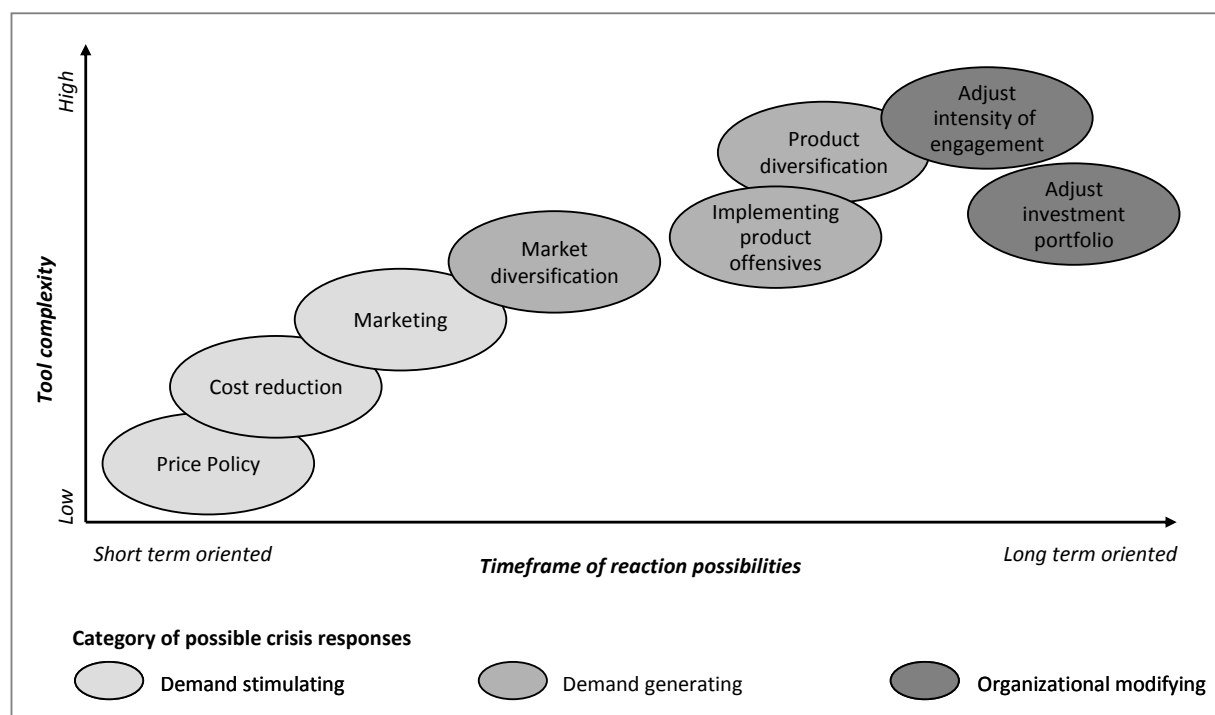
Figure 54).¹⁴¹

- *Demand stimulating tools* share the advantage of being simple, immediate crisis responses, comprising pricing policies such as special offers or general down-pricing, cost reduction measures, e.g. layoffs, unpaid holiday leave or the closing down of parts of the hotel facilities, as well as an intensification of marketing and advertising.
- *Demand generating tools* – such as attempts towards market or product diversification and product offensives – are more complex and usually take longer for successful implementation. First of all, their aim lies in attempting to spread risks by overcoming an undesirable concentration on only few generating markets.

¹⁴¹ Steiner (2007).

- *Organisational modifying responses* are the most complex tools, only being applied in the long-term. They are modifying the core of the organisational structure of a company by adjusting the investment portfolio or the intensity of a company's commitment. Selling real estate property (shares) or renegotiating existing management contracts with property owners in order to minimise the companies' risk and to rebalance fixed and performance-dependent management fees are results of strategic core decisions, which impact the business prospects of a company in a given destination from a long-term perspective. Furthermore, existing contracts in a certain destination and the risk of damaging local business partnerships, which required a long time to be established, avoid quick and hasty adjustments to a company's level of commitment, which is why companies generally respond only with organisational restructurings, if they have the feeling that the reasons for a poor performance and a specific crisis situation are rooted in long-term unsolvable structural or recurring problems.

Figure 54 – Crisis Reaction Opportunities of (Transnational) Tourism Companies



Source: Steiner (2007: 177)

Interviews with industry and government representatives indicate that Maldivian hotel and resort companies used a certain number of these crisis reaction possibilities. As the crisis does not have its roots in the Maldivian tourism sector itself, implemented crisis reactions concentrated on demand-stimulating tools and measures to increase the market diversification, whereas other demand generating and organizational modifying tools were not applied. Price incentives with special offers, increasing marketing efforts

and various cost-cutting measures are certainly amongst the most widespread implemented measures.

Managers interviewed acknowledged various additional cost-cutting measures. Since, it is not immediately possible for the resorts to influence a large proportion of their fixed costs such as investment depreciation, the amount of lease rent, the high infrastructure maintenance costs and the high import dependency, managers concentrated their cost reduction attempts on a cutback of maintenance, a reduction of input costs, consumption (e.g. electricity and water) and services (e.g. closure of parts of their facilities like accommodation wings or restaurants and a reduction of the frequency of airport transfers), and on measures to reduce the payroll.

Even though the payroll only accounts for approximately 15-20% of the fixed costs in the resorts¹⁴² and even though measures to reduce the payroll have therefore a limited impact on the overall performance of the resorts, employment cost is one of the rare cost factors where resort management can be at all flexible. Measures to reduce the payroll included the allowance, or even encouragement of (in some cases) staff holiday during low season, the encouragement of taking unpaid holiday leave, a reduction of working hours, cutbacks to staff training costs, which in some resorts include English language courses, lifeguard and other customer service training, as well as refraining from hiring new employees.

The implementation of cost reduction measures is ambiguous. On the one hand, the hotel managers and representatives of the tourism sector who were interviewed stated that by implementing such measures most of the resorts successfully avoided larger losses. On the other hand cutbacks to the payroll had significant and crucial negative effects on employment and income levels of low and unskilled employees in the hotel industry. Their negative impact on the livelihood of poor and vulnerable groups has been highlighted in detail earlier (see chapter 3.4).

On the other hand, the use of marketing and price policies has obviously been successful in stimulating additional tourism demand in regional source markets, and in contributing to diversify the main generating markets. These achievements significantly reduced the pressure on hotel occupancies and revenues and indirectly mitigated the pressure on the resort labour market.

Most of the resorts reacted with price-cutting strategies that the Maldives had not seen before. While the average spending per tourist night has continuously grown over the last years due to a growing number of resorts in the luxury market, the resorts now had to cut prices irrespective of the increase to the overall service quality in order to stimulate demand. Since it is hard to reverse a reduction of the regular room rates after a crisis most resorts made use of indirect price reductions. Indirect price reductions comprised a number of special offers such as free excursions, free spa-treatments or

¹⁴² Interviews with Hotels and Resort Managers and representatives of MATI.

free extra nights. During times of crisis, tourists usually also become more sensitive to prices. Even though these measures have proved to be quite successful and several resorts witnessed relatively robust arrivals due to this strategy, these measures contributed to bring a more price-sensitive group of customers to luxury resorts. Arriving in the resorts, those tourists realised that the level of prices for extra services and goods within the resorts exceeded their usual budget. Therefore, they kept a watchful eye on their money with regard to extra spending at the resort e.g. on drinks in the evening. Hence, spending and yield decreased even more than tourist numbers. As a consequence, the volume of sales and the related amount of service charge declined, which negatively impacted on the income and livelihood of the employees.

5. Country Policy Recommendations

In light of the findings of the analysis on the impact of the economic crisis on tourism employment of poor and vulnerable groups, various policy recommendations may be deduced in order to mitigate the impact of future crisis situations. The suggested recommendations can be categorised into different groups based on their specific purpose. It is possible to distinguish between recommendations with regard to 1) more effective crisis monitoring, 2) measures impacting indirectly on the tourism labour markets by improving the overall crisis resilience of the tourism sector and accelerating the recovery from decreases in tourism demand, and 3) measures intended to directly mitigate the impact of such crisis on poor and vulnerable groups within the sector.

Making crisis monitoring more effective

The analysis of the impact of the economic crisis on tourism employment of poor and vulnerable groups in the Maldives has revealed a number of problems with respect to efficient crisis monitoring. Even though the system of tourism statistics in the Maldives is well developed in comparison to other lower middle income countries, the advancement of a more effective and efficient crisis management also requires the development of a more complete and credible system of tourism statistics. Comprehensive statistical crisis monitoring is the prerequisite for a precise, specific and target-orientated crisis reaction of all stakeholders in the sector. Therefore, special attention might be directed to the following set of measures:

- The implementation of the Tourism Satellite Account (TSA)¹⁴³ should be accelerated in order to be able to provide a more comprehensive insight into the overall tourism related economic impact of a crisis.

¹⁴³ United Nations - Department of Economic and Social Affairs, Statistics Division, UNWTO, Commission of the European Communities - Eurostat, OECD (2008).

- The statistical employment monitoring systems between national and foreign employees should be synchronised, regularly recorded and updated
- Data on income distribution and poverty-related indicators on a household and individual basis should be regularly recorded and updated.

Improving crisis resilience and recovery

Improving the overall crisis resilience of the tourism sector and accelerating the recovery from decreases in tourism demand are key issues for minimising the resulting pressure on tourism related labour markets from the very beginning. Hence, the subsequent set of recommendations might be considered:

- In accordance with the findings of the macroeconomic analysis and the results of the country analysis, it may be concluded that marketing efforts and tourism related government spending should be increased in times of crisis, since those measures have been quite successful in mitigating the effects of the economic crisis.
- Additional marketing efforts should focus on diversifying the main generating markets. Thereby, the range of source markets should ideally be evenly distributed across different world regions, since such a broad diversification strategy would reduce the dependency on single markets and increase the crisis resilience. In particular, an increasing market share of tourists from emerging economies in Asia and the Middle East is an indicator for the stabilisation of the overall volume of tourism demand.
- Efforts to enhance the product differentiation within the country could be increased in order to spread risks over different market segments. Experience with security crisis situations have demonstrated that tourism segments do differ in crisis sensitivity. These experiences can hardly be extrapolated to the economic crisis in which business and the meetings industry especially has declined on a global scale. However, spreading risks over various tourism segments and addressing niche tourism markets in particular such as eco, community-based and adventure tourism may contribute to increase the crisis resilience of the whole country.
- The government revenue system could be adjusted, in order to relieve pressure from the industry and the labour markets. A reduction of the share of fixed lease rent and a proportional increase of the share of revenue related taxes (such as a VAT system) would contribute to making the cost burden of hotels and resorts more flexible, thus reducing financial strain on tourism companies in times of crisis. This would indirectly mitigate the pressure on employment in the sector, since the payroll is currently one of the rare flexible items in the cost listings of hotels and resorts.
- Providing the tourism sector with short-term loans and to assure financial liquidity in times of crisis might help to reduce negative effects. Since a more restrictive granting of loans in times of crisis will further aggravate decreasing investment in the

sector, financial constraints will negatively impact on secondary sectors, which are dependent on the tourism sector e.g. the construction sector. Therefore, assuring financial liquidity will contribute to mitigating negative secondary effects.

- Since the Maldives' national economy relies heavily on tourism, there is a lack of opportunities for households to diversify their sources of income, in order to reduce their level of vulnerability. Therefore, all measures to diversify the economy (see chapter 4) will help to reduce the general level of vulnerability in the country.

Directly mitigating the impact of the crisis on poor and vulnerable groups

Since the tourism sector has already been seriously impacted by a crisis, several measures may contribute to directly mitigate its impact on poor and vulnerable groups employed in the tourism sector. Whereas a number of measures focus directly on employment issues, others will enhance the general crisis resilience of vulnerable groups and contribute to sustaining their lifestyle. The following measures might be taken into consideration:

- Granting tourism companies additional liquidity through the central bank should help outbalance a crisis-induced decrease of revenues in the short-term. If the granting of such loans were subject to the condition of retaining employees, it might also help avoid large scale lay-offs.
- Implementing labour regulations aimed at rebalancing the proportion between service-charge and salaries in the overall income of tourism employees would be a significant contribution in making the monthly amount of income more calculable and reliable for employees. Limiting the service-charge related share of employee's income and increasing the basic level of salaries would therefore reduce the vulnerability of low and unskilled groups.
- Existing education and training programs should be expanded, while new professional training programs for already employed Maldivians should be implemented in order to reduce individual levels of vulnerability and to improve the livelihood of poor and vulnerable groups. Furthermore, such programs will help to overcome the lack of skilled tourism employees, which will very likely be a main structural obstacle to future economic growth within the sector.
- Implementing a basic unemployment insurance scheme would resolve short periods of unemployment and reduce the vulnerability to poverty of tourism employees and their households. Such an insurance scheme could be based on each employee making a compulsory monthly contribution to an unemployment fund, which would compensate income losses due to unemployment for a period of three to six months. Alternatively, local unions may be assisted by local and international consultants to build a voluntary insurance scheme for their members.

- Implementing plans under discussion to introduce a common health insurance scheme would significantly reduce the general level of vulnerability of low and unskilled groups and contribute to stabilising their livelihood.

Case Study 2: Costa Rica

Executive Summary

Costa Rica was selected as a case study due to the remarkable achievements of its tourism sector and the globally recognised success story of its eco-tourism approach within the past decade. However, the overwhelming majority of Costa Rica's tourists come from North America, making the country vulnerable to exogenous shocks rooted in its main generating market.

The Costa Rican economy has experienced a period of stable economic growth during the past decade. Thus far, tourism has become one of the backbones of Costa Rica's economy; since 1999, it is the largest foreign exchange earner and one of the fastest growing economic sectors in the country. In 2008, tourism made up 23% of the country's exports and 7% of its GDP. In line with the growth of the economy, the number of jobs created by the tourism sector and its linked industries also increased considerably. The share of employees benefiting from social insurance in the hotels and restaurants sector grew by 61% between 2003 and 2008, making a total of 49,327 employees working in that sector (4% of the total workforce). Considering direct and indirect job effects in related economic branches, it can be assumed that approximately 120,000 Costa Rican employees (16% of the total workforce) are working in the tourism sector itself or in related industries. Approximately two thirds of employees occupy low or unskilled positions.

In the course of the crisis, the number of international tourist arrivals declined by 9%. In absolute terms, the demand from the Northern American market decreased most notably (-56,200 tourists), while in relative terms demand from the European market also dropped significantly (-14%) between 2008 and 2009. International tourist arrivals from Central America – especially from Nicaragua, which accounts for a large share of the seasonal workforce – were also significantly lower. In compliance with deficits in international tourist arrivals, average spending per stay as well as the length of stay declined in almost all source markets. The average spending per day in total dropped from US\$117 in 2008 to US\$96 in 2009. The decrease in tourist arrivals and average spending per tourist caused a decline in tourism receipts of minus 10% in 2009.

The private sector reacted promptly to the dramatic reduction in guest volume in its management by individual enterprises, which at its worst dwindled to 40%. As the accommodation sector receives the largest share of a tourist dollar spent, this was the area most affected. In general, small and medium-sized enterprises – typical of Costa Rica's eco-tourism sector – had more problems in coping with the crisis compared to large international companies due to their limited access to capital and their limited marketing capabilities to stimulate additional demand. Intending to invigorate demand,

large hotels in particular introduced incentives for tourists including free bed nights or extra spa treatments. Tourists in Costa Rica were able to benefit from a price race, as most hotels had to reduce their rates drastically due to a chain reaction their competitors had initiated. This price competition increased the pressure on profits.

In consequence, the majority of large chain hotels and domestic tour operators had to implement a number of crisis-mitigating measures in order to reduce their fixed costs. Cost control in areas such as electricity, water supply or waste disposal and measures aimed at reducing the payroll were most frequently applied. Lay-offs, reduced working hours, introduction of effective workers' rotating systems or the enforcement of unpaid leave for two to three months were among the most often reported employment-related measures implemented. Social insurance data demonstrate that 3% of employees working in hotels and restaurants lost their jobs during 2009. Considering negative direct and indirect employment effects in related branches it must be assumed that, in total, 4.5% of the tourism-related workforce lost their jobs. Due to unpaid leave, salary freezes and inflation, the remaining employees experienced an average decrease in purchasing power of 12%.

Interviews conducted among hotel employees in the northern region of Guanacaste reveal that women and low-skilled employees were comparatively more exposed to the negative effects of the crisis than qualified personnel and male employees. Not only did women lose their jobs more often than their male counterparts, but their chances of finding a new job were also worse as women more often occupy positions in the tourism sector with a higher potential for job rationalisation. With regard to households, larger ones suffered most from salary decreases.

The ability of such vulnerable groups to cope with the crisis is quite limited. Savings, help from neighbours and the creation and set-up of tiny and small family businesses help people to face these financially difficult times, since most of these low-skilled people have difficulties finding a new job during an economic downturn.

Public policy crisis-mitigating measures focused specifically on small and medium sized companies. Costa Rica's state owned and parastatal banks were urged to provide cheap loans with favourable repayment modes for carefully selected, economically viable small and medium-sized tourism businesses, e.g. in the accommodation sector. This provision of loans contributed to release pressure on SMEs. Currently, it seems as if this policy measure in particular has helped quite a number of companies to survive the crisis successfully.

Moreover, the Tourism Ministry started a vibrant marketing campaign to boost domestic tourism, while also investing in international promotional activities to attract new markets and to reduce the decrease in tourism demand. Even though it is not yet possible to evaluate the outcome and success of these measures, preliminary experiences demonstrate that they contributed successfully to mitigate the impact of the crisis on the

tourism sector and indirectly contributed to reduce negative repercussions of the crisis on poor and vulnerable groups.

1. Country Profile

1.1. Geography and Tourism

Costa Rica is a comparatively small country 51,000 sq. km in size located in Central America. To the north it borders Nicaragua, in the south Panama. About 4.5 million people live in Costa Rica; 1.6 million live in the metropolitan area of the capital San José. San José is the centre of political and economic activities and is also the country's major transportation hub.¹⁴⁴

Geographically, the country is divided into two parts – the Pacific side in the west and the Caribbean side in the east which are separated by a chain of mountains from north to south: the Cordillera de Tilarán, Cordillera Central, and the Cordillera de Talamanca. From one coastline to the other, it is never further than 200 km; from north to south the largest distance is about 400 km. For tourists, these geographical circumstances offer a great diversity of tourism activities and attractions: On one coast, Costa Rica offers scenic Pacific shores, while only 119 km away lays the Caribbean coast with many active volcanoes and mountain peaks in between rising up to 3,820 m (Cerro Chiripó).

Costa Rica has a tropical climate all year round, as it is located between 9 to 10 degrees north of the Equator. However, the country has many microclimates depending on elevation, rainfall, topography and the geography of each particular region. Generally, the country's climate can be characterised by two main seasons: the dry season (summer) from December to April and the rainy – or green – season (winter) from May to November. The time period between August and November almost coincides with the Atlantic hurricane season, and during this time some Costa Rican regions are characterised by constant rain.

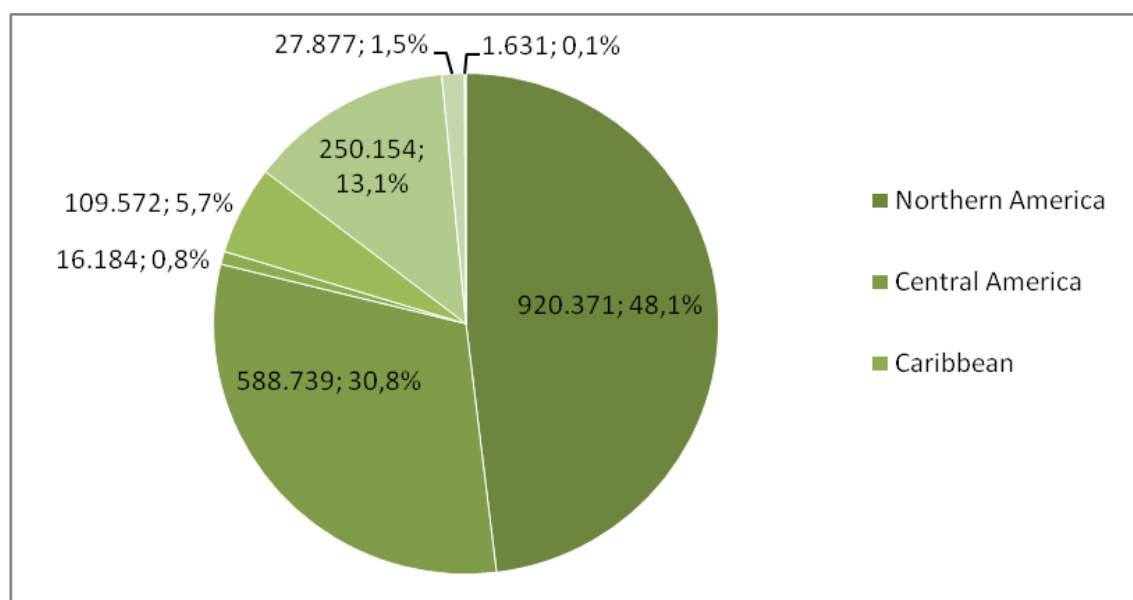
The geographical proximity of North America, the stable political and economic situation in Costa Rica and its comparatively high standard of living makes Costa Rica a highly attractive destination for North Americans. As Figure 55 shows, the largest share of tourists in Costa Rica in 2009 came from Northern America (48%) – mainly from the USA. Tourists from Central America constitute the second largest share of all tourist arrivals (31%), particularly Nicaraguans who account for more than 70% of this share. Europe ranks third, representing 13% in 2009. The obvious reason is the long distance for European tourists, coupled with long flying hours and in most cases non-direct flights. As Spanish tourists have no language barriers to overcome when travelling to

¹⁴⁴ CIA World Fact Book (2010).

Costa Rica, this may be assumed to be a main reason for the comparatively large numbers of tourist arrivals from Spain. Visiting friends and relatives between Spain and Costa Rica also contributes to the relatively high number of tourists and should not be underestimated.¹⁴⁵

On the edge of the real estate bubble in North America, many North Americans (including Canadians) also purchased property in Costa Rica. Hence, these small private investors as well as international retirement migrants also contributed to the high numbers of tourist arrivals from Northern America.¹⁴⁶ On the one hand, the high number of North American tourists added to the boost to the Costa Rican economy, as they spent a comparatively high amount of money during their stays in the country. On the other hand, this caused the country to depend highly on one main market, making it prone to external shocks.

Figure 55 – Tourist Arrivals by Origin, 2009



Source: ICT Anuario de Estadístico (2009)

Although Costa Rica may be considered a year-round destination, there is a distinct tourism seasonality, which can be attributed to holiday dates in the source markets and the climate in Costa Rica itself. The peak season is between December and April as it does not rain and tourists from the northern hemisphere tend to escape from the cold winter days in their countries. June to August represents the second peak season in Costa Rica (Figure 56). In September, October and November, the number of international tourist arrivals is considerably lower, and consequently occupancy rates usually decline during these months. This decrease may not only be explained by the

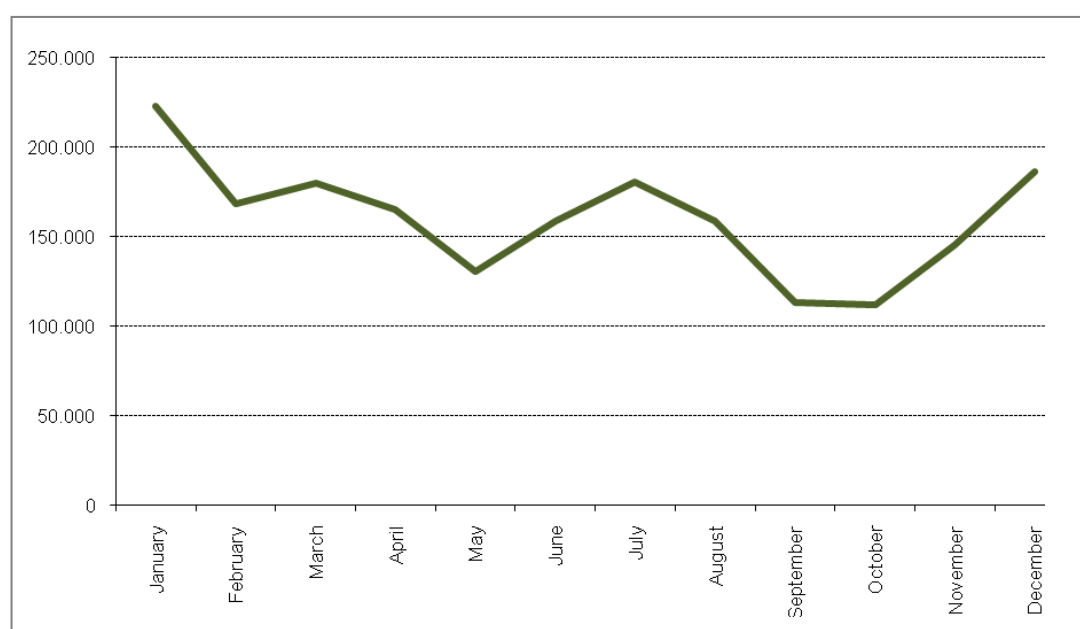
¹⁴⁵ Janoschka (2009).

¹⁴⁶ Janoschka (2009).

constant rain and the end of the summer holidays in North America and Europe, but also by the start of the hurricane season.

Due to its tropical and subtropical climate, Costa Rica is an ideal destination for beach tourism. Various different water sports are offered in all coastal regions, such as surfing, snorkelling or diving. National parks attract tourists to go on short walks or hiking tours that might last several days. The variety of active volcanoes like Arenal, Póas and Irazú are some of the most visited tourist attractions in Costa Rica. Many tourists come to Costa Rica on package tours booked with a tour operator based in their own country. A typical package would include the air fare to San José, a trip to the volcano Arenal and the Monteverde Cloud forest and several days at one of the beach hotels along the Pacific Coast.¹⁴⁷

Figure 56 – Number of Tourist Arrivals throughout 2009, Illustration of the Seasonality of



International Tourism

Source: Anuario de Estadístico (2009), Instituto Costarricense de Turismo

On account of its rich natural resources, including several World Heritage sites and a high percentage of nationally protected areas, Costa Rica gains excellent marks and international recognition. Costa Rica possesses one of the richest flora and fauna on earth, making it a good place for animal watching. The country is recognised as a pioneer in eco-tourism, which constitutes a significant share of its tourism sector.¹⁴⁸ Historically, the country was considerably more affected by deforestation than any other Latin American country. Due to the fact that the population in Costa Rica experienced dynamic development during the decades following the 1950s, huge forest areas were cleared, mostly for agricultural land use. Nowadays, the country has officially recognised

¹⁴⁷ Interview with a representative from the Office of the Ministry of Tourism (ICT), July 2010.

¹⁴⁸ Costa Rica Tourism.co.cr (2010).

the huge potential of this beautiful and rich natural environment as one of its main (touristic) resources. Over a quarter of Costa Rica's territory has been designated as national parks, biological reserves, wildlife refuges or some other category of protected area. These protected areas build the basis for the impressive success of the globally promoted eco-tourism in Costa Rica. Moreover, Costa Rica has been preserving these lands and natural habitats since the 1990s in such a way that they are more accessible to tourists than those of any other country in the region.¹⁴⁹

1.2. Economy and Tourism

Often referred to as the Switzerland of Central America, Costa Rica ranks among the upper middle-income countries¹⁵⁰ and presents stable economic growth rates (GDP) between 6% and 12% during 2003 and 2008. The economic crisis hit Costa Rica as well and caused a 1.5% decrease in GDP in 2009. Regardless of the impact of the global economic downturn, it still enjoys the region's highest standard of living, with a GDP per capita of about US\$10,900 and an unemployment rate of 7.8% in 2009. The Human Development Index (HDI) ranks the country at number 54 (compared with the Maldives in 95th place and Tanzania at position 151).

Although an obvious shift to a service economy has occurred during the last decade, Costa Rica's agricultural sector still constitutes the backbone of the country's economy with specific regard to the production and export of cash crops, such as bananas (which made up 7% of total exports in 2008), pineapples (6% of total exports), and coffee (3% of total exports). Traditional exports (such as bananas, coffee etc.) mostly show stable growth rates. In 2006, 14% of the Costa Rican labour force was still employed in the agricultural sector.¹⁵¹

However, high levels of education among its residents make the country an appealing location for foreign direct investment. Costa Rica has successfully attracted companies such as Intel Corporation generating almost 3,500 workplaces, Procter & Gamble, Abbott Laboratories and Baxter Healthcare from the health care products industry. Over the course of the 1990s and especially thanks to foreign investments, the manufacturing industry's contribution to GDP experienced a higher increase than the agricultural sector. Recently, electronics, pharmaceuticals, software development and tourism have broadened Costa Rica's economical base. Lately, call centres of major US companies such as Amazon or HP have started to compete with the established industries, as levels of remuneration are still comparatively reasonable in the region and English

¹⁴⁹ UNEP (1997).

¹⁵⁰ The World Bank classifies as upper-middle income those countries with GNP per capita income of between US\$3,946 and US\$12,195 in 2009.

¹⁵¹ CIA World Fact Book (2010).

language skills are widespread among Costa Ricans. Moreover, high-quality employment opportunities arise from the semiconductor industry for engineers, most of them having studied in Costa Rica and abroad, e.g. in the USA.

The tourism sector started receiving great attention from the government in the early 1980s and has been heavily advocated since then. In 1985, a national regulation declared the tourism sector a 'public utility', thus tourism businesses received a number of incentives, managed, allocated and controlled by the Costa Rican Tourism Institute (Instituto Costarricense de Turismo, I.C.T.). These incentives included tax exemptions for buying tourism-related supplies, building tourism infrastructure or for investment in motorboats or cars for tourism activities as well as a faster depreciation of investments.¹⁵² Today, tourism is one of the fastest growing economic sectors in Costa Rica.¹⁵³ By 1995, tourism became the largest foreign exchange earner and since 1999, tourism has generated more foreign exchange than the total of cash crops such as bananas, pineapples and coffee.¹⁵⁴ Table 8 displays the dynamic economic development in Costa Rica between 2003 and 2008.

Table 8 – Tourism Receipts and Exports of Products in Costa Rica, 2001-2008

	2003	2004	2005	2006	2007	2008
Tourist arrivals	1,237,948	1,452,926	1,679,051	1,725,261	1,979,789	2,089,174
Percentage change	10%	15%	13%	3%	13%	5%
Coffee (in mn US\$)	193.6	197.6	232.7	225.8	251.9	305
Percentage change	15%	2%	15%	-3%	10%	17%
Bananas (in mn US\$)	553.1	543.4	481.2	620.3	673	689.2
Percentage change	14%	-2%	-13%	22%	8%	2%
Pineapples (in mn US\$)	198.5	256.2	324.7	432.8	484.9	572.9
Percentage change	21%	23%	21%	25%	11%	15%
Pharmaceuticals (in mn US\$)	103	110	103.2	113.8	120	125,7
Percentage change	13%	6%	-7%	9%	5%	5%
Tourism (in mn US\$)	1,225.60	1,390.30	1,599.00	1,634.70	1,941.50	2,160.60
Percentage change	10%	12%	13%	2%	16%	10%
Total exports (in mn US\$)	6,102.20	6,301.50	7,026.40	8,207.30	9,352.70	9,503.70
Percentage change	14%	3%	10%	14%	12%	2%
GDP (in mn US\$)	17,517.70	18,595.60	19,961.00	22,528.70	26,267.30	29,834.50
Percentage change	4%	6%	7%	11%	14%	12%
Tourism/GDP ratio	7%	7.5%	8%	7.3%	7.4%	7.3%
Tourism/Exports of Goods ratio	20.1%	22.1%	22.8%	19.9%	20.8%	23.0%

*/ Includes information from cruises

Source: Macroeconomic Statistics, Banco Central de Costa Rica, 2009

¹⁵² Costa Rica Investment Portfolio (Costa Rica ip) (2010). Mattarita-Cascante (2010) provides a detailed description on the development of the Costa Rican tourism sector as well as the important external influences on and the developmental policies for the tourism sector in the country.

¹⁵³ Rojas (2004).

¹⁵⁴ Calderón Castillo (2005).

In 2008, international tourism reached its highest income level with US\$ 2,160 billion, contributing 7% of the country's GDP and generating 23% of foreign exchange by all exports (Table 8).¹⁵⁵

Even though the largest proportion of tourism receipts comes from the USA since this is the most important source market for Costa Rica, the US market is not the most profitable one when measured by average spending per tourist. The average US American leisure tourist spent a total of US\$1,212 per holiday in Costa Rica in 2008, whereas Canadians and European tourists spent US\$1,567 and US\$1,732, respectively. Additionally, US leisure tourists spend significantly shorter periods of time in the country and their average daily spending per day of US\$110 in 2008 is lower than those of tourists from Canada and Europe (Table 9).¹⁵⁶

Table 9 – Average Spending per Person, Average Length of Stay and Average Spending per Day, 2006- 2008 (Leisure Tourism)

REGION	2006			2007			2008		
	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)
Total	1,285	12.6	102	1,345	12.4	108	1,353	11.5	118
USA	1,294	11.6	112	1,270	11.4	111	1,212	11.0	110
Canada	1,281	16.5	78	1,490	16.0	93	1,567	14.3	109
Central America	958	6.6	144	1,065	8.2	130	969	6.3	154
Europe	1,418	17.1	83	1,496	16.9	88	1,732	14.5	119

Source: Base Consolidada, Encuesta Aérea, Aeropuerto Juan Santamaría

Business travel is more lucrative for the country than leisure travel. Measured by average spending and length of stay in 2008, business tourists from Canada represent the key market segment for Costa Rica, spending US\$2,169 per stay. Measured by average spending per day, European business tourists have been the most lucrative source market with a total spending of US\$245 per day (Table 10).

¹⁵⁵ ICT (2009).

¹⁵⁶ Base Consolidada, Encuesta Aérea, Aeropuerto Juan Santamaría

Table 10 – Average Spending per Person, Average Length of Stays and Average Spending per Day, 2006-2008 (Business Tourism)

REGION	2006			2007			2008		
	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)
Total	1,584	8.7	181	1,633	8.6	191	1,487	7.0	213
USA	1,955	10.1	193	1,575	9.7	162	1,319	7.3	180
Canada	1,987	11.5	172	3,111	14.8	220	2,169	13.8	157
Central America	985	5.2	189	1,061	5.4	197	1,179	5.7	207
Europe	1,822	11.1	164	2,079	10.9	191	1,931	7.9	246

Source: Base Consolidada, Encuesta Aérea, Aeropuerto Juan Santamaría

1.3. Poverty and Vulnerability

Similar to the case of the Maldives, many typical characteristics of poverty¹⁵⁷ are not apparent in Costa Rica, when compared to other Central American countries – Costa Rica is the country with the highest standard of living in the region. The GDP per capita is around US\$10,900, the adult literacy rate amounts to 96% and the average life expectancy is around 78 years¹⁵⁸. At 0.854 in 2007, the Costa Rican HDI is one of the highest in the region.¹⁵⁹ The country can look back on almost 60 years of uninterrupted democracy, making it one of the most stable countries in the region.

Measured according to international standard definitions, poverty in Costa Rica declined during the last 15 years. While the number of people living beneath the national poverty line was still 21% in 1999, it dropped to around 16% in 2006.¹⁶⁰ Similar to the situation in other countries, women and large households experience a relatively higher degree of vulnerability to poverty than males and small households respectively.

Following the common approach to operate with locally contextualised poverty lines¹⁶¹, the Department of Statistics in Costa Rica (Instituto Nacional de Estadísticas y Censos) in compliance with the recommendation of the Economic Commission for Latin America and the Caribbean (ECLAC) established an extra category that identifies households that are *poor* or *do not have enough for basic living necessities*, and another lower level that distinguishes those that are *extremely poor*. According to this classification, a household is (1) classified as *extremely poor* if the income per capita is under the level of basic living costs (Costo per Cápite de la Canasta Básica Alimentaria). A household is

¹⁵⁷ The definition of poverty and the choice of poverty line depend to a large extent on the intended use of the poverty rates. However, it is common practice to define the poor as “those who lack command over basic consumption needs, including food and nonfood components. In this case the poverty line is obtained by specifying a consumption bundle considered adequate for basic consumption needs, then estimating the cost of these basic needs”.

¹⁵⁸ All numbers taken from the CIA World Fact Book (2010).

¹⁵⁹ For comparison: Honduras: 0.732, Nicaragua: 0.699, Panama: 0.840.

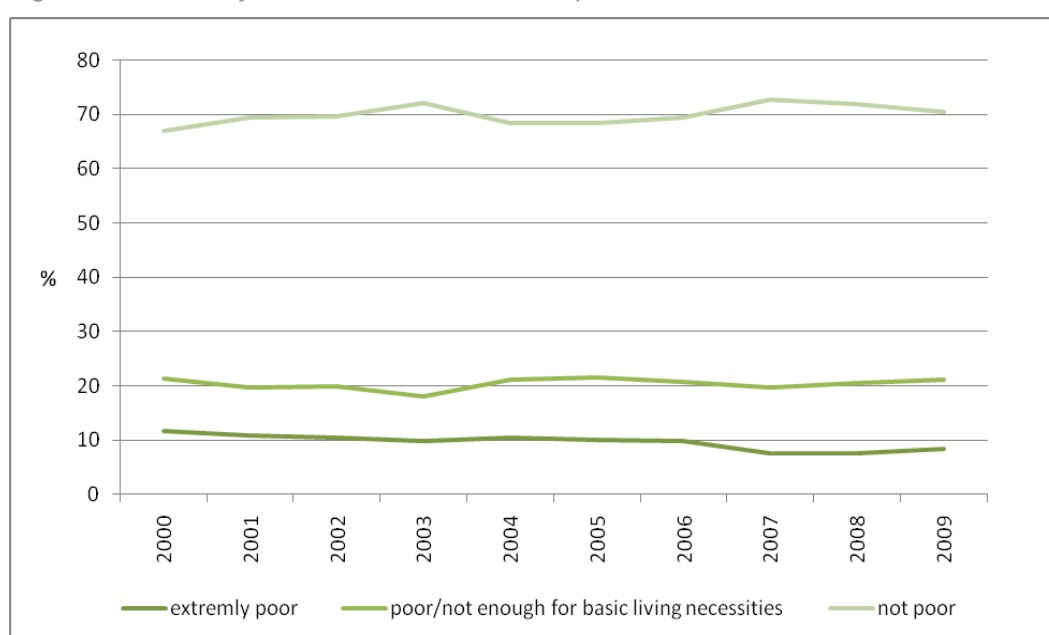
¹⁶⁰ CIA World Fact Book (2010).

¹⁶¹ Houghton & Khandker (2009): p. 40-41.

assigned to group (2) *poor or not having enough for basic living necessities* if the income per capita in the household is equal to or higher than the level of basic costs for living, yet still not high enough for basic non-alimony necessities. A household or person is (3) not considered poor if the income per capita is over the above-mentioned poverty lines.¹⁶²

Figure 57 illustrates the development of the poverty and non-poverty rates in Costa Rica since the year 2000. A clear decline may be observed in the number of extremely poor people since 2000 (12% in 2000 vs. 7.5% in 2008), while the ratio in the group of the poor/not enough for basic living necessities remained at approximately 20%. At the same time, the group of the non-poor slowly increased from 2000 to 2008 from 67 % to 72%.

Figure 57 – Poverty Profile of Costa Rican Population, 1993-2009



Source: Dirección Actuarial. Departamento de Estadística, Análisis Demográfico (2009)

The reduction of the number of poor people and households during that epoch coincided with a period of stable economic growth marked by average export growth rates of around 9% in total and even 14.5% in the tourism sector.¹⁶³ Because of the fact that tourism is one of the fastest growing economic sectors in Costa Rica, it may be assumed that tourism accounted significantly to the reduction of poverty between 2000 and 2008.

Figure 59 shows that poverty levels started increasing again at the end of 2008. The share of extremely poor people increased from 7.5% to 8.4% of the population between 2008 and 2009. The group of people not having enough for basic living necessities grew

¹⁶² In the Latin American countries, the method of Basic Living Necessities (La metodología de las Necesidades Básicas Insatisfechas - NBI) was advised by the Economic Commission for Latin America (CEPAL) in the 1970s. For more information on how the classification was developed, see <http://www.inec.go.cr/Web/Home/GeneradorPagina.aspx>.

¹⁶³ Banco Central de Costa Rica (2008).

from 20.6% in 2008 to 21.2% in 2009. This development provides an indication that the economic crisis had a direct impact on the poverty profile of the Costa Rican population.¹⁶⁴

1.4. Structure of the Costa Rican Tourism Labour Market

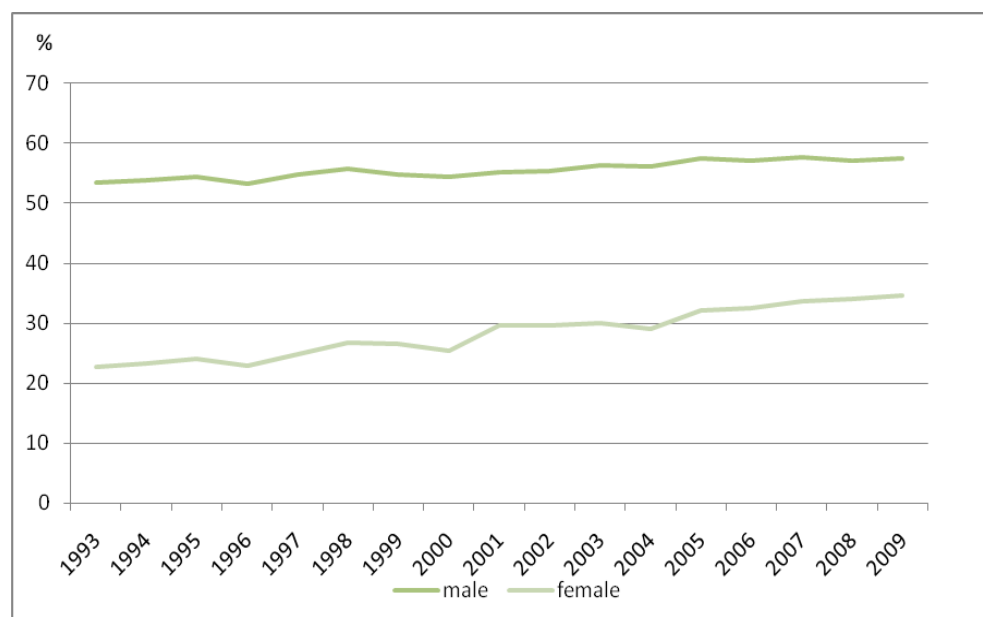
Costa Rica's current labour market may be characterised particularly by an increasing number of jobs in its service sector. With almost 70% of the 1,374,419 socially insured employees in 2009, the tertiary sector clearly offers the highest percentage of job opportunities. Although numbers in the primary sector have been going down during the last few years, around 12% of employees are still employed in agriculture, fishing or mining. About 18% work in the manufacturing sector. In 2009, the employment rate in the country was measured at 46% in 2009 (2000: 40%), while the unemployment rate was about 7.8% in 2009 (2000: 5.2%; 2008: 4.9%).¹⁶⁵

Although the female employment rate in Costa Rica has increased significantly from 23% in 1993 to almost 35% in 2009 and the employment rate of men grew only by 4 percentage points from 54% to 58% during the same time period (Figure 60), there is still a large gap between the unemployment rate of men and women to the disadvantage of women. While the unemployment rate of men was 4.2% in 2008, 6.2% of women were registered as unemployed. This tendency may be observed throughout the period illustrated in Figure 59.

¹⁶⁴ Caja Costarricense de Seguro Social (CCSS), Departamento de Estadística (2009).

¹⁶⁵ Caja Costarricense de Seguro Social (CCSS), Departamento de Estadística, Análisis Demográfico, (2009).

Figure 59 – Growth of Employment Rate by Gender, 1993-2009



Source: Dirección Actuarial. Departamento de Estadística, Análisis Demográfico (2009)

Between 1997 and 2000, and especially from 2003 to 2008, the gap grew even larger. While the unemployment rate of men clearly declined from 2003 onwards, the women's rate continued to rise until 2005. This divergence may be explained by the growing number of real estate and tourism investments from 2003 onwards and thus the increasing number of typical male jobs, for instance in the construction sector. The huge infrastructural project and development of the Daniel Oduber International Airport in Guanacaste in the early 2000s is just one illustrative example.

Figure 58 – Growth of Unemployment Rate by Gender, 1993-2009



Source: Dirección Actuarial. Departamento de Estadística, Análisis Demográfico, 2009

The overall number of employees benefitting from social insurance increased from 1,038,816 in 2000 to 1,374,419 in 2009, which corresponds to an increase of 32%.¹⁶⁶ An increasing number of jobs that have emerged from the electronic, pharmaceutical or software industries have broadened Costa Rica's labour market considerably during the last years. Furthermore, the call centre industry is currently experiencing a boom in Costa Rica, as major US companies such as Amazon or Hewlett Packard profit from reasonable wage levels in the region as well as a relatively high level of education and good English skills among the Costa Rican workforce. These kinds of developments notably affect the tourism sector and the search for qualified employees, since it is difficult for the sector to offer competitive salaries to compensate for unfavourable working hours in relation to the aforementioned industries.

Similar to the situation in other countries, tourism in Costa Rica offers a relatively high number of jobs for low and unskilled employees. Even though official statistical data on qualification levels within the sector are missing, experts interviewed in the country estimate the share of low and unskilled persons directly employed in the sector to be around two thirds. Therefore, the tourism sector in Costa Rica offers above average job opportunities for people belonging to vulnerable groups. Furthermore, tourism and some of its directly-linked industries belong to the fastest growing labour markets in Costa Rica.¹⁶⁷ Compared to other economic activities, tourism may be considered one of the sectors with the most stable growth until 2008. Data from the Costa Rican Social Security Institution¹⁶⁸ illustrate the employment development in the hotels and restaurants sector.¹⁶⁹ From 2003 to 2008, the number of employees holding social insurance in hotels and restaurants increased from by 61% to 30,625. Measured by overall employment, the share of employees working in hotels and restaurants increased slightly, from 3% in 2003 to 4% in 2008 (Figure 61).

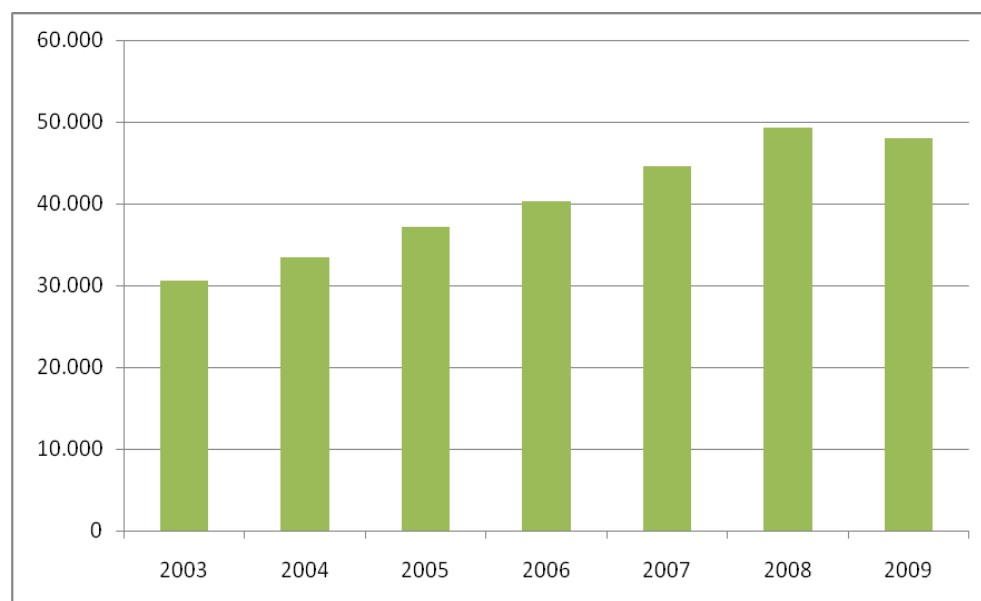
¹⁶⁶ Caja Costarricense de Seguro Social (CCSS), Departamento de Estadística, Análisis Demográfico, (2009).

¹⁶⁷ Rojas (2004).

¹⁶⁸ Caja Costarricense de Seguro Social (2009).

¹⁶⁹ Official employment data covering the overall tourism sector is not available. Therefore, data on employment in hotel and restaurants is used as a proxy, indicating exemplarily the development within the overall industry.

Figure 59 – Growth of Employment in the Hotels and Restaurants Sector, 2003 - 2009



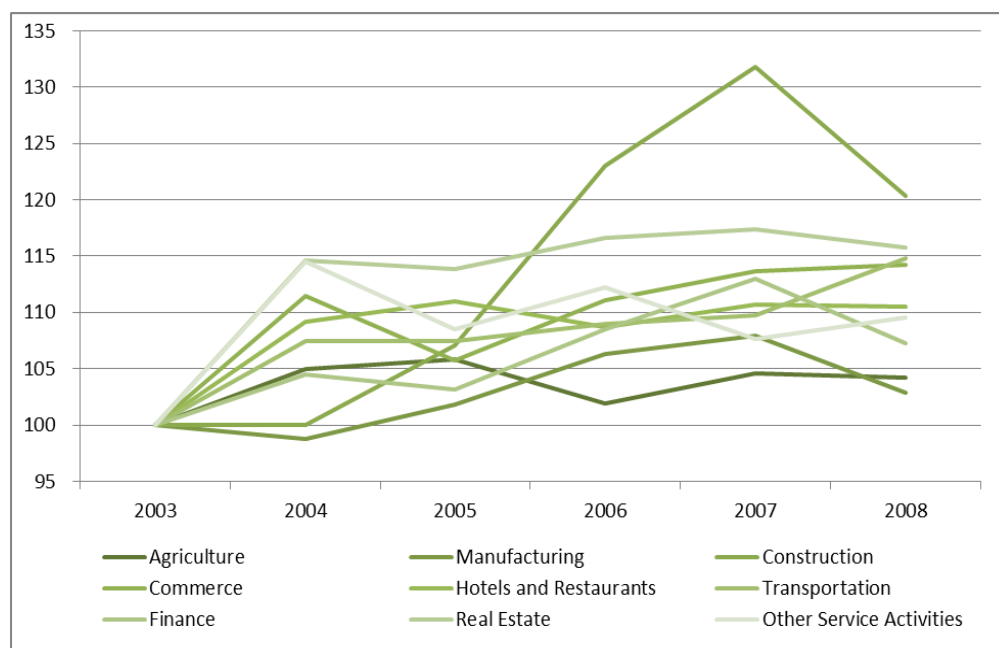
Source: Departamento de Estadística. Dirección Actuarial. Elaboración propia con base en el Sistema de Estadística de Patronos, Trabajadores y Salarios. CCSS.

The tourism sector is directly and indirectly linked to a range of other economic activities. The rapid increase of tourist arrivals in Costa Rica from 2003 onwards was accompanied by the construction of new hotels, the expansion of tourism infrastructure, a boom in the real estate sector and other tourism related activities. Figure 63 illustrates that the number of jobs in industries such as real estate and construction have been experiencing an even higher dynamic than the hotels and restaurants sector since 2003. Commerce and transportation also gained significantly more weight during that economic boom period.

To obtain a better understanding of how many people are really employed in tourism and its related sectors, the example of Guanacaste may provide valuable insights. Guanacaste is one of the most important tourism regions in the country (for more details see Chapter 1.5). In Guanacaste, hotels and restaurants employ 25% of the workforce.¹⁷⁰ Considering that employment in hotels and restaurants represents only a share – albeit a significant share – of the overall direct employment in the sector, the Tourism Chamber of Guanacaste (CANATUR) estimates for the year 2008 that the total direct employment in the tourism sector adds up to 40% of all the jobs in the region. Based on these estimates, the regional direct employment multiplier has to be estimated at a value of approximately 1.6. Additionally, most other sectors in the region share significant relations with tourism.

¹⁷⁰ Cámara de Turismo Guanacasteca (2010).

Figure 60 – Growth of Employment by Industries, 2003-2008 (2003 = 100)



Source: Departamento de Estadística. Dirección Actuarial. Elaboración propia con base en el Sistema de Estadística de Patronos, Trabajadores y Salarios. CCSS.

For the whole country, business representatives and officials interviewed estimated that every job in the tourism sector itself indirectly supports another 1 to 1.5 jobs in related economic sectors. Based on these estimations, it seems likely to assume that approximately 80,000 people in Costa Rica are directly employed in tourism and another 120,000 jobs are generated in related sectors. Based on these estimates a total of approximately 200,000 jobs or 16% of the overall employment may be directly or indirectly dependent on tourism. Even though these figures are rough estimates, they at least give an idea of the potential of tourism as a job generator in Costa Rica and the amount of people who depend on a healthy tourism sector.

The increase of 'new' jobs generated by the tourism sector and a generally growing economy during the last few years was accompanied by a massive employment increase for women. A large share of women benefitted and still benefit from the increase in jobs in the tourism sector or new jobs directly linked to it. Although there are no official numbers available to demonstrate these benefits, the interviews reveal that many of the female respondents did not work until the tourism sector in Guanacaste started expanding. This applies especially to the older, unqualified women working in the tourism sector. General data on the development of employment rates in the country can at least prove the growing number of women in work.

As various industry representatives in Guanacaste emphasised, it is (still) common in Costa Rica to employ women in traditional female jobs such as housekeeping (cleaning, laundry etc.), while men usually work as gardeners, security staff, bell boys, electricians

or as drivers/couriers. In hotel kitchens or in bars, a notable majority of men may also be noticed¹⁷¹ (Pictures 5-8).

Empirical evidence from a number of different hotels show the ratio between male and female employees is 3:1, with both genders being employed in traditional jobs; for women as housekeeper or secretaries, and men as gardeners, bell boys, cooks or waiters.

Whenever an attempt is made to create a clear picture of the employment situation in a country, it is important to keep in mind that not all of the jobs related to the tourism sector are regular. The tourism sector and its related industries in Costa Rica also offers a lot of irregular job opportunities, which cannot be underestimated with regard to their contribution to poverty reduction. For obvious reasons, detailed figures are scarcely available. The Costa Rican Institute for Tourism estimates that the ratio of irregular to regular employment is two jobs to one. Examples include jobs selling fruit or other products (agricultural sector) as well as positions in manufacturing handicrafts or as a guide without an official licence.¹⁷²

¹⁷¹ Interview with a representative from the Office of the Ministry of Tourism (ICT), July 2010.

¹⁷² Interview with a representative from the Office of the Ministry of Tourism (ICT), July 2010.

Picture 5 – Kitchen Staff in a Hotel



Picture 7 – Supplies for an Eco-Lodge



Picture 6 – Laundry Staff in a Hotel



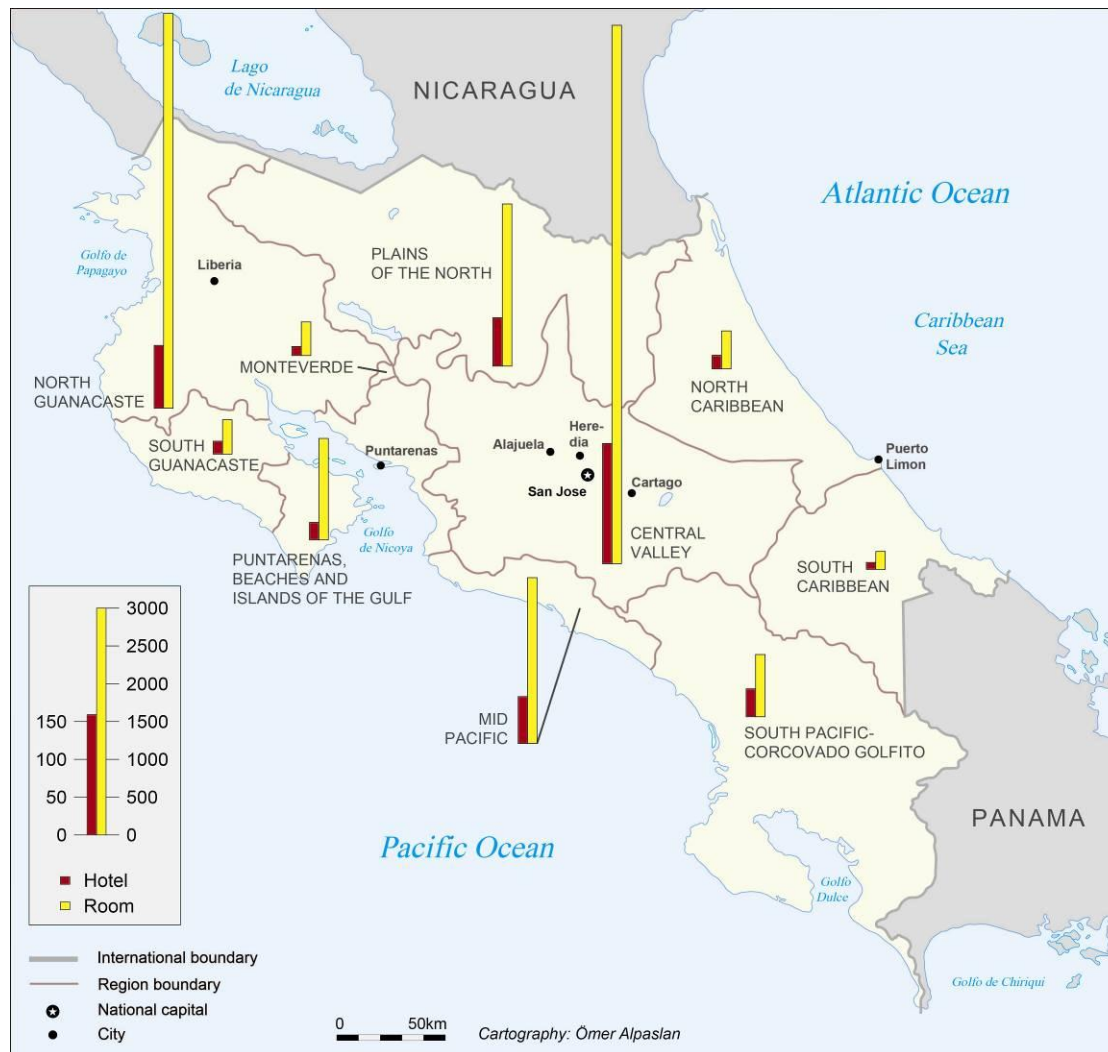
Picture 8 – Women Employed in the Handicraft Sector



1.5. Regional Focus: Guanacaste

Guanacaste was selected to serve as the region to be specifically investigated in this case study because of its overwhelming importance for the Costa Rican tourism sector. Map 4 illustrates the enormous amount of accommodation capacity of 9,678 rooms in North and South Guanacaste, this only being exceeded by the number of rooms in the capital San José. The large number of rooms and the comparatively small number of hotels also reflects the larger average size of the hotels in the region compared to those in other regions of the country.

Map 4 – Allocation of Rooms in Costa Rica in 2008



Source: Map designed on the base of Instituto Costarricense de Turismo, Anuario Estadístico (2008).

Guanacaste is famous for its beautiful beaches such as Playa Tamarindo, the sun-drenched dry season that coincides with the winter months in northern latitudes, and its seven national parks including Santa Rosa, Guanacaste and Rincon de la Vieja National Park. Beach and eco-tourism are thus the main tourism segments in the region. Historically relying on an economic and cultural heritage based on beef cattle ranching, sugar cane and cotton, tourism has emerged as the new, booming activity in the local

economy of Guanacaste. The government put enormous effort into the development of the region for tourism and, based on the National Tourism Plan, started tourism development in 1999. Indeed, one of its strategies in developing tourism has been in the establishment of Centres of Sustainable Tourism (CTS), which aim to maintain a dynamic variety of tourism products while also concentrating on selected tourism projects. Overall, these centres are being mobilised by the government to act as economic growth poles, thus highlighting the specific importance of the Guanacaste region. This strategy is believed to allow a precise development in selected areas with large tourism potential.¹⁷³ On Costa Rica's northwest Pacific coast, a huge area on the Papagayo Peninsula has started to be developed. Papagayo is one of the selected tourism development projects within the scope of the national CTS.

One of the first steps in establishing the region as a tourist centre within the country was to bring the Canadian-based luxury hotel group Four Seasons to the peninsula. Today, in addition to the Four Seasons, other chain hotels such as the Hilton, JW Marriott or Rio contribute to the upper and large-scale accommodation sector of Guanacaste. However, the region is also home to a large number of small and medium-sized enterprises, most of them operating in the accommodation sector and having no more than 20 beds on average. In total, SMEs account for approximately 80% of the available beds, whereas the large chain hotels account for about 20% of the total room capacities in Guanacaste.

One of the tourism sector's bottlenecks is the limited access to Guanacaste by air. Although many of Guanacaste's beaches are only approximately 100 km away from San José and the main Juan Santamaría international airport, transfers by car can take several hours depending on the traffic situation, road and weather conditions. Efforts have been made by the Costa Rican government to facilitate better access to the area such as opening the second biggest international airport "Daniel Oduber" in Liberia, Guanacaste in 2004.

As Figure 61 illustrates, this step yielded a significant growth in tourist arrivals and departures, creating an important gateway for the tourism sector in Guanacaste as a whole. 405,950 passengers started and landed at the Daniel Oduber International Airport in 2007, of which 209,908 were international tourists.¹⁷⁴ 92% of all tourists were from North America and 75% of them from the USA, rendering the region highly dependent on only one main source market.¹⁷⁵ Each of these tourists spent on average approximately US\$2,251, which adds up to a total regional income originating from tourism of US\$472,503 million in 2007.¹⁷⁶ The accommodation sector basically accounted for three quarters or US\$354,377 million, of this amount whereas 25% or US\$118,126 million was spent on other services indirectly linked to tourism.

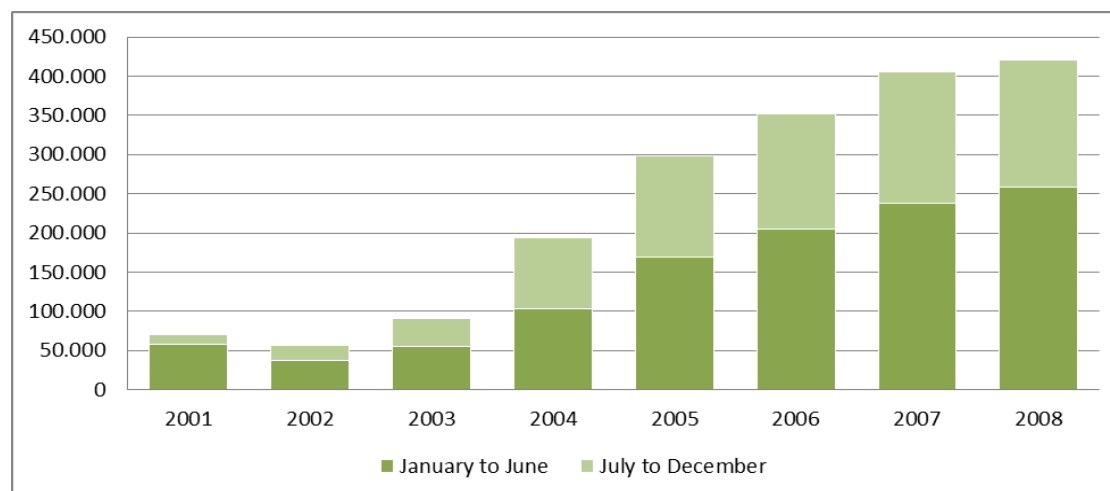
¹⁷³ ICT (2002): p. 74.

¹⁷⁴ ICT Anuario de Estadístico (2008).

¹⁷⁵ ICT Anuario de Estadístico (2008).

¹⁷⁶ Cámara de Turismo Guanacasteca (2010); numbers for 2008 are not available.

Figure 61 – Tourist Arrivals and Departures at Daniel Oduber International Airport (Liberia), 2001-2008



Source: Presentation of Cartugua, Cámara de Turismo Guanacasteca, July 2010

Whereas most tourists spend money in restaurants and supermarkets, services consumed by tourists also included legal and health services as shown in Table 11.¹⁷⁷

Table 11 – Guanacaste Region: Tourist Services

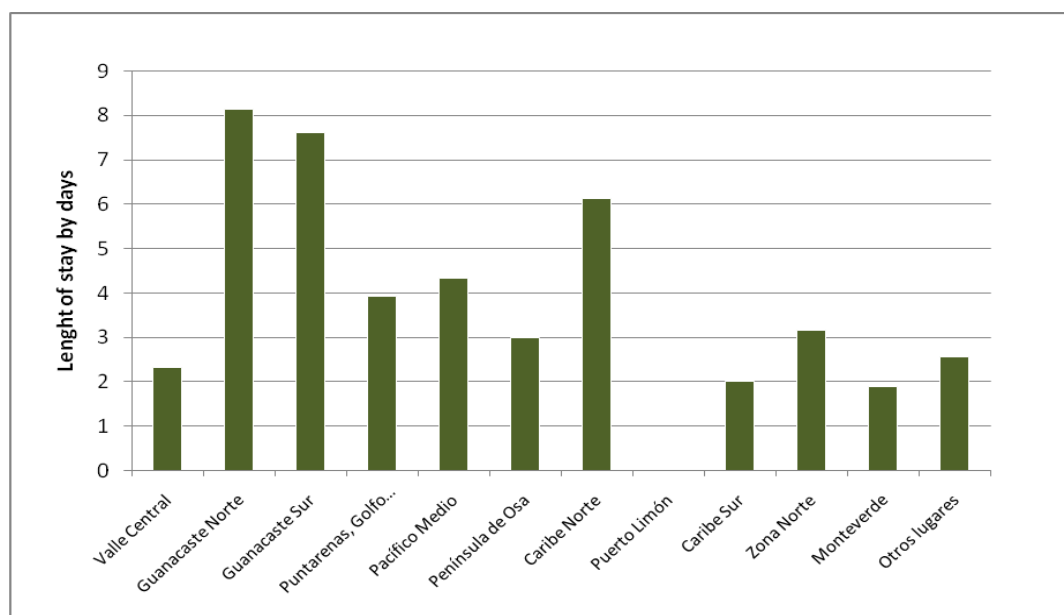
Services used by tourists	2008
Restaurants	85%
Supermarkets	75%
Local tours	69%
Shops	59%
Night entertainment	54%
Pharmacies	42%
Car rental	42%
Spas	36%
Public transport	18%
Legal services / Lawyers	9%
Hospitals / Doctors	7%

Source: Presentation of Cartugua, Cámara de Turismo Guanacasteca, July 2010, Survey among 300 tourists.

Figure 64 indicates that both the north and south of Guanacaste are national champions in terms of the tourist's average length of stay. One of the main factors is the high influx of tourists to the high end hotel chains in the region, combined with alluring offers to the numerous attractive national parks nearby, excellent water sport options such as surfing and other leisure activities in the high price segments such as golf or polo.

¹⁷⁷ Cámara de Turismo Guanacasteca (2010).

Figure 62 – Average Length of Stay in Costa Rica by Region and Days, 2008



Source: Base Consolidada, Encuesta Aérea, Aeropuerto Daniel Oduber (2008)

In 2007, 25% of all employees in the region of Guanacaste worked in the hotel and restaurant business (Figure 63). Another 25% were occupied in other public, private or collective services, mostly directly linked to the tourism sector. Agriculture, fishing and mining still account for approximately 20%, although their share declined during the last few years. The construction sector in Guanacaste employed 10% of the regional population in 2007. According to the Chamber of Tourism in Guanacaste, almost 40% of all jobs in Guanacaste are positions directly associated with the tourism sector; all other sectors also share significant links to tourism.¹⁷⁸

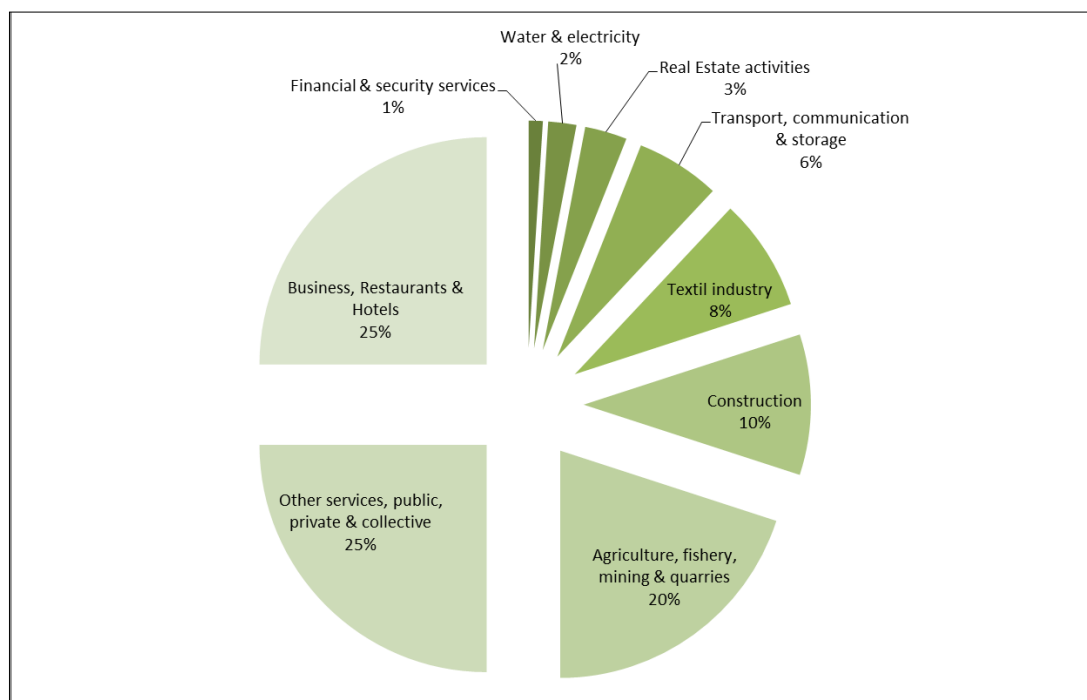
With the development of tourism in Guanacaste, many new jobs were created in the region. According to the Cámara de Turismo Guanacasteca, the number of employed people in Guanacaste grew by 17% between 2004 and 2008 which signifies an absolute surplus of 19,384 jobs. At the same time, the number of unemployed people declined significantly by 9% between 2004 and 2008.

A clear development can also be observed looking at the growth of average family income.¹⁷⁹ It may be assumed that the high percentage of newly created jobs – both direct and indirect – in the tourism sector in Guanacaste and the large increase of income due to the growing tourism sector mainly contributed to a growth in average family income of more than 15% between 2006 and 2008 in Guanacaste (Chorotega) (Figure 66).

¹⁷⁸ Cámara de Turismo Guanacasteca (2010).

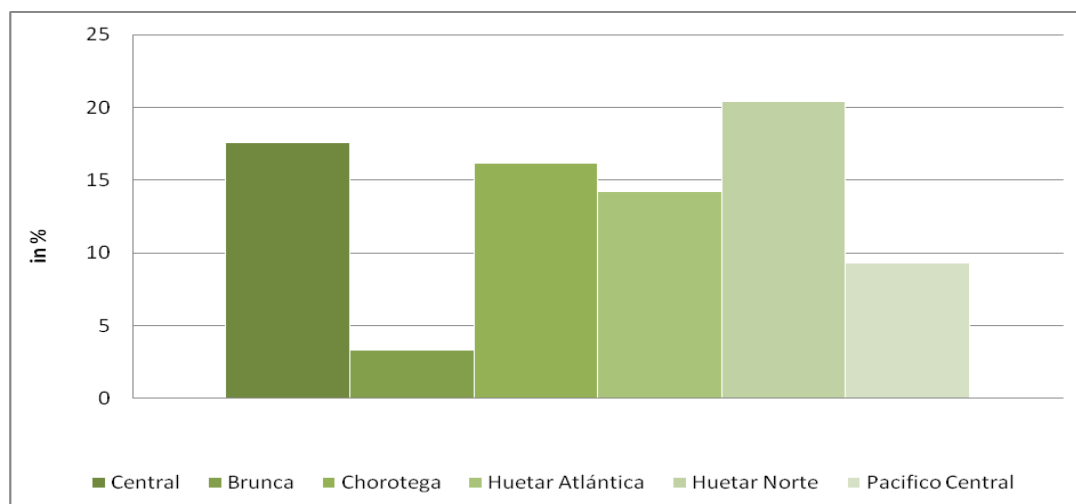
¹⁷⁹ Presentation of Cartugua, Cámara de Turismo Guanacasteca (July 2010).

Figure 63 – Employment by Economic Sectors in the Region Guanacaste, 2007



Source: Presentation of Cartugua, Camara de Turismo Guanacasteca (July 2010)

Figure 64 – Growth of Average Family Income, between 2006 and 2008



Source: Presentation of Cartugua, Camara de Turismo Guanacasteca (July 2010).

Compared to other Costa Rican regions, this is one of the highest growth rates during that period. Only Costa Rica's central region (+17%) and the northern region Huetar Norte (+20%) reported higher household income growth.

In 2009, however, the global economic slowdown had a severe impact on the Guanacaste region, as its main source market, the USA, was heavily affected by the global economic recession. With the decreasing number of tourist arrivals, the accommodation sector and the entire tourism supply chain suffered (see Chapters 6 and 7 for further information).

2. The Global Economic Crisis and its Impact on the Tourism Sector

The Costa Rican economy is directly linked to the economy of the USA. Hotels' annual budgets, the growth rate of international tourist arrivals, national inflation rates – all these indicators are instantly affected by the economic situation in the USA. A large number of (real estate) developments and business projects, for instance, are mainly US-based, collaborating with a few Costa Rican investment partners. As a direct result of the financial crisis – starting in the USA – project developments were paralysed and many of them eventually collapsed or came to a halt.

Some data from the previous chapters already suggested that Costa Rica suffered severely from the global economic crisis. After a long period of stable economic growth, tourism receipts declined and unemployment rates rose considerably between 2008 and 2009. The tourism sector was one of the most affected. Apart from the global economic crisis, Costa Rica also experienced heavy negative impacts from the H1N1 outbreak in the summer of 2009, which frightened many US tourists and caused them to cancel or defer their travel plans.

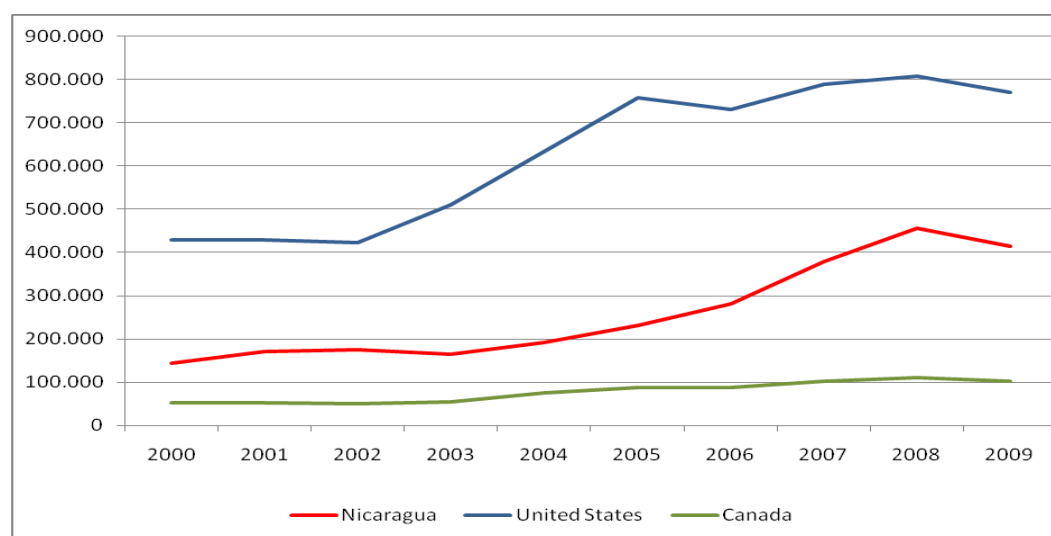
2.1. International Tourist Arrivals

In 2009, the tourism sector in Costa Rica suffered a severe setback as travel activities of people from the country's main generating market, the USA, started decreasing, which resulted in a 6% decline of the number of tourist arrivals from Northern America (from 976,561 in 2008 to 920,371 in 2009).

With the outbreak of the economic crisis, the number of arrivals from Central America mirrored the decrease in arrivals from the USA (Figure 67), dropping by 9%. Central Americans, and particularly Nicaraguans, also contribute to a large extent towards the seasonal workforce, not only in tourism. Since most of them do not possess an official work permit, they are mainly employed irregularly and enter the country on a tourist visa. It can therefore be assumed that the crisis impacted negatively on irregular job opportunities for such groups in particular, which in turn impacted on the number of entries.

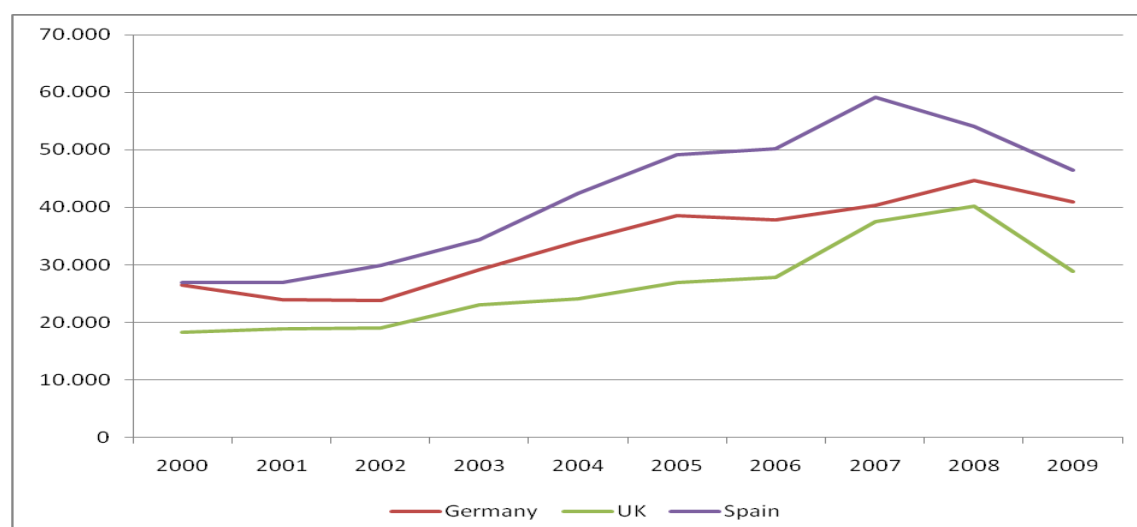
The beginning of the impact of the economic slowdown in the three selected source markets – Germany, the United Kingdom (both in 2008) and Spain (2007) – is reflected in Figure 68. Accounting for a drop of 28%, the UK recorded the largest decline in relative terms in 2009, while Spain reported the greatest decline in absolute terms.

Figure 65 – Growth of International Tourist Arrivals from USA, Canada and Nicaragua, 2000-2009



Source: ICT, Anuario Estadístico (2009)

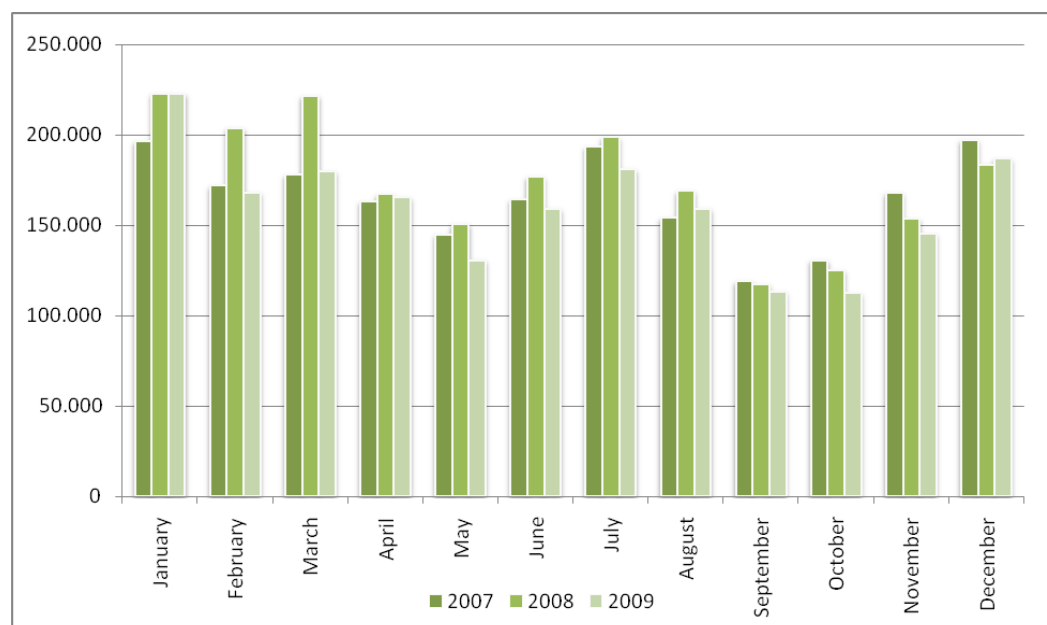
Figure 66 – Growth of International Tourist Arrivals from Germany, UK and Spain, 2000-2009



Source: ICT, Anuario Estadístico (2009)

The German market was hit less, but lost almost 4,000 tourists between 2008 and 2009 (-9%). Although it was expected that numbers would decrease in September as they do every year due to the start of the hurricane season and the end of the holiday period, the decline in tourist arrivals in 2008 was already slightly greater than in the previous year during the same time period (Figure). However, Costa Rica only felt a severe impact in 2009. The number of tourist arrivals decreased by approximately 9% between 2008 and 2009, particularly during the high season from February to April when the number of arrivals dropped dramatically. As Figure 1 illustrates, the tourism sector in Costa Rica had not yet recovered from the crisis by the end of 2009, when the number of international tourist arrivals was still far from the level it had reached in 2007.

Figure 69 – Growth of International Tourist Arrivals in Costa Rica by Month, 2007-2009



Source: ICT, Anuario Estadístico (2009)

Although tourist arrivals in Costa Rica significantly slowed down, the number of rooms offered continued to increase in 2009. Project developments that had started in pre-crisis years were completed, providing more available rooms to an already overflowing market. Hotel developments, however, had been motivated by the tourism boom in the previous years. As Figure 70 displays, the number of available rooms increased by almost 10% in 2008 and 8% in 2009 resulting in lower occupancy rates and consequently in income losses for the hotels. Accordingly, hotel occupancy rates were down from 67% in November 2007 to 61% in the same month in 2008 and to 44% in 2009.¹⁸⁰

¹⁸⁰ ICT (2010).

Figure 67 – Annual Percentage Change in Room Offers and International Tourist Arrivals, 2000 - 2009



Source: ICT, Anuario Estadístico (2009)

2.2. International Tourism Receipts

At the same time, tourist spending decreased during the crisis. Even though a significant number of people were still travelling, they seemed to become more price conscious during the crisis, thus keeping a watchful eye on their money with regard to extra spending. As a result, the average spending per day of leisure tourists from Costa Rica's most important source markets, declined between 2008 and 2009 (Table 14). Only leisure tourists from Central America still had a higher average spending per visit in 2009 than in 2008, because of their increased length of stay.

Table 12 – Average Spending per Person, Average Length of Stay and Average Spending per Day, 2008- 2009 (Leisure Tourism)

REGION	2008			2009		
	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)
Total	1,353	11.5	118	1,205	12.5	96
USA	1,212	11.0	110	1,100	11.5	96
Canada	1,567	14.3	109	1,378	17.0	81
Central America	969	6.3	155	1,067	7.7	139
Europe	1,732	14.5	119	1,420	16.3	87

Source: Base Consolidada, Encuesta Aérea, Aeropuerto Juan Santamaría

Contrary to leisure tourism, the average spending of business tourists increased slightly between 2008 and 2009 (Table 15). This increase can be explained by an increased

length of stay in 2009. The average spending per day, in contrast, decreased clearly for business tourists from the main source countries apart from Central America.

Table 13 – Average Spending per Person, Average Length of Stay and Average Spending per Day, 2008-2009 (Business Tourism)

REGION	2008			2009		
	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)	Av. spending (US\$)	Av. length of stay (days)	Av. spending per day (US\$)
Total	1,487	7.0	213	1,575	9.2	172
USA	1,319	7.3	180	1,531	10.8	141
Canada	2,169	13.8	157	2,873	21.6	133
Central America	1,179	5.7	207	1,256	6.1	297
Europe	1,931	7.9	246	2,030	13.9	146

Source: Base Consolidada, Encuesta Aérea, Aeropuerto Juan Santamaría

This change in tourism spending heavily impacted on the country's overall tourism receipts. After a period of stable growth (see Chapter 1), tourism receipts decreased by 10% from 2008 to 2009, only exceeded by losses in traditional exports such as bananas or coffee. Total exports from Costa Rica experienced a decline of approximately 8%, while the total GDP fell by 2% following two years of stable growth with increases of 14% in 2007 and even 12% in 2008. The tourism sector also lost relative importance within the national economy during that time period, as the contribution of tourism to the Costa Rican GDP dropped from 7.3% to 6.8% between 2008 and 2009. The share of tourism exports declined by 0.3 percentage points, from 23.0% to 22.7% (Table 14).

Table 14 – Tourism Receipts and Exports of Products in Costa Rica, 2007-2009

	2008	Change 07/08	2009	Change 08/09
International Tourist arrivals	2,089,174	5%	1,922,579	-9%
Coffee (in million US\$)	305	17%	232.2	-23%
Bananas (in million US\$)	689.2	2%	621.2	-10%
Pineapples (in million US\$)	572.9	15%	599.7	5%
Pharmaceuticals (in million US\$)	125.7	5%	121.8	-3%
International Tourism Receipts (in million US\$)	2,160.60	10%	1,989.80	-10%
Total exports (in million US\$)	9,503.70	2%	8,777.20	-8%
GDP (in million US\$)	29,834.50	12%	29,276.30	-2%
Tourism/GDP ratio	7.3%		6.8%	
Tourism/Exports of Goods ratio	23.0%		22.7%	

Source: Macroeconomic Statistics, Banco Central de Costa Rica (2009)

3. The Impact of the Global Economic Crisis on the tourism-related Labour Markets in Costa Rica and in Guanacaste

As demonstrated in previous chapters, the tourism sector in Costa Rica was deeply impacted by the global economic crisis since the end of 2008. In addition to the decline in tourist arrivals, decreased tourist spending and room occupancy also led to higher unemployment in the sector and its related industries. This chapter is intended to reveal the impact of the global economic crisis on the tourism-related labour markets, especially in the hotel industry, focusing on the consequences for the tourism sector and its employees.

As the impacts for employees are highly dependent on managerial strategies in mitigating the crisis, the results from interviews¹⁸¹ carried out with managers of international and local hotels in San José and Guanacaste will be illustrated first. Subsequently, available official employment data for Costa Rica and Guanacaste will be analysed. These results will be followed by an analysis of the effects of the crisis on the regional labour markets and the local people, that were obtained from a survey carried out amongst 116 employees in different hotels in Guanacaste in summer 2010. The results are complemented by the reports and impressions from 10 biographical interviews with hotel staff.

3.1. Managerial Response Strategies

Regardless of the exact beginning of the crisis, all hotels surveyed mentioned a reduction in guest numbers between 20% and 40% following the start of the crisis. Similarly, tour operators also had to cope with losing almost 40% of their clients. However, not all of them reduced their staff in the same way and by the same amount. While hotels A and D, for instance, made an important proportion of its employees redundant during the crisis to reduce fixed costs, hotels B and C did not lay off employees at all but merely reduced working hours for most of their employees (Table 15).

Apart from lay-offs and reductions to working hours, the restructuring process of the workforce also included measures such as implementing a freeze on hiring for managerial positions and other key persons, e.g. chefs (Table 16). In all cases, salaries

¹⁸¹ The empirical research in Costa Rica, carried out in July 2010, was a combined study based on three pillars. In order to get a broader picture of the general economic situation and impacts of the economic downturn in-depth interviews were carried out with national and regional tourism experts as well as with key players in the regional tourism sector. This was complemented by a standardised survey comprised of 116 respondents which was carried out mainly among hotel employees in Guanacaste. Finally, in-depth biographical interviews with selected employees gave invaluable insights into the specific living conditions and employment situation of the local tourism workers.

were frozen or even reduced by sending management and staff on unpaid leave for two to three months in autumn of 2009 and, in some cases even until the beginning of 2010.

Table 15 – Examples of Crisis Effects on Selected Hotels and Tour Operators in Costa Rica (including Guanacaste)

	Reduction of guest volume	Reduction of employees (regardless of position)	Start of the crisis' impacts
Hotel A	approx. 30%	14%	October 2008
Hotel B	approx. 40%	none (but more part-time workforce now)	2009
Hotel C	approx. 20%	none (but more part-time workforce now)	December 2008/January 2009
Hotel D	approx. 40%	approx. 30%	December 2008
Tour Operator	almost 40%	41% (as wages is largest fix cost share)	September 2008

Source: own interviews, July 2010

Table 16 – Managerial Response Strategies¹⁸²

Measure	Instruments
Demand stimulating tools I: Cost Reduction measures (Employment)	Staff lay-offs (Forced) unpaid leave for management and staff mostly for 2-3 months (August-October 2009) Hiring freeze on managerial positions and key persons Freeze on salaries
Demand stimulating tools II: Cost Reduction measures (Operational measures and fix cost saving)	Postponement of investments Control of expenses, such as electricity or water Postponement of paying invoices to suppliers, in some cases postponement of 30 more days (causing cash flow-problems) Concentration on fewer suppliers to properly exploit volume discount Invention of 'new' products, e.g. (cheaper) meals for tourists such as chicken instead of lobster
Demand stimulating tools III: Price incentives	Reduction of room or rack rates Incentive offers for tourists, such as free extra bed-night, free extra bed, free excursions or reduced prices for spa treatments and other free additional offers
Demand generating tools: Market diversification	Marketing measures to diversify and attract new markets, often in cooperation with the national tourist board Investment in language skills of selected staff to attract and attend to tourists from new markets

Source: Different interviews with key persons in Guanacaste's hotel and tour operating industry

Two key developments brought about notable changes to the managerial response strategies of tourism enterprises. On the one hand, there were declining international

¹⁸² The categorization of measures as demand stimulating and demand generating measures follows the classification of crisis reaction opportunities of tourism companies by Steiner (2007: 177) as explained in chapter III.4.

tourist arrivals as well as a shortening of the average stay, and on the other hand a sharp increase in the number of rooms offered in Guanacaste due to further hotel investments on site. These led to increased competition among hotel companies and forced hoteliers to significantly reduce their room rates in order to stimulate demand. Nonetheless, not all of the hotels initially followed the same course of reducing prices. However, many hotels eventually had to reduce their rates because other hotels had started, forcing the majority to join the price reduction battle.

Operational measures such as the postponement of investments or payments to suppliers helped hotels to keep expenses low during the hardest months. Many hotels reported that they tried to reduce their expenses by saving energy or water, or by closing parts of the hotel building during periods of low occupation. Additionally, operational measures such as using fewer suppliers to exploit more volume discounts were also taken advantage of. Some of the more innovative hotel kitchens introduced new and cheaper products to their menus. However, although this was mentioned as an example of a possible cost reduction strategy, it faces constraints with hotels that offer a luxury standard.

Other hotels and investors reported cancelling or delaying maintenance investments or postponing new investment projects. Moreover, a number of already started project developments were not completed either due to monetary shortages.¹⁸³ Even though these measures may have been quite effective for the respective companies to reduce their current cost burden, the increasing investment reluctance in the tourism sector negatively impacted on related economic sectors, such as construction.

Intending to stimulate demand, large hotels in particular introduced price incentives and lowered their rates. This policy led to a price race, as most hotels had to reduce their rates drastically due to a chain reaction their competitors had started. This price competition further increased the pressure on profits. Moreover, managers argued that the divisive measure of rack rate reduction could make it difficult to reach the previous price level after an economic dry spell. A more accepted way for demand stimulation among the managers interviewed was to offer incentives to tourists, such as free extra bed nights, reduced prices for spa treatments or free participation in excursions.

Another demand oriented strategy constituted the attraction of new markets during times of crisis, often in cooperation with the National Tourist Board. However, managers considered the accessibility by air as a bottleneck, since a number of international airlines reduced the size of the airplanes employed on routes to Costa Rica. Therefore, hotels were faced with the problem of convincing and negotiating with the different airlines to enlarge their seat capacity.

Most of the large hotels (often belonging to international chains) managed to cope relatively well with impact of the economic crisis, since they were able to mobilise more

¹⁸³ Interview with hotel managers in July 2010, Guanacaste.

marketing resources and were able to rely on capital surplus. Although these hotels also suffered to a certain extent and had to implement a number of measures to raise the occupancy rate and reduce costs (Table 18), in particular it was the small and family-owned hotels who struggled to survive the crisis. Representatives of the hotel industry also reported that several family-owned hotels in the Guanacaste region were unable to re-open until summer 2010. According to their estimates, at least around 20-30% of these hotels would not even be able to re-open after the end of the economic recession due to lack of capital and increased competition from big hotel chains. This is particularly unfortunate, since small tourism enterprises have offered various income opportunities for vulnerable groups and have therefore helped to significantly reduce poverty in the last few years.

3.2. Impacts on Employment

Following the onset of the economic downturn in 2008, the level of overall employment dropped significantly. In the hotel and restaurants sector the number of employees fell by 3% in 2009 (from 49,327 in 2008).¹⁸⁴ Considering the employment multipliers discussed in Chapter 5.4, it seems reasonable to assume that in total 2,123 people employed directly in the tourism sector lost their jobs. Although others did not lose their jobs, a large proportion of tourism employees did suffer from the crisis. Since part-time employment and obligatory unpaid leave were common, a large number of the remaining employees suffered from a decrease in income. Even though the origin of this decrease is company- and employee-specific and there is no general reliable data on the overall losses of income for tourism employees, experiences from the interviews suggest that on average approximately 25-30% of the staff were sent on unpaid leave for two or three months during the low season. Conservatively estimated, this is equivalent to a loss of income of 16%. Therefore, the overall income loss for the total workforce amounts to approximately 4%. Furthermore, the remaining employees were hit hard by the crisis, since a freeze on salaries was an almost ubiquitous managerial crisis-mitigating measure in 2009. This freeze on salaries impacted on the purchasing power of employees since the inflation rate accounted for almost 8% in 2009 and devalued employees' salaries.¹⁸⁵ Overall, it can be assumed that the total remaining workforce actually experienced a reduction of their purchasing power of approximately 12% during the crisis. The reduced purchasing power had a particularly heavy impact on the large share of low-skilled employees (see Chapter 7.3) with low salaries and aggravated their vulnerability to poverty significantly.

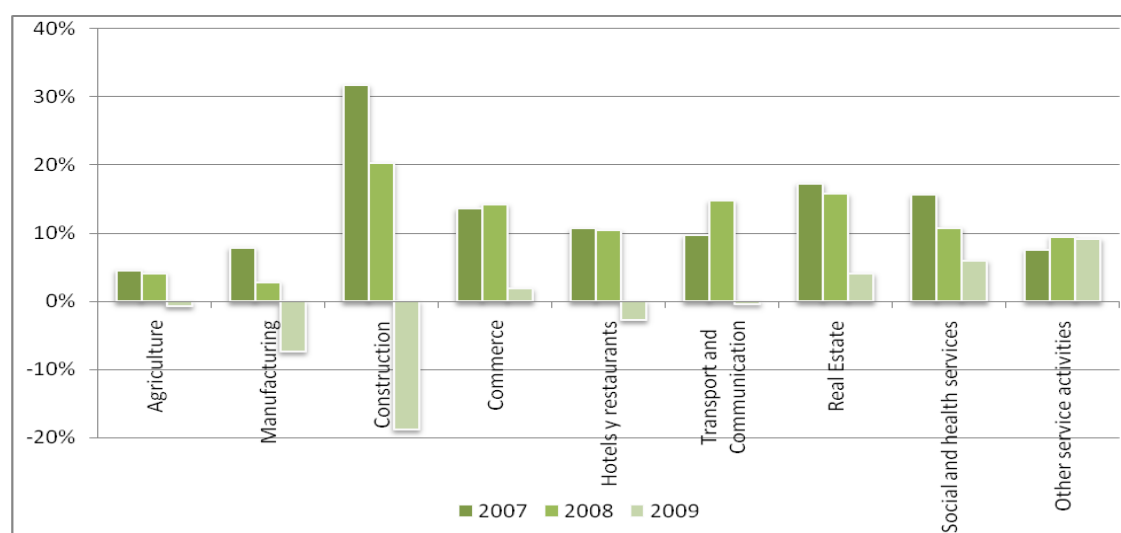
As tourism is strongly linked to several other branches of the economy, it can be assumed that a part of the job losses in the construction, transportation or agricultural sector were caused by a decreasing tourism demand. Applying the indirect employment

¹⁸⁴ Caja Costarricense de Seguro Social (2009).

¹⁸⁵ World Bank (2010b).

multiplier discussed previously it can be assumed that at least another 3,184 people in related economic sectors lost their jobs due to decreasing tourism demand. In total, lay-offs may add up to 5,307 jobs, representing a decline of 4.5% of the total tourism related workforce. Indeed, the employment figures for other economic sectors and information obtained from interviews corroborate this assumption. The construction sector in particular was hit hard (Figure 71). The number of employees with social insurance in the sector decreased by 19% between 2008 and 2009. As a large proportion of these job losses are attributed to problems in the real estate sector itself, it is not possible to define the exact share of tourism-induced job losses. Interviews confirm that the relatively low hotel occupancy rates in 2008 and 2009 contributed to widespread construction-related investment reluctance in the tourism sector too.

Figure 68 – Employment Subject to Social Security Contribution in Costa Rica - Annual Percentage Change by Sector, 2007 - 2009



Source: Departamento de Estadística. Dirección Actuarial. Elaboración propia con base en el Sistema de Estadística de Patronos, Trabajadores y Salarios. CCSS.

Even though the number of lay-offs for informal employees do not exist, interviews provide evidence that informal workers were hit even harder than their formally employed colleagues. Since they can be easily laid-off or sent on unpaid leave in times of decreasing demand, cost cutting measures by tourism companies hit one of the most vulnerable groups first. Since a large share of informal employees come from abroad, it can be assumed that lay-offs in this sector hit foreign employees more often than Costa Ricans. The declining tourist arrivals from Central America (-9.2%), and especially from Nicaragua, may provide a rough proxy in this regard.

Apart from the general overview of the employment trend in hotels and restaurants, illustrative data from a chain hotel in North Guanacaste indicate that male and female employees were affected differently by managerial measures taken during the crisis. Data obtained from a hotel in Guanacaste (Table 17) can be transposed to other chain hotels, where similar patterns were reported.

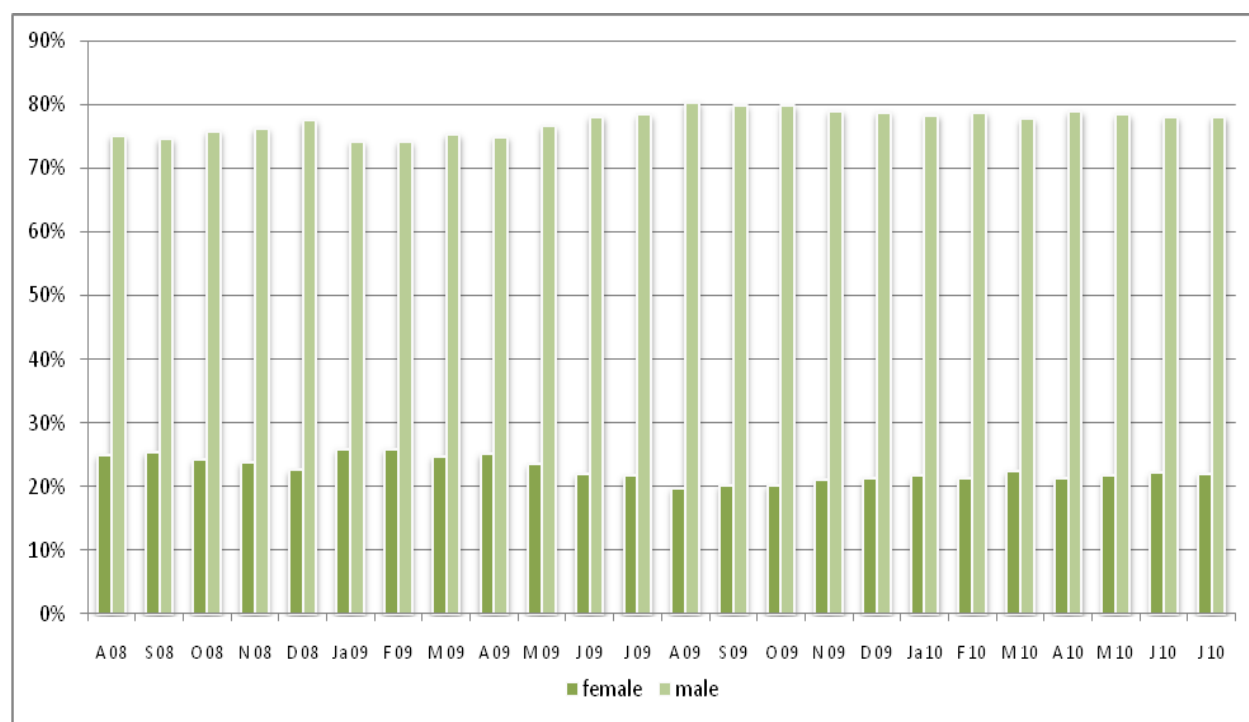
Table 17 – Crisis Impact on Male and Female Employment in the Tourism Sector

Time period	Female employees	Male employees
Between 2008 and 2009	Reduction from 80 to 52 (-35%)	Reduction from 241 to 212 (-12%)
August 2008	Only 25% of the hotel staff was female	75% of the hotel staff were men
August 2009	Reduction to only 20% female workers in the hotel	80% of the hotel staff were men
November 2009 onwards	Increasing employment of women again	

Source: own interviews

This development resulted in an even higher male occupation during times of crisis – especially in the low season 2009. Furthermore, interview partners confirmed the disadvantages women are confronted with in the hotel industry. They have fewer chances to find a job and the crisis had more severe impacts on women than on men (Figure 72). These imbalances are important, considering that women more often occupy low or unskilled positions in the tourism sector and are in general more vulnerable to poverty than men.

Figure 69 – Share of Employment since 2008 by Gender (Data from a Chosen Hotel in North Guanacaste)



Source: Hotel data, chain hotel, Guanacaste (July 2010)

3.3. Impacts on Employees and the Poor

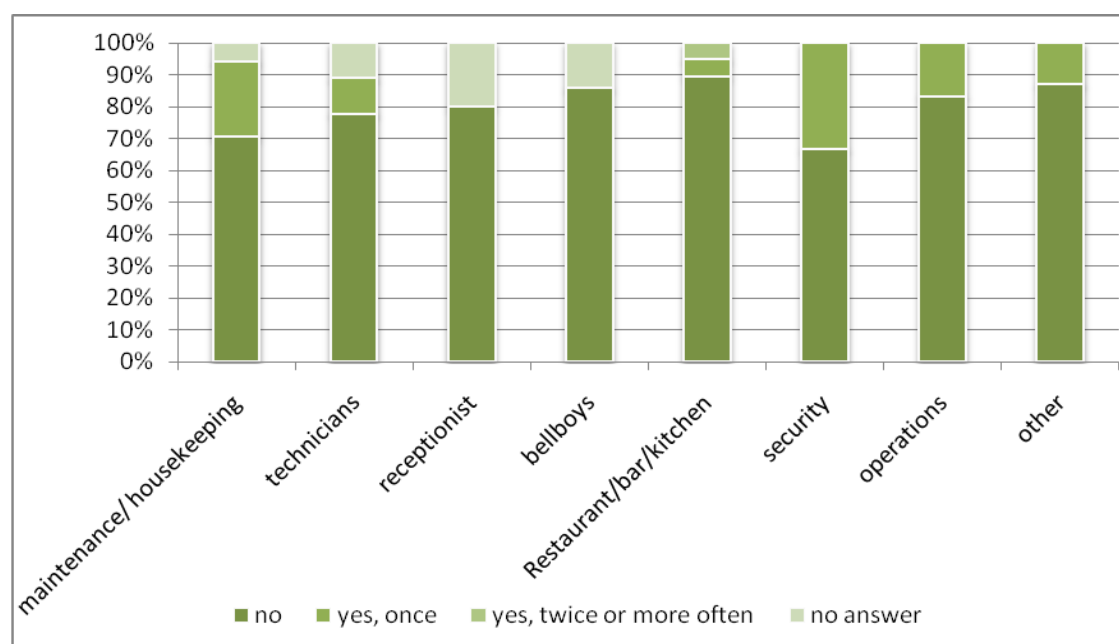
One effect of the managerial crisis response measures was a declining number of jobs in the Costa Rican hotel industry between 2008 and 2009. Apart from lay-offs, a large number of employees were required to change from full to part-time employment positions during the low tourist season in 2009 and 2010. Moreover, a large number of hotels temporarily closed down in autumn 2009, sending their employees on unpaid leave. All this affected the income situation of employees dramatically and in a number of cases at only very short notice.

The information in the following paragraph is derived from the analysis of a survey carried out in Guanacaste in July 2010. In this survey 116 employees (78 male and 38 female employees) in the hotel industry filled out a questionnaire about how the crisis impacted their job and financial situation, and about how they assess their chances on the (tourism) labour market since the beginning of the crisis in their region. Additionally, the information gained in ten biographical interviews helps to gain an even deeper understanding into how people dealt with income reduction and job losses.

3.3.1 Job Losses since 2008

The analysis reveals that certain positions are far more exposed to redundancy during an economic slowdown than others, especially in low-qualification jobs. Respondents working in maintenance/housekeeping and in security indicated more often than respondents working in other positions that they had lost their job at least once since 2008 (Figure 73).

Figure 70 – Job Losses since 2008 by Position, July 2010

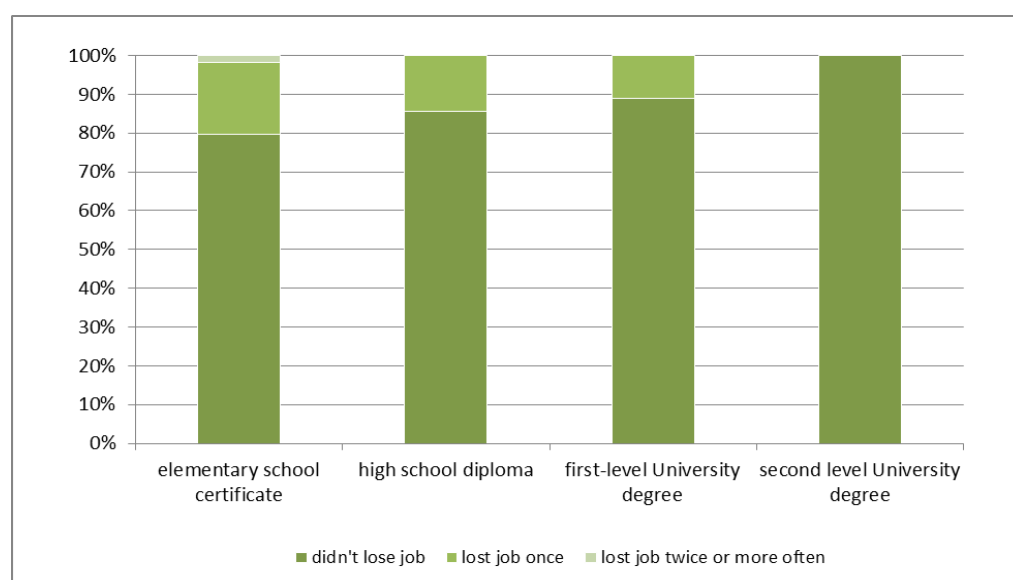


Source: Own survey in three hotels in Guanacaste (July 2010)

As housekeeping positions are mostly occupied by women, it provides a possible explanation of the high percentage of female job losses. While only 16% of male respondents answered that they lost their job at least once, 24% of all female respondents chose this answer.

It may be assumed that housekeeping, maintenance and security offered the best opportunities for job reductions. As managers reported in interviews in July 2010, lay-offs happened particularly in 'overstaffed' positions with only a low level of required skills. Apart from that, it was extremely important for service intensive hotels to reduce jobs in a way that the service level for the client was affected as little as possible. According to this strategy, receptionists or other employees permanently working in direct contact with the clients were laid off less often than employees without regular client contact such as housekeeping and kitchen staff. However, in almost every case, the management took the chance to slim its workforce costs to a significant extent. Evidenced by data, a relation between job losses and the level of education may be observed (Figure 74).

Figure 71 – Job Losses since 2008 by Education Level, July 2010



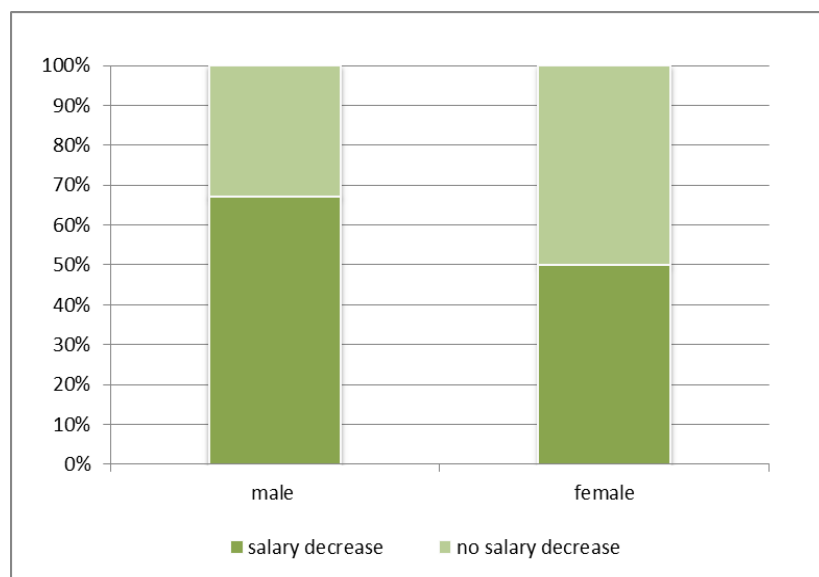
Source: Own survey in three hotels in Guanacaste (July 2010)

The majority of employees who indicated that they had lost their job at least once since 2008 had a relatively low education level and thus belonged to more vulnerable groups. This result shows that low skilled employees, and in general people with the lowest incomes, are most affected by the global economic crisis. Since no compulsory unemployment security scheme exists in Costa Rica, unemployment is a major poverty risk for vulnerable groups.

3.3.2 Salary decreases since 2008

Employees were not only affected by job losses during the crisis. While up to 30% of the employees in the hotel industry in Guanacaste were faced with redundancy measures, the rest of the staff continued working under altered conditions (see Table 17 and Table 18). Measures such as the reduction of working hours from full to part-time or forced unpaid leave for two to three months significantly diminished employees' incomes (see chapter 7.2). The salary decrease affected more than half of the employees who took part in the survey. 64 out of 116 respondents (55%) indicated an income decrease since 2008. Men indicated more often than women that their salary decreased since 2008: While the income decrease affected 61% (47 out of 78) of the male respondents, only 46% (17 out of 38) of the female respondents answered this question with a yes (Figure 72).

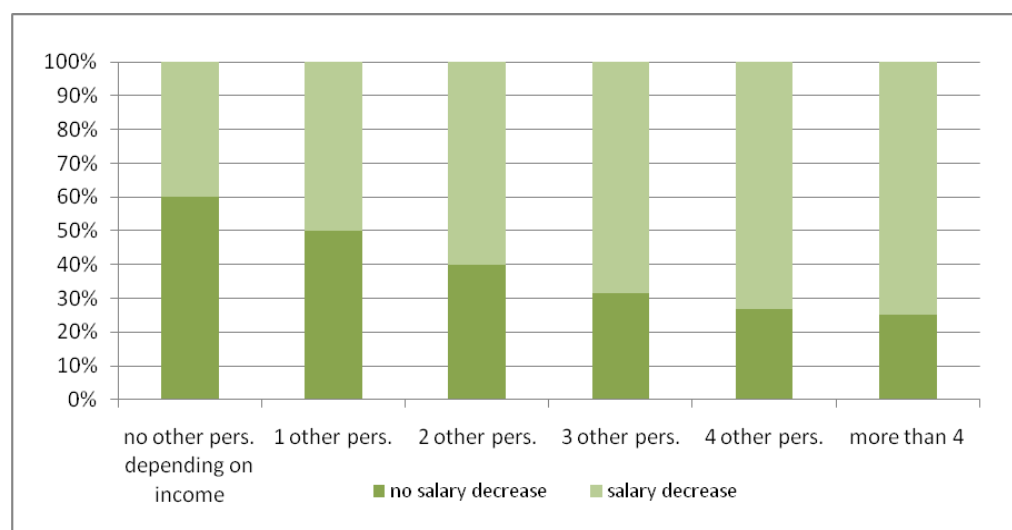
Figure 72 – Salary Decrease since 2008 by Gender, July 2010



Source: Own survey in three chain hotels in Guanacaste (July 2010)

Moreover, salary reductions generally made life more difficult for families or employees with many people depending on their income to make ends meet. People in rural Guanacaste usually live in larger households than in the rest of the country, often depending on one or two steady incomes (Textboxes 3 and 4, Annex III). Moreover, the survey provides evidence that married people or employees with dependants might have suffered more from salary decreases than single people or employees with no dependants (Figure 73). One strategy of dealing with this deteriorated economic household situation is to find support not only in the family but also in the neighbourhood of the village or town. In Guanacaste, this may be considered a particular advantage, as it is a rural region with comparatively distinct social networks and a relatively high percentage of people working in agriculture.

Figure 73 – Salary Decreases since 2008 by Number of Additional People Depending on one Income, July 2010



Source: Own survey in three chain hotels in Guanacaste (July 2010)

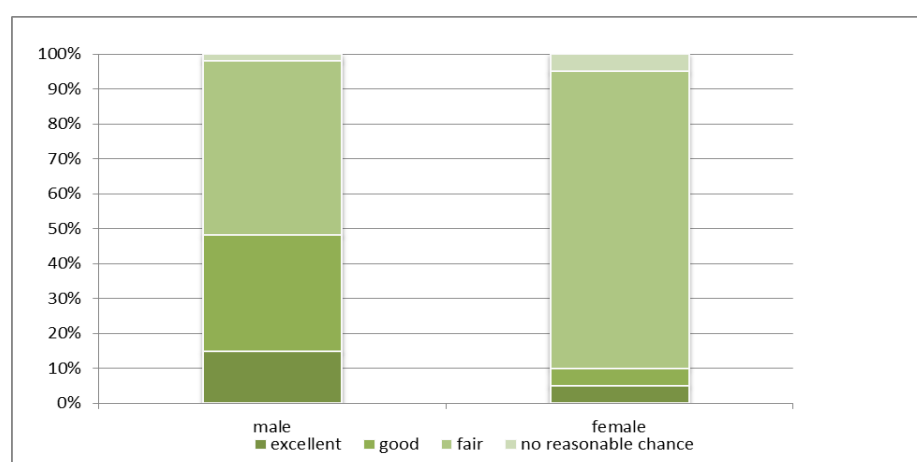
At the same time, Guanacaste as a rural region that is dominated by the tourism sector or tourism-related jobs does not offer many job opportunities and alternatives with similar income level for people who have lost their jobs in tourism. When people were interviewed about job alternatives, very few ideas occurred to them. Although it was not possible to interview unemployed people, reports about people starting their own small business or going back to the fishing or agricultural sector when losing their jobs have been frequent. People with a low education level often go back to traditional work such as sewing (Textbox 4, Annex III) and selling clothes informally. However, the level of income in these alternative jobs is not comparable to the income in the tourism sector. Traditional primary sectors, such as fishing and agriculture, are often described as “very hard” and the climate “far too dry” to make a living from. Young people in particular do not consider it an alternative to tourism (Textbox 5, Annex III). This fact emphasises once again the high dependency of Guanacaste’s workforce on the tourism sector.

The textboxes in the annex also show that well-trained employees have become more vulnerable to income reduction and job losses. Since the government and the private sector invested a lot to train their workforce during the last decades, the scarcity of well-trained and skilled employees has diminished. Therefore, a higher education level no longer provides a guarantee to successfully avoid salary reductions and unemployment. Nevertheless, employees with higher education usually achieve higher salaries. Consequently they are able to increase their saving rate and can therefore augment their level of crisis resilience and reduce their individual vulnerability to poverty due to short periods of unemployment or income decreases. A higher education level may therefore act as an effective ‘insurance’ against poverty.

3.3.3 Assessment of the Chances of Finding a New Job

To gain an impression of the labour market situation in the region from the point of view of employees, the respondents of the survey were asked about assessing their chances of finding a job in the tourism sector within three months after a possible job loss (Figure 74). The majority of the respondents (38%) believe their chances to be (just) fair. When differentiated by gender, women had less faith in their chances of finding a new job than men. While 26 of 77 men in the sample (34%) considered their chances to be excellent or good, only 2 of 37 (5%) women did so too. Furthermore, women were twice as pessimistic as men, stating that they had “no reasonable chance” (3% vs. 1.5%). These somewhat contrasting future assessments might be explained by a high percentage of women losing their jobs and the generally higher number of men working in the tourism sector.

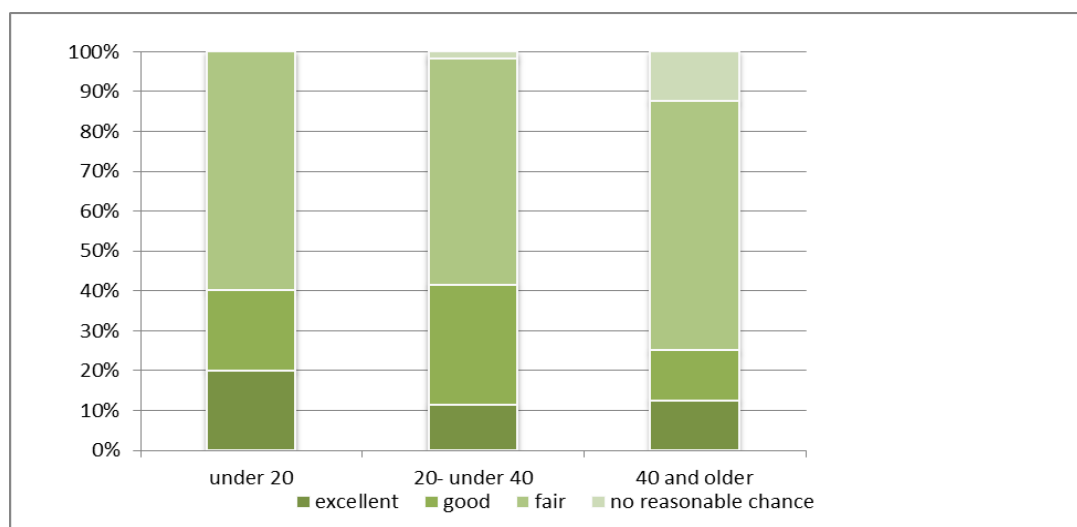
Figure 74 – “How do you Estimate your Chances of Finding a Job in Tourism within the next Three Months if you would lose your Job Today?” Evaluated by Gender, July 2010



Source: Own survey in three hotels in Guanacaste, July 2010

Employees under 20 years of age seemed to be the most optimistic group with regard to the evaluation of their chances of finding a new job (Figure 75). Almost 15% believed their chances to be excellent, which is a notably higher percentage than in the other age groups. The group of employees aged 40 years and older was the most pessimistic: Almost 10% of this group indicated that there was no reasonable chance of finding a new job. Many of the young employees interviewed referred to plans to go back to school or university in case of unemployment (Textboxes 4 and 5, Annex III).

Figure 75 – “How do you Estimate your Chances of Finding a Job in Tourism within the next Three Months if you Would Lose your Job Today?”, Evaluated by Age, July 2010



Source: Own survey in three hotels in Guanacaste (July 2010)

Proficiency in English is mentioned as one of the most important skills for enhancing employment prospects in the tourism labour market as well as in other sectors (for instance in the emerging call centre industry). This fact is mentioned by all levels of employment, including management. Nevertheless, interviews with low-skilled employees like Teresa and Jang point to the enormous capability of Costa Ricans to search and find new jobs, both in terms of spatial flexibility but also in terms of industrial focus and job positions (Textboxes 3 and 4, Annex III). Summing up, the most vulnerable groups of employees, such as women, employees with large households and personal with a low education level, have been hit hardest by the recent crisis and are most pessimistic about their current prospects in the labour market.

4. Public Policy and Business Measures undertaken to mitigate the Impacts of the Crisis on Poor and Vulnerable Groups

In terms of labour market policy measures, the Costa Rican Government did not implement any direct measures explicitly directed toward poor and vulnerable groups. However, the Costa Rican government is quite aware of the tourism sector's dependencies on the economies in North America and therefore of its private sector's dependency on international tourist arrivals. Correspondingly, the Costa Rican government tried to address the impacts of the economic recession by formulating a set of strategic reactions:

1. Provision of favourable loan schemes to small and medium sized tourism companies by the Costa Rican Public Banks

Up to now, the Costa Rican Banking system is divided into public or state-owned banks on the one hand, such as Banco de Costa Rica or Banco Crédito Agrícola,¹⁸⁶ and a number of private banks, on the other hand; both being controlled by the Superintendencia de Entidades Financieras (SUGEF), a public regulatory and supervisory authority. While a large proportion of the private tourism sector suffered enormously from the decrease in international tourist arrivals due to the economic slowdown (see Chapter 2.1), the government took immediate action to ease the economic pressure, focusing specifically on small and medium size tourism enterprises, since in Costa Rica the overwhelming number of hotels (about 80%) only has 20 beds or less. To a large extent, public banks were urged to release cheap loans or loans with longer contract and payback periods.

SMEs had to undergo an economic ‘health check’ and only SMEs with decent chances of economic survival were eligible. First experiences of interviewed representatives of the national tourism sector indicate that a number of small family businesses survived because of the financial support provided. As tourism SMEs offer above-average employment opportunities for the poor and vulnerable, providing favourable loans to the enterprises can be an effective way to help mitigate the impacts of the economic crisis on the poorer segments of society. Since the loan schemes discussed were still open for application while the research was carried out, it is not yet possible to detail the number and size of the authorized company loans for SMEs nor to give a sound estimate of the success rate of the implemented scheme. Nevertheless, the provision of favourable loan schemes to SMEs seems at least to be able to contribute indirectly to mitigating the effects of the current crisis on poor and vulnerable groups.

Interviews with sector representatives also revealed that these loan schemes were not well known among the medium sized and larger tourist companies. Several interview partners expressed their surprise when the programme was mentioned, but also emphasised that they did not need to rely on official financial aid from the government.

2. Increasing domestic tourism by a striking publicity campaign

In general, Costa Ricans are highly aware of the natural beauty and the tourism potential of their country, and domestic tourism still seems to have a huge potential. The government therefore reacted quickly and in July 2010 launched a large national marketing campaign called ‘Aquí se cura todo’ [‘Costa Rica cures everything’] to promote and boost domestic tourism. However, when asking hotel managers for their opinion about the national campaign, they described it as just a very small contribution for their business. From their point of view it could not compensate the substantial losses in international guest numbers, and especially big hotels with relatively high prices would not benefit that much from the campaign. Nevertheless, managers estimate that the campaign can particularly help smaller hotels in the country to survive, and

¹⁸⁶ Bancrédito (2010).

regions which are characterised by a lot of small and family owned hotels and a wide range of health tourism resorts such as La Fortuna could be the ones which are profiting most from the campaign.¹⁸⁷ These appraisals illustrate that without a stable income, a large proportion of Costa Ricans are not able to afford expensive holiday trips within the country. Even though a healthy domestic tourism segment may help increase the crisis resilience of the sector in the future, it requires a certain standard of living to outbalance losses from highly profitable international markets. Therefore, the development of a domestic tourism market will only be a successful measure if it goes hand in hand with a significant increase in income in large parts of the domestic society. This measure therefore needs to be given sufficient time and at this stage its success cannot yet be evaluated by numbers alone.

3. Increasing the state's international marketing efforts

Like a number of other countries in the world, the Costa Rican national tourist board and the government raised their marketing budget and promoted the country as a unique eco-tourism destination. The marketing activities took place in close consultation and cooperation with the private sector, which helped to implement the marketing activities in a smooth and focussed manner. Interviews with industry representatives indicate that the increased marketing efforts helped, in combination with special offers by private tour operators and hoteliers, to stimulate demand and minimise the decline in tourist arrivals, even though average spending per tourist decreased significantly (see Chapter 6.2).

4. Allocating a variety of long term infrastructural measures

Besides the short term measures implemented, Costa Rica seems to be well aware of a number of infrastructural bottlenecks for access to the country. One of the examples of infrastructural measures is the recently extended and upgraded airport in Liberia, Guanacaste. The government's efforts also focus on enlarging the main transit roads and ensuring that the public buses always serve the main station in San José.

Although these efforts were already planned before the start of the crisis, the government is determined to continue with these investments, as the improvement of the main transit roads helps to make Costa Rica more accessible and therefore more attractive to tourists – especially those who spend only a few days in the country.

¹⁸⁷ Interview with hotel manager in Guanacaste (July 2010); see also Matarrita-Cascante (2009).

5. Policy Recommendations

Based on the analysis of the impact of the economic crisis on tourism employment of poor and vulnerable groups, several policy recommendations can be deduced in order to mitigate the impact of future crisis situations. It is possible to distinguish between three sets of recommendations with regard to 1) more effective crisis monitoring; 2) measures impacting indirectly on the tourism labour markets by improving the overall crisis resilience of the tourism sector and by accelerating the recovery from decreases in tourism demand; and 3) measures implemented to directly mitigate the impact of such a crisis on poor and vulnerable groups within the sector.

Making crisis monitoring more effective

- The analysis of the impact of the economic crisis on tourism employment of poor and vulnerable groups in Costa Rica has revealed a number of problems with respect to efficient crisis monitoring. Even though the system of tourism statistics is comparatively well developed in Costa Rica, the advancement of a more effective crisis management also requires the development of a more complete system of tourism statistics. The implementation of a Tourism Satellite Account (TSA)¹⁸⁸ would be the most important contribution for a more comprehensive measurement of direct effects of future crisis situations on economic performance and employment of the tourism sector within the country; it would also enable the estimation of indirect, and even induced, effects to better understand the overall economic impacts of crisis. Such a comprehensive statistical tool is the prerequisite for a precise, specific and target-orientated crisis reaction of all stakeholders in the sector.
- With regard to the labour market, precise policy measures could not be recommended based on in-depth, updated and reliable data. Research suggests there is a lack of such data, specifically with regard to statistical series on employment by sector and occupation, age, gender, full-time/part-time work and nationality. Since the Caja Costarricense de Seguro Social already collects data on regular employment subject to social insurance, data collection could easily be complemented by gathering the above mentioned information.

¹⁸⁸ United Nations - Department of Economic and Social Affairs, Statistics Division, UNWTO, Commission of the European Communities - Eurostat, OECD (2008).

Improving crisis resilience and recovery

Improving the overall crisis resilience of the tourism sector and accelerating the recovery from decreases in tourism demand are key issues for minimising the resulting pressure on tourism related labour markets from the very beginning. Hence, the subsequent set of recommendations could be considered:

- Diversify the tourist source market and reduce the dependency from one major international market – in the case at hand, the USA.
- Raise greater awareness for domestic tourism within the country, although the government did already make sincere efforts to attract local tourism. Complementing official marketing campaigns with special offers by the private sector designed specifically for the domestic market could help to counter-balance the decrease of occupancy rates in times of crisis. Such promotional measures will be especially helpful for SMEs in the country, since most domestic travellers do not consume luxury tourism services.
- In order to improve the crisis resilience of tourism SMEs in the country, the development of joint marketing for these companies is strongly recommended. Since the ability of SMEs to mobilise additional marketing resources in times of crisis is limited and since it is very demanding for them to successfully open up new markets, working through joint institutional structures – which are coordinating marketing efforts for clusters and cooperatives of tourism SMEs – may be one way to increase the market penetration of such firms and to enhance their abilities to cope with future crisis situations.
- Although its tourism infrastructure is comparably well developed, with a strong presence of major car rental companies and plentiful hotel rooms and restaurants, ground transport infrastructure in Costa Rica in particular requires further upgrading. The main roads and ports particularly need further investment in order to improve the access and to make travelling within the country easier.

Directly mitigating the impact on the poor and vulnerable groups

- In order to reduce individual levels of vulnerability and to improve the livelihood of poor and vulnerable groups, tourism training could be made more accessible for persons from this background. This would increase their chances to find stable employment in the Guanacaste region's newly established hospitality sector, where a need for more technically trained employees has been noticed. In close collaboration with the private sector, tailor-made training programmes can be designed, and offered by training institutes in the Guanacaste region to enhance the opportunities for people from poor and vulnerable groups to participate. This approach may also help to overcome human resource bottlenecks for future economic growth within the sector.

- The introduction of a compulsory unemployment security scheme complementing the existing social security scheme would outbalance short periods of unemployment and reduce the vulnerability to poverty of tourism employees and their households. Such a scheme would especially support low and unskilled employees, large households and women, since they are the groups most exposed to unemployment and poverty. Given the high Costa Rican divorce rate of about 40%, the relatively high unemployment level of women compared to men and the large proportion of single mothers who need to work to have a decent income, such insurance would particularly improve the living situation of vulnerable women and children in the country.
- In view of the higher risk of women becoming unemployed and the lower chance of finding a job in the tourism sector, improvements to female education in general as well as encouragement and training in traditionally male jobs could allow more women to secure employment in tourism and therefore play a more central role in the growth of the sector.

Case Study 3: Tanzania

Executive Summary

This report looks at the effects of the economic crisis of 2008-2009 on the tourism sector in Northern Tanzania, focusing on poor and vulnerable groups working within tourism in the Northern Safari Circuit and Mount Kilimanjaro.

The Tanzania case study was undertaken in three phases. The first phase was aimed at studying existing documentation that looked at tourism in Northern Tanzania. The second phase was the field research undertaken along the Northern Safari Circuit and Mount Kilimanjaro. This involved carrying out a number of surveys targeted at tour operators, hotel managers, public authorities and entrepreneurs as well as different groups of workers. These surveys were both qualitative and quantitative and aimed at understanding the impacts of the economic crisis on these different groups. The third and final phase, involved the analysis of the surveys and the identification of the impacts of the crisis.

There is evidence that tour operator business operations have not been negatively affected by the crisis, with tourist numbers declining by only 9% in the Northern Safari Circuit and a 2% fall in Kilimanjaro between 2008 and 2009, losses which were mostly recovered by 2010. Most operators have been increasing the package prices which are offered to tourists; however they have used the crisis as an excuse to alter contracts for their employees, with what were once permanent contracts altered into short term or seasonal contracts, which have subsequently decreased work security for lower income labourers working in the tourism sector.

Likewise the impact on hotels in both the Northern Safari Circuit and on Mount Kilimanjaro was also limited. Throughout the crisis they managed to increase room rates, maintain largely stable occupancy rates and raise wages across the board for all employees. The supply chains of both hotels and tour operators have also remained stable throughout the crisis

Whereas job losses have been limited for skilled and managerial labourers, there has been a significant negative impact on unskilled labour. For tour operators in the Northern Safari Circuit and Mount Kilimanjaro there has been an evident cut in employment for unskilled staff, especially seasonal employees. At the same time, hotels in The Northern Safari Circuit also saw a decline in unskilled workers; however staff in hotels in Mount

Kilimanjaro seemed not to be affected by this trend. These cuts have hit the most economically vulnerable labour groups as they tend to target unskilled seasonal workers.

Annual incomes of climbing staff in the Mount Kilimanjaro region have also significantly declined throughout the crisis period. The impact has been most severe on Kilimanjaro porters who are the biggest and most vulnerable part of the local tourism workforce. The study suggests that even though individual daily wages and tips have risen between 2008 and 2010, annual incomes for porters have actually declined by around 50% between 2008 and 2010; this is due to an increase in the number of porters and a decrease in the number of expeditions per porter. Such a situation was created thanks to a combination of three different factors:

1. An increase in the minimum wages for all Kilimanjaro hiking staff in January 2008, which has led to a doubling of hiking staff wages, where it has been enforced.
2. A decrease in the number of porters used per climbing expedition, which may be related to the economic crisis, with tour operators using the crisis as an excuse to reduce the number of porters per trip but is also related to poor enforcement of porter weight carrying limits which was an issue even before the economic crisis.
3. An increase in the number of people looking for work as hiking staff, which has led to increased competition for any available work. As the number of expeditions has remained stable and the amount of hiking staff per trip has declined thus has led to a sharp decline in the average number of trips a porter takes part in throughout the year, leading to a subsequent loss of income.

The final group impacted by the crisis were small stall owners and workers, who showed a decrease in revenues of around 25% throughout the crisis. This decrease was not accompanied by a decline in employment, however it is still fairly significant as it is estimated that there are around 28,000 labourers in Northern Tanzania dependent on micro-enterprises such as small craft and food stalls; hence a 25% decline in revenues will have a significant impact on their incomes.

Private sector, as a whole, has not been able to coordinate a unified response to the crisis. On the other side, the government resisted calls to lower visa prices and national park fee prices and, in hindsight, any such policy would not have had any substantial positive impact on tourist numbers within the region. The report shows that tourists are highly price inelastic for Northern Tanzania and a decrease in visa and park fee prices (which only represent a small part of total package prices) would not have significantly increased tourist demand. The government also intensified marketing for Northern Tanzania, a policy which may have helped reduce some negative effects of the crisis.

The study concludes by providing the following policy options:

- Improved monitoring and data: Appropriate policy responses cannot be developed if there is no real time collection of data and evidence on the effects of a crisis on the tourism sector. The Tanzanian government could advance further the development of tourism statistics and short-term monitoring.
- Increase support for the tourism sector: the tourism sector requires development in order to maintain long-term growth, sustainability and competitiveness. This would require constant improvements in the tourism infrastructure as well as widespread hospitality training for people working within the sector.
- Increase linkages with the private sector: There is an opportunity to increase communication between the private and public sector. Both the public and private sector need to start discussions in regards to preparations for any future potential crisis that may impact the tourism sector.
- Evaluate the impact of intervening in the market: The introduction of a minimum wage for hiking staff in Kilimanjaro, though done with the best of intentions, proved to have some negative consequences. This is a good example of market intervention which has unexpected impacts.
- Improve the pro-poor regulation: In order to mitigate the impact of any future shocks, low-income households need to build up assets and capabilities. The government could for example rework the way in which national parks distribute park revenues to local communities or regulate the loads carried by hiking staff on Mount Kilimanjaro.

Aims and Methodology

The overall aim of the project is to investigate the impacts of the global economic crisis on employment for the poor and vulnerable groups working in the tourism sector in Tanzania, as well as the broader tourism supply chain. This work focuses on activities undertaken in the Mount Kilimanjaro and Northern Safari Circuit regions of Northern Tanzania. The scope of this particular study is to answer these questions for Tanzania, with specific focus on the Arusha and Kilimanjaro areas, encompassing both the Mt. Kilimanjaro climbing expeditions as well as the northern Tanzanian safari circuit.

Methodology

The research methodology was based on three inter-connected, phases. The first phase was centered on the study of existing documentation dealing with the tourism sector in the Northern Safari Circuit and Mount Kilimanjaro, comparing official statistics from national and regional government institutions as well as from other research entities with

data collected in the 2008 study carried out by Mitchell, Keane and Laidlaw¹⁸⁹. The 2008 study was also used to identify those areas in the tourism supply chain where there is a higher degree of involvement by the poor, which allowed the identification of issues which will require more in-depth investigation during the second phase. In addition, a field study carried out under the auspices of UNWTO in September 2010 was also analysed and relevant results were used to complement the first phase and identify additional areas for further research or investigation. The first phase also involved the identification of potentially informative contacts within local public institutions (such as TANAPA) as well as in private enterprises (for example hotels and tour operators) in order to organise meetings and interviews which were carried out during the second phase.

The second phase involved field research in Arusha, Lake Manyara and the Ngorongoro Crater (dealing with the northern safari circuit) as well as in Moshi and Marangu, on the slopes of Mt. Kilimanjaro (primarily dealing with mountain climbing expeditions to the mountain) and were heavily informed by the results and information gaps identified during the first phase of the study.

Surveys were focused around the identification of changes, as a result of the global economic crisis, in employment levels, wages and livelihoods of those directly participating in the tourism sector as well as those who benefit or rely on tourism for their livelihoods. The surveys were carried out at different levels of the supply chain and also aimed to identify the strategies and initiatives undertaken by the tourism sector to meet the challenges posed by declining tourist numbers within the regions. Four different versions of the survey were used:

- A survey for inbound tour operators and a separate survey for accommodation managers (i.e. hotel managers) in the hiking and safari value chains; the survey looked at the impact of the crisis on their operations and staff as well as any strategies they had to implement to reduce the negative impacts of the crisis.
- A survey for 'non-tourism' sector agents who are dependent upon tourism demand (i.e. shop and stall owners); the aim was to assess the ownership of the service (whether it is self-owned or externally owned) and the number and average wage of staff employed as well as look at the supply chain linkages to the local economy.
- A survey dealing with policy makers, looking at the reasoning behind the implementation of any policies or initiatives aimed at dealing with the effects of the economic crisis on tourism, aimed at understanding the reasoning behind any policy responses to the effect of the economic crisis on local tourism and what the effect of these policies has been.
- A final survey involving focus group interviews of hotel staff, park guides (for both the safaris and the Mount Kilimanjaro climbing expeditions), porters, driver guides and cooks. These helped gain more understanding of the employment, wage and tipping situation for those lower down the tourism supply chain. Group interviews were held

¹⁸⁹ Mitchell, J. Keane, J. & Laidlaw, J. (2009) "Making Success work for the poor: Package tourism in Northern Tanzania", Overseas Development Institute, January 2009

with different, segregated, groups in order to allow interviewees to respond truthfully to questions.

These surveys included both qualitative and quantitative elements in order to further gauge the reasoning behind certain answers or choices. The four surveys, combined with the group and individual interviews, helped assess the tourism supply chain in the Northern Safari Circuit and Mount Kilimanjaro in accordance to the first four UNWTO ST-EP mechanisms.

The surveys were carried out on the understanding of full confidentiality for the answers given and on the presumption that the collected data would be aggregated in order to create a more complete picture of the tourism sector in Arusha and Kilimanjaro. The surveys were carried out with the intention to gather data for 2009 and 2010, in order to improve compatibility with the other case study countries. In addition, the surveys aimed to target the same respondents as the previous 2008 ODI survey at the tour operator and hotel level; however for other groups the likelihood of interviewing the same people would have been very low and was not attempted.

The third phase involved the analysis of the collected data and the preparation of the final report and included an analysis of the impacts of the global economic crisis on the tourism supply chain within the country, an overview and identification of patterns in the initiatives undertaken by local entities (both private sector and public sector) and their effectiveness as well as policy recommendations aimed at improving the pro-poor effectiveness of tourism sector responses to the global economic crisis as well as responses to periods of declining tourism within a country or region.

1. Tanzanian Geography

The United Republic of Tanzania, located on the eastern coast of Africa, is one of the largest countries in the continent, covering around 945,000 km². The country borders on Kenya and Uganda to the north, Zambia, Malawi and Mozambique to the south and Rwanda, Burundi and the Democratic Republic of the Congo to the east. The country is made up of 26 different regions, including the autonomous region of Zanzibar.

The country is mountainous in the north and is home to Mount Kilimanjaro, the highest peak in Africa. Tanzania also features Lake Victoria (Africa's largest lake) and Lake Tanganyika (Africa's deepest lake). Central Tanzania features a large expanse of arable land. There are a number of significant natural wildlife parks, including the Serengeti National Park and the Ngorongoro Crater. The country generally has a tropical climate; the coolest period of the year is between May and August whilst the warmest is between November and February.

By 2009, Tanzania reached a population of around 44 million, of which the predominant majority (74%) lives in rural areas (AfDB, 2010). The country includes over 120 ethnic

groups of which most are Bantu in origin, though Masai and Luo ethnicities are also represented. English is the de-facto official language; however Swahili is most commonly spoken. Literacy rates for the population (over the age of 15) were at 70% in 2009, a small decrease from 72.5% in 2007. Primary enrolment rates were at 95.4% in 2009 whilst secondary enrolment rates were at 29.9% within the same year. Life expectancy at birth in 2009 was 54 years of age and infant mortality rates were at 51 deaths per 1000 live births (Tanzania Ministry of Finance, 2010).

2. The Tanzanian Economy

The Tanzanian economy enjoyed high growth rates between 2000 and 2008, averaging 6.8% annual growth, however in 2009 the GDP growth rate fell from 7.3% (in 2008) to 6.7% (IMF, 2011), mainly due to the effects of the global economic crisis, especially the second round effects¹⁹⁰ which had a short-term impact on the Tanzanian economy. Growth continued to decline from 2008 onwards falling to 6.7% in 2009 and 6.5% in 2010; however the trend is still one of positive growth for the country.

Table 18 - Tanzanian GDP Growth Rate at constant prices, 2000-2010 (%)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
4.9	6.0	7.2	6.9	7.8	7.4	7.0	6.9	7.3	6.7	6.5

Source: IMF, 2011

GDP per capita (see table below) has grown by an average of 3.9% a year from 2000 to 2009. Even though both in nominal and real terms GDP grew between 2008 and 2009, the rate of growth was markedly lower than in the preceding periods, growing by only 3% (as opposed to 4.4% between 2007 and 2008 and 4.15% between 2006 and 2007). This shows a marked impact of the second round effects of the economic crisis on GDP per capita as growth in 2009 has fallen by 32% compared to 2008.

¹⁹⁰ The economic downturn in developed countries would also have significant impacts on developing countries through second round effects which can be seen as: 1) A decrease in imports from developed countries 2) A reduction in remittances from developed countries 3) A fall in foreign direct investment into developing countries as corporate finance weakens 4) Reductions in commercial lending from banks in developed countries, leading to a reduction in riskier investments in developing countries 5) A decrease in foreign aid due to pressures on government budgets in developed countries and 6) A reduction in other types of official monetary flows. (Te Velde, D,W. 2008)

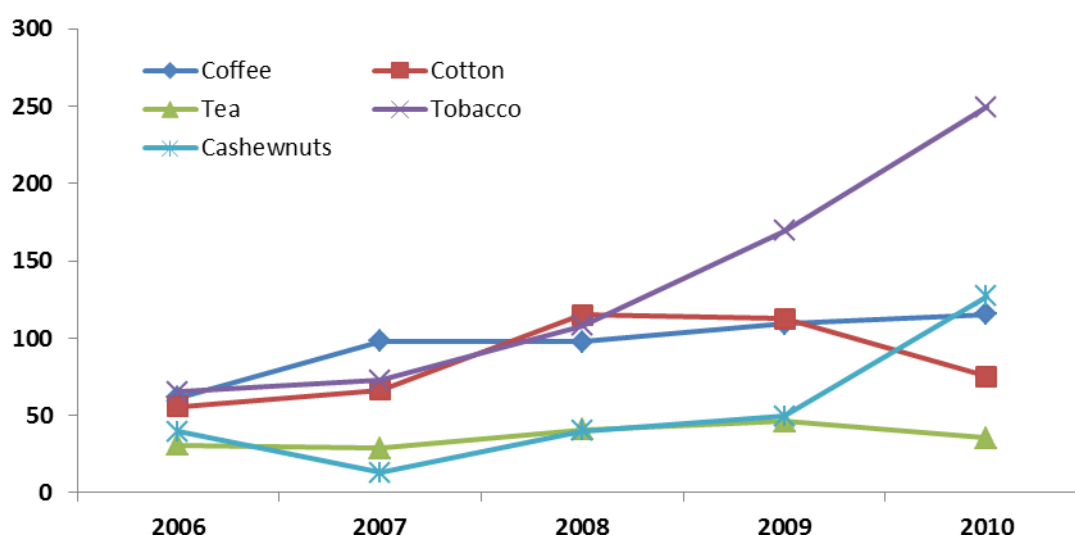
Table 19 - Tanzanian GDP per Capita

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP per capita (constant 2000 US\$)	307.2	317.3	331.2	344.5	361.6	377.7	392.0	408.3	426.2	438.9
GDP per capita (current US\$)	307.2	305.2	309.3	324.8	347.8	373.1	367.6	419.5	501.9	502.8
GDP per capita growth (%)	2.3	3.2	4.4	4.0	4.9	4.5	3.8	4.1	4.4	2.9

Source: WDI, 2011

Even though Tanzania was able to escape the first round effects, in 2008, of the economic crisis (which was characterised by a period of scarce international credit availability and failure of certain financial markets) due to its low level of integration with international financial systems, the second round effects (2009 onwards) were characterised by an initial fall in the value of exports from Tanzania, which however recovered for most products by 2010.

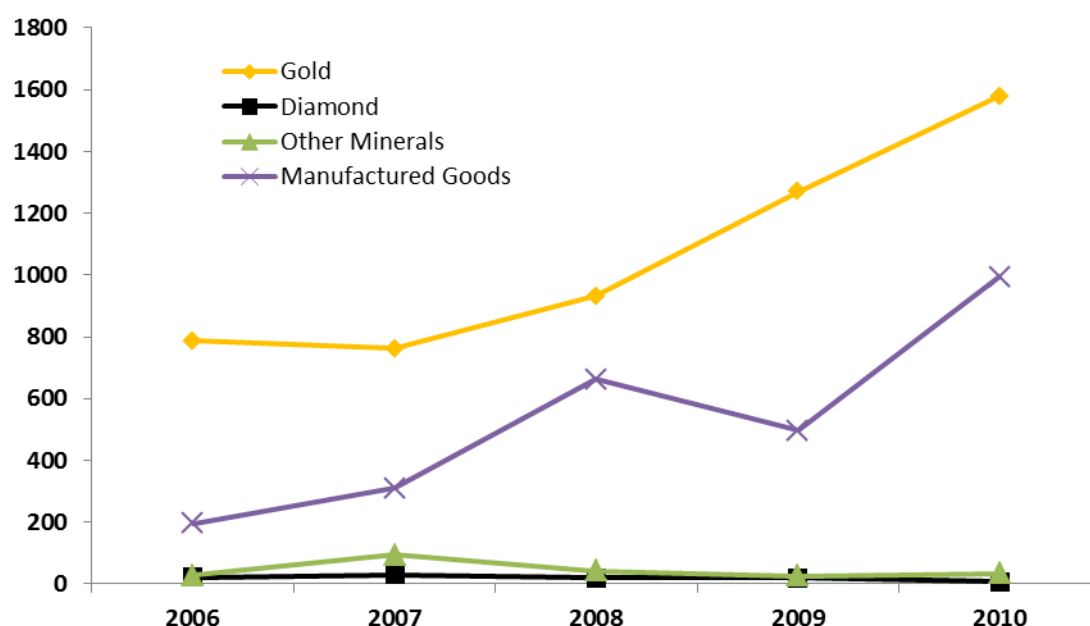
Figure 79 - Value of traditional crop exports, 2006- 2010, US\$ million (constant)



Source: Tanzania Central Bank, 2011

The value of traditional crop exports has risen since 2006; however the process has not been homogeneous, with certain crop types such as cashew nuts falling in value before rising again. Looking at the effects of the economic crisis, we can see that while the value of tobacco exports has risen quite rapidly since 2007, coffee has stayed relatively stable (declining in 2007, before picking up again in 2008) whilst tea and cotton have both been falling in value since 2009. The fall in the value of cotton exports has been the highest, falling from US\$ 112 million to US\$ 75 million, a decline of 33%, whilst tea fell by 23% in the same year (from US\$46 million to US\$ 35 million).

Figure 80 - Value of other exports 2006- 2010, US\$ million (constant)

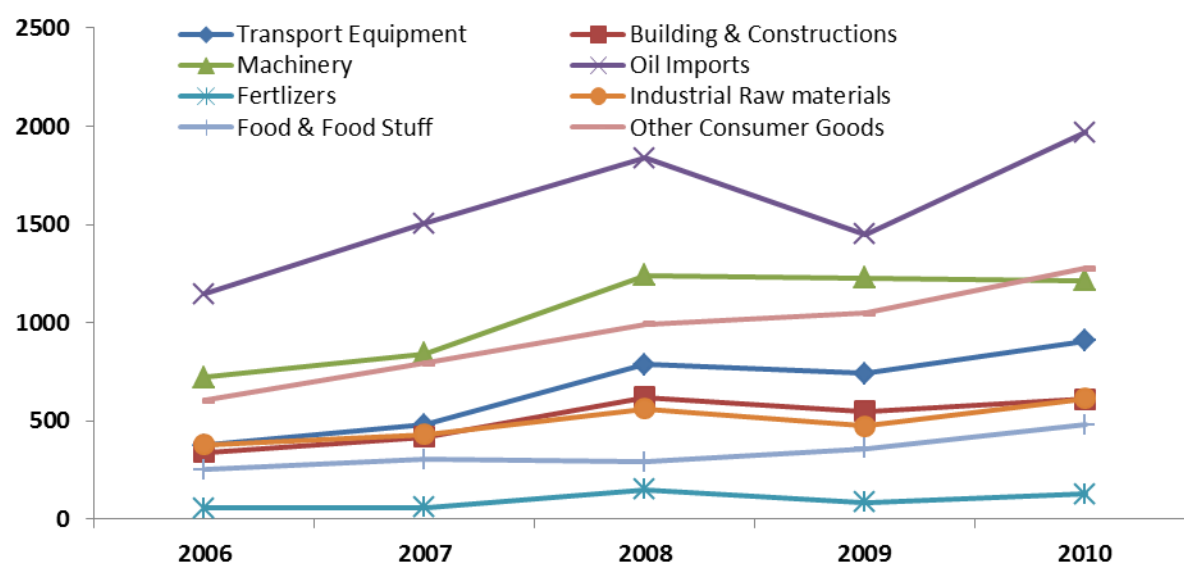


Source: Tanzania Central Bank, 2011

The other main exports from Tanzania, such as gold, diamonds, minerals and manufactured goods have also shown mixed results. The value of gold exports has increased rapidly from 2007 (as demand for gold increased due to the uncertainty in financial markets caused by the crisis), rising from US\$ 786 million in 2006 to US\$ 1.58 billion in 2010 (a 101% increase). Manufacturing has also fared well, overall, as even though there was a period of quite severe decline (24%) between 2008 and 2009, overall it picked up again between 2009 and 2009 and rose to US\$ 994 million by 2010 (a 407% increase since 2006). The goods that did not fare so well were diamonds which suffered a 70% fall in value from 2006 to 2010 (from US\$ 22 million to US\$ 6.5 million) and other mineral exports, which showed a large decline between 2007 and 2008 (54% fall in value) before slowly picking up since.

The chart below shows the value of imports into Tanzania, with oil being the highest value import into the country. The value of food imports into the country rose between 2008 and 2010, which may be due to a rise in food prices rather than an increase in the quantity. Both food and oil prices are particularly relevant to the poorer income groups as any increases in their prices will have a significant impact on their livelihoods as they would need to spend a much larger proportion of their disposable income on these products (or the products whose prices are affected by any increases in petrol) than people on higher incomes.

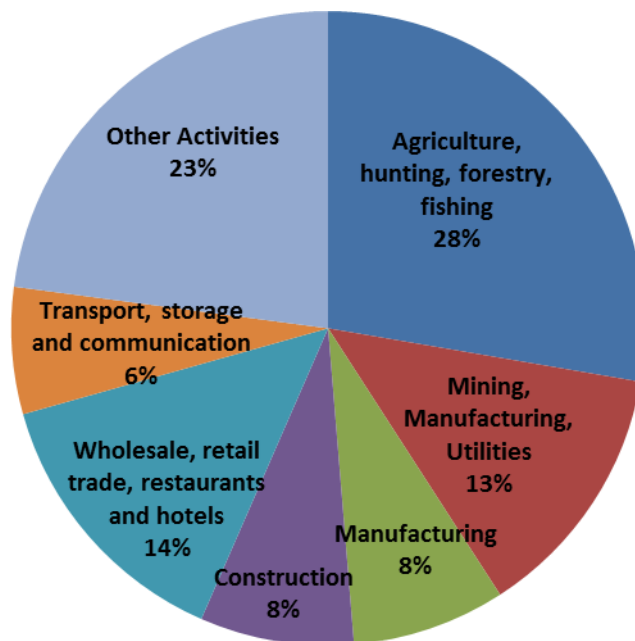
Figure 81 - Value of Tanzanian Imports, 2006 – 2010, US\$ millions (constant)



Source: Tanzania Central Bank, 2011

The Tanzanian economy is based around agriculture (including fisheries, forestry products and livestock) which represented 28% of gross value added (GVA) in 2009, followed by the retail sector including restaurants, hotels, wholesale, representing 14% of GVA and mining and manufacturing (13%). This signifies the importance of tourism enterprises such as hotels, restaurants, other retail services and the supply chains that are stimulated by them, for the national economy.

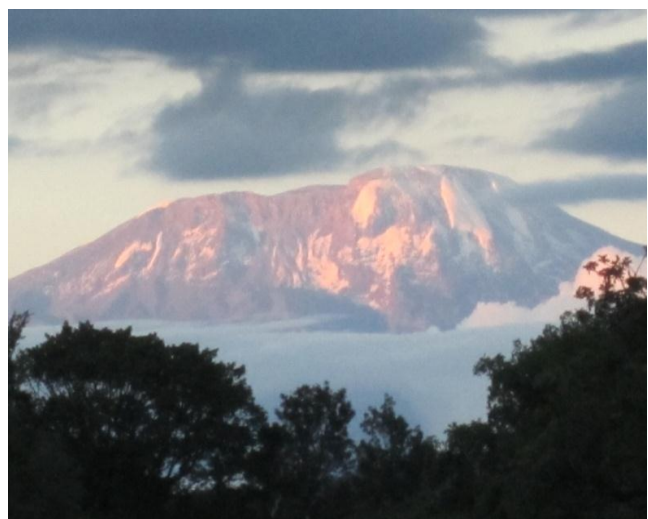
Figure 82 - Tanzanian Mainland Gross Value Added by Sector, 2009



Source: UNSTATS, Mainland Tanzania, 2011

3. Tourism in Tanzania

Tanzania is home to a variety of different tourist attractions, ranging from the world famous national wildlife parks in the north of the country to the beaches of Zanzibar on its eastern coastline. The most famous national parks are the Serengeti and Mount Kilimanjaro, the former for the abundant amount of wildlife that can be found within it and the latter for being home to the highest peak in Africa. The north of Tanzania is also home to a number of other famous national parks such as Lake Manyara, Tarangire and the Ngorongoro Crater, both renowned for their beauty and the large number of wildlife they contain. These parks altogether make up the Northern Safari Circuit. The northern circuit is based around the towns of Arusha for safaris and Moshi for expeditions climbing Mount Kilimanjaro.



National parks can be found throughout the whole country and in addition to the northern circuit there are also the Southern, Eastern and Western Safari Circuits, these are less visited and also contain large game reserves where licensed hunting is possible. One such reserve is the Selous game reserve located in the south east of the country.

The country also has other tourist destinations, such as the island of Zanzibar famous for its beaches and an important international holiday destination; other famous holiday islands are Pemba and Mafia. The country also includes a number of lakes, such as Lake Natron and Lake Victoria (the largest lake in Africa) which also number among the numerous touristic attractions within the country.

The most important tourist attractions are however those based in the Northern Safari Circuit, where a decrease in the tourist numbers could have a significant impact on employment and livelihoods of those who either work directly within the sector or depend on the sector to secure a living. TANAPA¹⁹¹ estimates show that the tourism sector in Kilimanjaro supports around 11,000 people (of which the vast majority work as porters for mountain climbing expeditions) with pro-poor expenditure concentrated on the wages of those involved in climbing expeditions and food and beverage supplies for the expeditions.

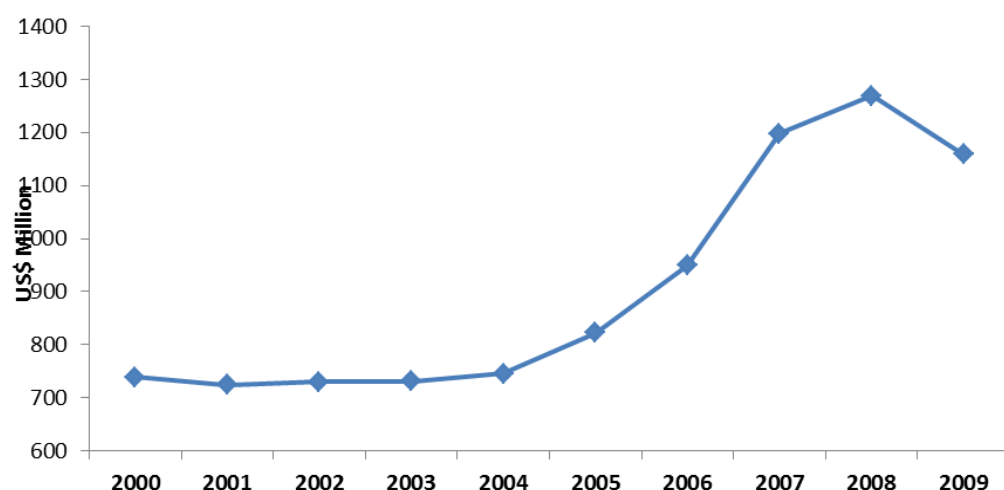
In the Northern Safari Circuit (centred on Arusha), the number of people wholly or partially dependent on tourism is larger than for Mount Kilimanjaro. In addition to around an estimated 10,000 staff working on safari tours or in hotels and accommodation, there are also around 28,000 craft workers¹⁹² (providing goods for around 3,500 small crafts and souvenir micro-enterprises) as well as around 62,000 Masai dependent on transfer fees from national park incomes (managed by TANAPA) as well as direct income from tourists.

There are also linkages to the wider economy in both areas to consider, for example 50% of food sourced in Kilimanjaro and for the northern safari circuit is produced locally, accounting for around US\$ 5 million per year going to poor farmers within these regions.

¹⁹¹ Tanzania National Parks Authority

¹⁹² TANAPA estimates

Figure 83 - International tourism receipts 2000- 2009, US\$ million



Source: MNRT, 2010

International tourism receipts have grown in Tanzania from just over US\$ 700 million a year peaking at around US\$ 1.27 billion in 2008, before declining to US\$ 1.2 billion in 2009. Growth in international tourism receipts has been around 5% per year, with a total growth of 81% between 2000 and 2009.

International tourist arrivals grew by 6% a year between 2000 and 2008, peaking at 770,000 arrivals in 2008, by 2009 however this fell by 4.8% to 733,000, increasing once again by 5.7% (and above 2008 levels) in 2010 (to around 774,000 visitors). Compared to employment, tourist arrivals continued to increase in 2008, only falling in 2009, however employment already began to fall in 2008, hence showing a response to a decline in tourism before the decline had even occurred, though this was most likely due to the effects of the introduction in 2008 of a private sector minimum wage for the service sectors, including tourism¹⁹³, the AfDB (2008) states that the private sector considered these wages too high and that it would lead to a shedding in labour, which may have indeed been the case as the figures above show.

Table 20 - International & Overnight Visitor Arrivals

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
'000	501	525	575	576	583	613	644	719	770	733	775
% change	-	4.8	9.5	0.2	1.2	5.1	5.1	11.6	7.1	-4.8	5.7
Average Stay (days)	8	8	11	11	11	12	12	12	12	11	n/a

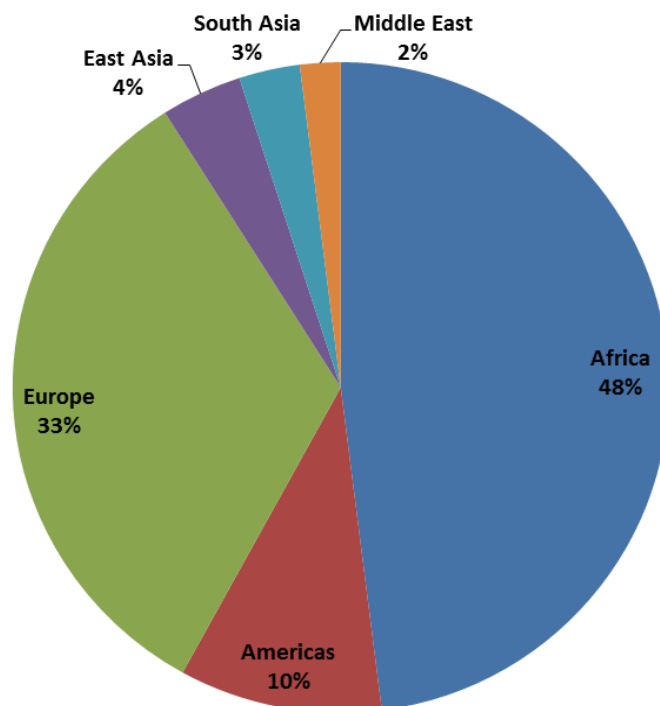
Source: MNRT 2010

¹⁹³ This was the Labour Institution Act of 2004 which went into effect in January 2008 (AfDB, 2008).

The average stay in Tanzania had marginally increased between 2000 and 2008, rising from an average of 8 days per tourist to 12 days, however in 2009 this dropped to 11 days per tourist, on average.

International arrivals into Tanzania (see chart below) mainly stem from other African countries (accounting for 48%), followed by arrivals from Europe (33%), Northern and Southern America (10%) and from East Asia (4%).

Figure 84 - International Arrivals by Regions, 2009



Source: MNRT, 2010

Looking at the top five source markets we can see that most visitors come from the United Kingdom (representing 7% of total 2009 arrivals), closely followed by visitors from the USA (representing 6.7% of total arrivals) and Italy (6.6% of total arrivals in 2009). Germany and France also contribute to tourism in Tanzania representing 3.4% and 2.7% of arrivals. There have been some significant drops in certain key source markets i.e. UK tourists declined by around 5,000 people whilst USA visitors fell by around 19,000 people; on the other hand Italian and French markets did seem to buck the trend, showing a small increase between 2008 and 2009. Overall there has been a decline of around 30,000 tourists, representing a 13% drop from key markets.

Table 21 - International Arrivals from Outside Africa, 2000 – 2009

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UK	34,511	34,125	43,269	43,656	59,547	52,442	54,179	55,154	58,245	53,752
USA	33,060	30,806	38,159	36,419	40,248	47,621	55,687	58,341	66,953	47,943
Italy	5,768	8,035	23,459	24,675	44,045	49,829	50,287	54,194	45,950	47,804
Germany	22,606	21,190	17,855	19,222	20,209	18,170	19,651	24,468	27,100	25,508
France	17,186	16,990	22,059	22,103	21,849	23,547	19,643	21,314	19,598	20,127

Source: MNRT, 2010

Data from the MNRT (2010) shows that Tanzania is a high budget tourism destination, with an average expenditure of US\$ 241 per day for package tourists¹⁹⁴ in 2009 and US\$ 186 per day for non-package tourists in 2008¹⁹⁵. Tourist expenditure has been rising rapidly since 2005, when average expenditure was US\$ 155 a day for package tourists and US\$ 125 a day for non-package tourists. This represents a 55% and 49% increase in 2009 and 2008, respectively.

Tourism is indeed a key part of the Tanzanian economy and is the only significant non-primary sector in the economy. The three key destinations are the Northern Safari Circuit, Zanzibar and Mount Kilimanjaro which in 2009 attracted 58% of all tourists in Tanzania.

Tourism in Tanzania suffered due to both the knock-on effects of political instability in Kenya in late 2007 and early 2008 as well as the economic crisis of 2008-2009, which has resulted in tourism growth levelling off between 2008 and 2010 following a period of high growth in the sector. Traditional source markets for Tanzanian tourism (such as the UK, US and Germany) were hit quite hard by the economic crisis, though there was also an increase in tourist arrivals from source markets such as Italy and France, however there was still an overall decline of 13% in tourists from North America and Western Europe. This, together with the rise in minimum wages for all service sector workers (which included tourism workers) has led to a reduction in employment of around 10% a year in both 2008 and 2009, accounting for a 90,000 loss of jobs in tourism. Even though there has been a steep decline in tourism, investment levels suggest that there is

¹⁹⁴ Typically including the use of a vehicle, a guide for safaris, accommodation in a hotel and full board.

¹⁹⁵ Non package tourist data was not available for 2009.

still high confidence in the medium and long term growth prospects for the tourism sector.

4. Mount Kilimanjaro

Mount Kilimanjaro, one of the largest extinct volcanoes in the world, is the highest mountain in Africa. Its highest point is the Uhuru Peak, which stands at 5,895 meters and is one of the three volcanic cones which make up the mountain. Mount Kilimanjaro is located inside the Kilimanjaro National Park, a 1668 km² natural reserve in northern Tanzania. The ascent of Mount Kilimanjaro takes in a number of different climatic systems, from tropical forests at its base, rising towards moorland which eventually gives way to an alpine ecosystem until you reach the arctic like peak.

Table 22 - Visitors to the Kilimanjaro National Park, 2005-2010

Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Visitors	40498	40599	42715	41967	46856
Change (%)	-	0.2	5	-2	12

Source: TANAPA, 2011

The table above indicates that visitor numbers to Mt. Kilimanjaro increased between 2005 and 2010, from 40,498 visitors in 2005/06 to 46,856 in 2009/10, even though there was a small decline in 2008/09 attributable either to the economic crisis or to the political turmoil in neighbouring Kenya in late 2007 and early 2008.

The ascent to the summit can be undertaken following seven different routes, which take a minimum of 5 days (as well as one night in a hotel before and after the climb), most of these routes can be undertaken with no special equipment or previous climbing experience, though a certain minimum level of physical fitness is required. Climbing groups up Kilimanjaro usually include around 8-12 climbers, plus 2-6 guides, 2 cooks and between 30 to 40 porters. Tourists typically organise trips through local tour operators which oversee the whole process and are responsible for organising support staff as well as provisions (such as food and climbing equipment) for the climb.

Mount Kilimanjaro Climbing Routes

1. **The Marangu Route:** A steep but easy walk which requires no special equipment. The route passes through Gillman's Pont and the Mawenzi. This is colloquially known as the "Coca Cola" route since it is the most used route and also considered to be the simplest.
2. **The Mwekwa Route:** A direct and fast route, passing through forests and offers views of the Southern glaciers.
3. **The Umbwe Route:** A steep rise with a number of natural obstacles, offering views of the Great Barranco and the Southern Icefields.
4. **The Machame Route:** Follows narrow footpaths up a strenuous walk. The route passes through Machame village and provides access to the South Western Glaciers and the Western Breach. The Machame route is colloquially known as the "Whisky" route as it is more complicated than the more traditionally used Marangu route.
5. **The Shira Route:** The route can be partially completed with a four wheeled drive vehicle, followed by a footwalk up to the Shira Needle.
6. **The Lemosho Glades Route:** A long route going through unspoiled scenery and forests.
7. **The Rongai Route:** A five day route for only a limited amount of groups and can only be used to ascend the mountain.

Climbing Mount Kilimanjaro requires the use of TANAPA/KINAPA registered guides, while climbing excursions are typically booked as a complete package, with tour operators hiring all the guides, porters and cooks for the expedition. A climbing expedition typically lasts around 7 days (depending on the chosen routes, as seen above). Guides are responsible for overseeing the expedition and guiding the climbers up the correct route to the mountain summit, porters carry the entire climber's luggage¹⁹⁶ plus the climbing provisions (including the climbing gear and food) and cooks oversee meal preparation and distribution for all the climbers.

Guides and porters both have their own self-regulating labour groups, the Kilimanjaro Guides Association and the Kilimanjaro Porters Association; both are voluntary, are not recognised worker unions and require a registration and subscription fee from their members. The associations are aimed at helping their members should they have any complaints against their employers as well as protecting members from any kind of abuse on behalf of their employers.

The average number of tourists, per expedition, has risen from 10 in 2008 to 12 in 2009 and down to 11 in 2010. The average number of guides per expedition has also increased from 2 to 6 per expedition¹⁹⁷ whilst the average number of porters per expedition has decreased from 40 per expedition to 29. Between 2008 and 2010 the number of expeditions has gone from 4,272 a year to around 4,259 a year.

¹⁹⁶ Porters should typically carry between 15kg and 20kg of luggage, each, for a typical expedition.

¹⁹⁷ Interviewed guides stated that it was now a practice to have one chief guide and a few assistant guides for the ascent.

Table 23 - Average No. of Guides, Porters & Cooks per Expedition, 2008-2010

Year	Average No. Tourists Per Expedition	Average No. Guides Per Expedition	Average No. Porters Per Expedition	Average No. Cooks Per Expedition
2008	10	2	40	2
2009	12	5	28	2
2010	11	6	29	2

Source: ODI Surveys

Park Fees for the Kilimanjaro National Park are¹⁹⁸ US\$ 60 per day for adults, US\$ 10 for children aged 5 to 16 and free entrance for children under the age of 5, these were raised in 2006 when the entrance fee used to be US\$ 30 per adult a day¹⁹⁹. Camping in Mount Kilimanjaro costs US\$ 50 per night for those aged over 16 years, US\$ 10 for those younger than 16 and free for those under the age of five, fees for premium campsites are double, there is also a US\$ 20 rescue fee per person for Mt. Kilimanjaro.

Official porter minimum wages for Mt. Kilimanjaro expeditions are US\$ 10 a day, cooks are to be paid US\$ 15 a day whilst guides have an official minimum wage of US\$ 20 per day, since January 2008. In addition to the daily wages climbing staff also usually receive tips from the climbing groups that they are supporting.

4.1. Effects of the Crisis on the Mt. Kilimanjaro Labour Force

Panel interviews were held with a number of Mt. Kilimanjaro guides, porters and cooks, all working in expeditions aimed at reaching the summit of the mountain. The two groups (porters and cooks were interviewed together) highlighted the effects of the crisis on their employment opportunities, working conditions and incomes.

Mt. Kilimanjaro guides head expeditions for tourists which seek to climb the mountain; they assess safety during the climb and choose the best paths to follow for the climb. Guides typically work during the high seasons, which are generally between June and September and January to February, with little activity in the rainy period in-between. Guides typically had around 12 years of experience in their profession both as a guide and as a porter and typically support around 8 dependents each through their incomes.

Porters and cooks are also an essential part of any expedition to Mt. Kilimanjaro. Porters are required to carry all the supplies that climbers may need (such as food provisions as well as camping equipment) whilst cooks are required in order to make the food for all the members of the expedition. On average, the porters and cooks that were interviewed had been working for around 13 years and, on average, support 7 dependents each.

¹⁹⁸ <http://www.tanzaniaparks.com/parkfees/Tariffs-New.pdf>

¹⁹⁹ <http://news.bbc.co.uk/1/hi/sci/tech/4371688.stm>

Table 24 - Average wages for Mt. Kilimanjaro climbing staff, 2008

Staff	Official Daily Wage (US\$)	Actual Daily Wage (US\$)	Daily Tip (US\$)	Average Days per Trip	Pay per Trip (US\$)	Trips per year	Annual Income (US\$)
Guide	20	10	5.38	7	108	17	1,830
Porter	10	5	3.59	7	60	14	842
Cook	15	5	2.87	7	55	14	771

Source: Mitchell, J & Keane, J (2009)

Table 25 - Average wages for Mt. Kilimanjaro climbing staff, 2009

Staff	Official Daily Wage (US\$)	Actual Daily Wage (US\$)	Daily Tip (US\$)	Average Days per Trip	Pay per trip (US\$)	Trips per year	Annual Income (US\$)
Guide	20	11	10.2	6	127.2	6	763.2
Porter	10	8	4	6	72	6	432
Cook	15	10	6	6	96	6	576

Source: ODI Interviews

Table 26- Average wages for Mt. Kilimanjaro climbing staff, 2010

Staff	Official Daily Wage (US\$)	Actual Daily Wage (US\$)	Daily Tip (US\$)	Average Days per Trip	Pay per Trip (US\$)	Trips per year	Annual Income (US\$)
Guide	20	15.25	11.8	6	162.3	7	1136
Porter	10	7.25	4.3	6	69.3	6	416
Cook	15	8.66	6.5	6	91	6	546

Source: ODI Interviews

Official daily wages for all three groups were increased in 2008²⁰⁰, however comparing 2008 to data collected for 2009; it can be observed that, on average, the three groups were still being paid US\$ 5 less than the official minimum wage. Interviewed staff cited

²⁰⁰ To US\$ 20 a day for guides, US\$ 10 a day for porters and US\$ 15 a day for cooks.

stated that even though the official daily wage was higher in theory, the implementation had been slow in practice. Even though actual wages and tips per trip increased between 2008 and 2009, there was a dramatic fall in the number of trips that all three groups undertook in a year, which has led to a decrease in incomes for individual workers, most significantly for guides and porters who lost more than half their incomes.

One possible hypothesis is that the average annual income of climbing staff has fallen, not because of the very slight (2%) and temporary reduction in tourist demand during 2009, but rather because of the increasing number of climbing staff chasing the same number of tourists. This could reflect the increasing attractiveness of a hiking job with the increased minimum wages for hiking staff, or it could have been an indirect consequence of the crisis in demand for labour elsewhere in the Tanzanian economy which however seems unlikely as Tanzanian GDP growth remained buoyant throughout the crisis.

This issue has also been compounded by a decrease in the average number of porters per trip, from 40 in 2008 to 28 in 2009 and 29 in 2010 (possibly due to the increase in daily porter wages which made them more expensive to hire), which has further decreased the employment possibilities of porters. Thus though there have been impacts on climbing staff incomes, there is no clear evidence that this was due to the economic crisis. KPA²⁰¹ officials state that porters are now carrying more than they have in the past, with overloading becoming a real issue, confirming the fact that fewer porters are now required to carry the same total load by individually carrying more luggage or equipment.

On the other hand the number of guides per trips has increased from 2 per trip in 2008 to 6 per trip in 2010. This could be due to the fact that in 2009, when the increase was initially seen, the actually daily wage of porters and guides was quite similar, with guides earning US\$ 10 a day and porters earning US\$ 8 a day. This may have caused tour operators to replace some porters with guides for their expeditions, as more experienced guides became only marginally more expensive than porters, as well as to possibly show to customers that the tour operators were providing more “value for money” by providing more guides for each expedition. This practice may have been maintained in 2010, even though guide wages had significantly increased vis-a-vis porter wages.

Guides have not suffered from any losses to non-wage benefits as these were never part of their income package, however there is some evidence to suggest the fact that job security has decreased, in terms of contract length, since guide contracts (for those that have them) have been shortened from annual contracts to seasonal or monthly contracts. At the same time more guides are now working on an ad-hoc basis rather than being contracted. The increase in the number of guides per trip does however provide a small increase in job security in a period where contract terms were being cut.

²⁰¹ Kilimanjaro Porter Association

Turnover rates are surprisingly low for guides, averaging around 10% a year - notwithstanding the fact that employment contracts are now very short term²⁰² and that average annual incomes have fallen by a third and total annual tips per person have also fallen due to an increase the number of climbing staff vying for work. According to interviewees, those guides that left the profession²⁰³ are now working either as farmers or in small businesses, though it was unclear if they were working as entrepreneurs or as dependents.

None of the guides, porters or cooks could think of any policies implemented by the government to counter the effects of the financial crisis. The overall consensus is that there should be increased marketing aimed at attracting more tourists to Tanzania. A



second initiative suggested that the government should provide some support for guides during the low season when they are out of employment, support in the form of either income or training for the guides (or a mixture of both). A third proposition is for the Tanzanian government to improve wages for guides and porters, in addition to the increased official wage that guides received in 2008. Other suggestions include lowering park fees or redistributing park revenues to guides and porters. Porter and cook groups provided similar suggestions adding the need for porters, guides and cooks to be recognised as an official profession and that the Kilimanjaro Porter Association (KPA) should be recognised as an official workers union.

Data show that tourist arrivals into the Mount Kilimanjaro area have not significantly declined between 2008 and 2009 and have actually increased between 2009 and 2010. The government would see no real reason to increase its marketing activities when tourist numbers have actually increased. The issue of providing funding for tourism workers during the low season is not related to the crisis and reflects the general structure of seasonal dependant income such as tourism, a problem which other sectors of the economy also face (i.e. farming) and would require the government to provide subsidies to all of these sectors should they provide seasonal

²⁰² These have changed from permanent or annual contracts to seasonal contracts.

²⁰³ The majority of those that leave do so voluntarily as they do not have long-term contracts to begin with.

subsidies to tourism workers. In addition, not only has the government already increased official wages for all tourism sector workers (with specific wage increases for Mount Kilimanjaro workers) but subsidies for tourism workers are unlikely to be a real priority for the government, given that tourism wages are already high compared to the rest of the local economy.



Any changes in porter incomes can have some wide ranging effects on the incomes of the people that depend on them and considering the fact that porters are the most numerous group (there are typically around 5 porters for every guide) any impacts on their annual incomes will have the widest economic impact. In 2008 there were a total of around 4,270 expeditions on Kilimanjaro, a total of 170,860 porter trips²⁰⁴, which divided by the average number of trips per porter (14 in 2008) gives a total of 12,204 porters working in 2008. In 2009, this rose to 16,320 porters and by 2010 there are an estimated 20,590 active porters. Similarly guide numbers increased from around 500 in 2008 to over 3,600 in 2010.

There has thus been an overall increase of around 69% in the number of porters as well as seven times more guides working in the mountain between 2008 and 2010, an increase which may be in part due to increased official wages for Kilimanjaro climbing staff. With an average of 7 dependents, in 2008 porters supported around 97,600 people²⁰⁵ whilst by 2010 this rose to 164,700 people²⁰⁶. Even though porter incomes fell from US\$ 842 in 2008 to US\$ 416 in 2010 and the total economic contribution of porters decreased from US\$ 10.3m in 2008 to US\$ 8.6m there are now an extra 67,100 people who are benefitting from porter incomes. Incomes per person, however, have fallen from US\$ 105 in 2008 to US\$ 52 in 2010. There has thus been a 69% increase in the number of people who are benefitting from porter incomes, but a reduction of 50% in the income earned per person. Similarly, guides support 7 dependents each, an increase from 4,000 people²⁰⁷ benefitting from guide wages in 2008 to 28,800 in 2010. The total annual economic contribution of guides increased from US\$ 0.9m in 2008 to US\$ 2.2m in 2009 to US\$ 4m in 2010. Annual incomes per person thus fell from US\$ 225 in 2008 to US\$

²⁰⁴ Multiplying average no. of porters per trip by the number of trips.

²⁰⁵ Including the porters

²⁰⁶ Including the porters

²⁰⁷ Including porters

138 in 2010. Hence, even though an extra 24,800 people benefited from guide incomes, the income earned per person fell by 39%.

4.2. Effects of the Crisis on Tour Operators in the Mount Kilimanjaro Area

A number of different tour operators were interviewed to understand the effect on the crisis for those whose business is mainly concerned with Mt. Kilimanjaro climbing expeditions; they usually work from the town of Moshi, about an hour's drive away from the gates of the Kilimanjaro National Park and have an average of 22 years experience and are generally privately-owned. The tour operator clients tend to come from the USA and Europe of which most come from Germany, the United Kingdom, France and Spain with a growing Russian market.

Most of the interviewed tour operators reported negative effects due to the crisis, citing 25% to 40% cancellations in tourist bookings for 2009; however this is in contrast to the park entrance figures which only showed a decline of 2% in 2009, followed by 12% growth in 2010. Tour operators are thus either greatly exaggerating the number of cancellations in 2009 or a significant level of cancellations in 2009 postponed rapid growth in demand until 2010. One tangible effect was that some tour operators had to lay off staff or halt any investments (such as new vehicles) that they had planned for 2009 or 2010, though the crisis may have been the pretext for doing so rather than the real reason.

According to the interviewed tour operators, the source markets for their activities had not altered significantly since the beginning of the economic crisis, however even though they are still staying around 6 to 8 nights near or on Mt. Kilimanjaro (the majority of routes require 6 to 7 days and cannot be realistically shortened) they were now cutting or altogether eliminating any extra travelling, such as beach holidays in Zanzibar.

Most operators have reported pressures, from tourists, to cut the prices of the tour packages they offer by between 15% and 25%. The opinion of certain tour operators was that there was also increased pressure from international tour operators to lower package rates²⁰⁸, the effects were greatest on local tour operators which are heavily dependent on international tour operators that are themselves most reliant on the source markets heavily affected by the crisis (USA and Europe).

Even with this increased pressure, tour operators managed to increase their package costs, with the average 7 day Kilimanjaro package costing US\$ 1,332 in 2008, rising to

²⁰⁸ By 13% on average

US\$ 1,508 in 2009 and once again rising to US\$ 1,554 in 2010. Though it has been reported by tour operators that increasing food, fuel and labour costs have led to lower profit margins, there is only circumstantial evidence to support this thesis, considering the fact that in 2009 tour operators reported an average cost, per trip/package of US\$ 1,200 in 2008, US\$ 1,289 in 2009 and US\$ 1,359 in 2010, a 13% (reported) increase in costs against a 17% rise in package rates. Hence profit margins have actually slightly increased throughout the crisis.

Around half of interviewed tour operators stated that, as a result of the crisis, one of the strategies they had to implement was to cut the number of staff that they employed in order to curb their expenditures, whilst the remaining half stated that they had retained all their current staff, though they had not hired any new workers since the beginning of the crisis. A second common strategy was to raise their competitiveness by improving the services which they offered to tourists, trying to give tourists better value for their money²⁰⁹. However these strategies have yet to show their effects as the majority of tour operators stated that their business operations had yet to return to pre-crisis patterns even though most were seeing tourist numbers rising again.

The fact that some tour operators did have to cut staff was however confirmed, with tour operators in 2008 employing 26 permanent employees, falling to 16 in 2009 and yet again to 13 in 2010. Both skilled and unskilled permanent staff members were affected by this reduction in staff, with a loss of 44% in skilled staff and a very significant loss of 86% in unskilled staff between 2008 and 2009.

For seasonal staff the picture is slightly different, showing an overall increase for skilled staff in both high and low season, whilst for unskilled staff there was a slight increase in the number of seasonal staff employed during the low season but a steep decline (-30%) in the number of unskilled staff employed during the high season.

Table 27- Seasonal Staff Employed by Kilimanjaro Tour Operators, 2008-2010

Year	Average No. Of Skilled Staff – High Season	Average No. Of Skilled Staff – Low Season	Average No. Of Unskilled Staff – High Season	Average No. Of Unskilled Staff Low Season
2008	38	10	277	146
2009	53	28	194	154
2010	48	19	194	150

Source: ODI Surveys

²⁰⁹ Such as better food during the climb or improved accommodation before and after the climb.

Hence there was a decrease in staff numbers, a decline which, in absolute terms, has hit unskilled seasonal employees more than permanent employees, however since seasonal positions tend to be filled by people in more vulnerable and poorer income groups, they are also those affected the most by such cuts.

The cut in unskilled staff may be attributed to three different factors; the national increase in minimum wages, higher operational costs and a decline in tourist numbers. The national increase in minimum wages for all service sector workers may have led to a reduction in employment numbers as employers sought to reduce their total wage costs. The increase came into effect in early 2008 but the subsequent loss of employment may have been due to a phase-in of the increased wages throughout the whole of 2008. Operational costs also increased between 2008, 2009 and 2010 which may have led to some employers dismissing staff in order to recover some costs. Finally a reduction in tourist numbers may have also contributed to tour operators reducing the number of staff they hired as staff requirements fell.

While there were some significant cuts in staff numbers, overall monthly wages for tourism operational staff rose between 2008 and 2010, from an average of US\$ 239 to US\$ 323 across all skill levels, an average increase of around 26%. Looking at wages for staff at the managerial level (see table below) we can see that, between 2008 and 2010, manager level wages rose by 29%, from US\$ 497 a month to US\$ 643 a month. For skilled staff the increase was significantly higher, a 65% increase between 2008 and 2010, earning an extra US\$ 86 a month. Unskilled staff also saw a 23% rise in their wages between 2008 and 2010.

Table 28- Monthly Wages for Kilimanjaro Tour Operator staff, 2008- 2010 (US\$)

Year	Managerial Staff	Skilled Staff	Unskilled Staff
2008	497	133	87
2009	588	200	95
2010	643	219	107

Source: ODI Surveys

Links to the local supply chain did not seem to be affected by the crisis as all the tour operators stated that they were still buying all their fresh produce from local markets, processed foods from local supermarkets (though the majority of the processed products were imported from abroad) and their equipment and supplies from local importers or directly through the internet. They report that their acquisitions have decreased in quantity due to fewer tourists, even though official figures show little evidence of a significant drop in tourist numbers, whilst their supply sources have remained the same.

When asked what policies the government had implemented as a result of the crisis, 75% of respondents stated that they had not seen any significant government efforts, whilst 25% stated that the government had increased its marketing in an effort to promote Tanzania as a tourism destination. Asked about what the government should have done, 100% of interviewed tour operators stated that park fees, licence fees to operate and taxes should have been cut, as least as a short term solution to lower costs for tour operators and tourists alike. A second policy which the Mt. Kilimanjaro tour operators would have liked to see is increased investment in training and education for the tourism sector in order to help improve the services that are offered towards tourists. Improvements in local infrastructure (especially transport services) and increased international marketing for Tanzania are also seen as solutions for the effects of the crisis.

4.3. Effect of the Crisis on Hotels in Kilimanjaro

The overall tourism demand for hotels has not changed throughout the crisis, occupancy rates²¹⁰ have slightly decreased in hotels between 2008 and 2010, but hotels actually increased their room rates throughout the period.

Table 29- Changes in Average Kilimanjaro Hotel Guest Nationality, 2008- 2010

Year	Tanzania	Africa	Europe	US	Other
2008	14	4	62	16	4
2009	32	26	23	10	5
2010	34	26	16	10	10

Source: ODI Survey

Tourist source markets for hotels have seen some changes with an increase in both national and African visitors and fewer Europeans and more East Asian guests²¹¹. In addition there is little evidence of any negative change in hotel staff wages or numbers, with average total hotel staff numbers initially decreasing between 2008 and 2009 but then increasing again in 2010. The labour supply source for hotels has not been affected, with hotels exclusively employing people within the vicinity of the hotels.

²¹⁰ Figures provided by the hotels show a small decrease in occupancy rates of 8% (from 57% to 49%) between 2008 and 2010.

²¹¹ Even though NCAA Ngorongoro entrance figures – see chart below – which are used due to the unavailability of entrance figures by nationality for the Kilimanjaro National Park- seem to contradict this claim of more Asian visitors.

Table 30- Monthly Wages for Kilimanjaro Hotel Staff, 2009- 2010 (US\$)

Year	Managerial Staff	Skilled Staff	Unskilled Staff
2008	165	80	55
2009	250	85	70
2010	250	85	70

Source: ODI Surveys

Table 31- Permanent Staff Employed by Kilimanjaro Hotels, 2008- 2010

Year	Average No. Of Managerial Staff	Average No. Of Skilled Staff	Average No. Of Unskilled Staff	Average Total Staff
2008	4	22	4	38
2009	4	30	2	36
2010	6	30	3	39

Source: ODI Interviews

Table 32- Food & Beverage Supply Source, Kilimanjaro Hotels, 2009- 2010 (%)

Year	Local (<100km)	Tanzania (>100km)	Africa	Other
2008	58	25	10	6
2009	50	13	2	35
2010	50	13	2	35

Source: ODI Interviews

The table above shows that in 2008, 2009 and 2010 the majority of food and beverages sourced by hotels in the Mount Kilimanjaro area came from Tanzania. There does however seem to be a shift in the food and beverage sources, whilst in 2008 83% of all food and beverages came from Tanzania, this fell to 63% for 2009 and 2010, with the greatest loss in foods produced nationally (12% decline) as opposed to locally (8% decline) as well as an 8% decline in food imported from the rest of Africa, whilst there was an increase in the amount of international imports.

The hotel supply chain has thus seemed to escape major negative effects of the crisis, with local supply sources marginally declining but hotel expenditure and revenues on food and beverages remaining largely unaffected between 2008 and 2010. It can therefore be assumed that hotels have, at least, kept food expenditure stable (or rising if

rising food prices are factored in) thus still buying the same amounts (if not more) of food from their suppliers.

4.4. Summary

The effects of the crisis on the tourism value chain around Kilimanjaro, and vulnerable communities within it can be summarised as follows:

- Kilimanjaro is an iconic destination. Because more people want to climb the mountain than there is capacity to accommodate, the destination has excess demand and does not respond to the usual patterns of supply and demand. For instance, the doubling of park fees in 2006 had no negative element on tourist numbers. Similarly the post-election violence in Kenya did not reduce visitor numbers;
- In this context, it is not surprising that the crisis had a muted impact on tourism demand, visitor numbers initially dropped between 2008 and 2009 but strong growth resumed thereafter with 12% growth in tourists between 2008/9 and 2009/10;
- Not only were tourist numbers relatively unaffected but also package rates remained buoyant and inbound operator profit margins were unaffected by the crisis. Although outbound tour operators sought discounts in the wake of the crisis, they did not generally receive them;
- The hotel accommodation node of the value chain has been little affected by the crisis, staff numbers and wages have changed little since 2008. Similarly, the food supply chain has not significantly changed;
- The key group of vulnerable workers linked to the Kilimanjaro value chain are the hiking staff: porters, cooks and guides. They are important for several reasons – they are numerous (an estimated 12,000 porters pre-crisis) and are almost entirely informally employed without employment contracts and with minimal statutory protection from exploitation;
- The study shows that the experiences of hiking staff have changed quite dramatically over the past two years, but that little of this change has much to do with the crisis. Hiking staff are earning significantly higher wages per trip but each worker is taking part in less than half the number of trips each season, with the result that their annual incomes have fallen dramatically.
- Driving the changes for hiking staff have been:
 - Government minimum wage legislation for hiking staff which would roughly double day rates for porters. The evidence is that the minimum wage is not being effectively enforced, but that wages for hiking staff have, nonetheless, increased by 150% over the past two years.
 - A reduction in the number of hiking staff accompanying each group of tourists, on average there were 7 less staff per trip between 2008 and 2010. This could be indirectly related to the crisis, with tour operators using the crisis as a pretext to reduce hiking staff ratios, but ultimately is a consequence of poor enforcement of agreed carrying loads for climbing staff at the park gate as porter overloading was an important issue even before the reduction in hiking staff numbers.
 - The pool of workers seeking hiking jobs has roughly doubled over the past two years. With nearly twice as many workers seeking work on a slightly increased number of trips but with fewer hiking staff on each one, the trips per

- worker have dropped dramatically and much more than the increased wage per trip can compensate – so incomes per worker have sharply declined.
- The trends above have slightly reduced the pro-poor impact of the hiking value chain, because the aggregate wage of hiking staff has slightly reduced.

5. Northern Safari Circuit

The Northern Safari Circuit encompasses a number of different national parks in northern Tanzania, including Lake Manyara, the Ngorongoro National Park, the Serengeti National Park and the Tarangire National Park and to a lesser extent the Arusha National Park. Most activities are centred or commencing in the town of Arusha (Nairobi in Kenya also acts as a hub for the safari circuit) and Mto Wa Mbo, which caters to the Lake Manyara National Park, the Tarangire National Park and to a lesser extent the Ngorongoro Crater. All of the parks are administered by TANAPA with the exception of the Ngorongoro Crater, which is administered by the NCAA.

Typical safaris last between 6 to 10 days and are usually organised through local tour operators (who also tend to act as ground handlers and organisers for international tour operators). A tour operator will organise a safari trip based on the number of people in a group, usually providing one vehicle, a driver and a guide²¹² for every four or five tourists. Tourists will typically visit the major safari parks and most visits will encompass 2 or 3 days in the Serengeti as well as one day each in the Ngorongoro Crater, Tarangire and the Lake Manyara national parks. These are all preservation habitats so tourists will only be able to view animals (rather than hunt them).

Tourists will usually stay one night in Arusha before heading off to Lake Manyara where they will also spend one night, they will then move on to the Ngorongoro Crater for one day and one night before going the Serengeti where they will stay 2 or 3 days, depending on their chosen package, after which they will usually return to Arusha. Tourists typically stay in either hotels or tented lodges (or a combination of both) in accordance with the amount they wish to pay and what the tour operator has organised.

The current park Fees for Arusha, Tarangire and Lake Manyara National Parks are²¹³ US\$ 35 for adults, US\$ 10 for children aged 5 to 16 and free entrance for children less than 5 years of age. Entrance into the Serengeti is US\$60 for people over the age of 16, US\$ 10 for those aged between 5 and 16 years and free for those under the age of five. The Ngorongoro Conservation Area Authority has charged US\$ 50 per person (per entrance), plus a US\$ 150 – US\$ 200 charge per vehicle²¹⁴ since 2007. The Ngorongoro entrance fee is paid by the majority of tourists that wishes to see the Serengeti as it encompasses the quickest and most comfortable route from Arusha to the Serengeti,

²¹² Often the role of driver and guide is combined.

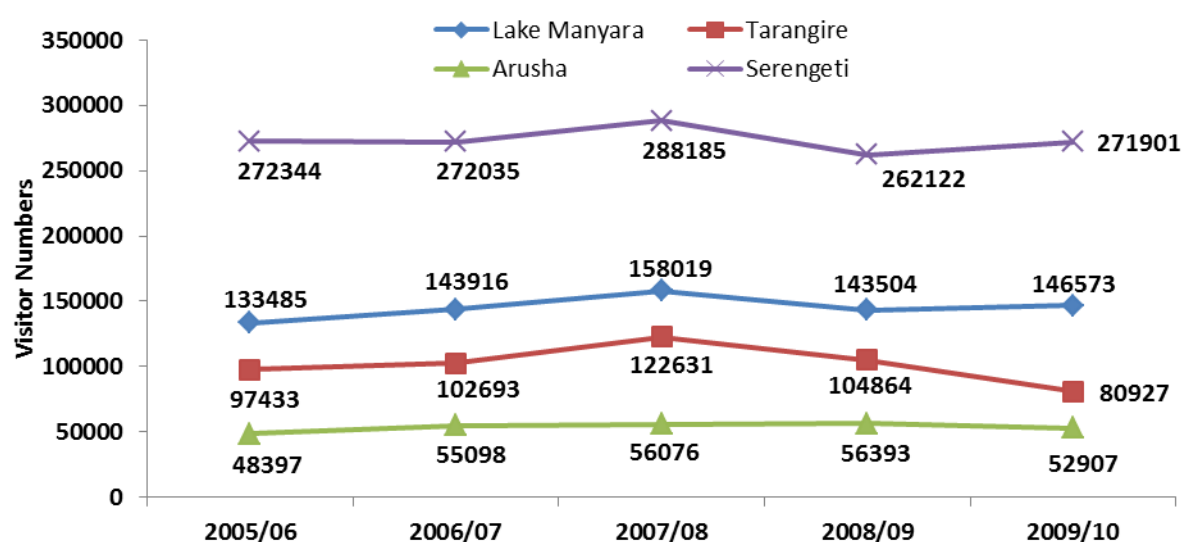
²¹³ <http://www.tanzaniaparks.com/parkfees/Tariffs-New.pdf>

²¹⁴ Depending on vehicle weight

though an alternative, but longer, route²¹⁵ is also available. Park fees rose in 2007 for most national parks, the Ngorongoro fee²¹⁶ rose from US\$ 30 per person to US\$ 50 per day, whilst the Serengeti entrance fee also rose to US\$ 50 a day from US\$ 30, other parks such as Lake Manyara and Tarangire saw a rise from US\$ 20 a day to US\$ 35 a day.

The table below shows visitor numbers for most TANAPA managed national parks peaked in 2007/2008. However, a similarly low price elasticity of demand as illustrated by Kilimanjaro is demonstrated by the game parks. In 2007 the price of park fees of the most-frequently visited parks increased by 66% overnight and, combined with widespread violence in neighbouring Kenya as well as a reduction in visitors caused by the global economic crisis, the overall effect was just a 9% reduction in visitors to the Serengeti in 2008/9. After the initial dip in numbers in 2008-2009 all parks showed signs of recovery in the 2009/2010 period, however not yet reaching the 2007/2008 visitor levels.

Figure 85 - Visitor Figures for TANAPA Managed National Parks, 2005-2010



Source: TANAPA, 2011

For the Ngorongoro Conservation Area (NCA) we can see that visitors²¹⁷ initially peaked in 2008, dropping in 2009 by 7%, but picking up again in 2010 which was when the park recorded its highest number of visitors over the last 42 years (records began in 1968). Between 2009 and 2010 visitor numbers rose by 18%.

²¹⁵ This route is only used by very few tourists.

²¹⁶ The car entrance fee for Ngorongoro also rose, from US\$ 100 to US\$ 200

²¹⁷ The figures probably include a high level of double counting as many people who do the Northern Safari Circuit will be entering the Ngorongoro Conservation Area twice on their way to and from the Serengeti national park, which the large majority of safari tourists will visit.

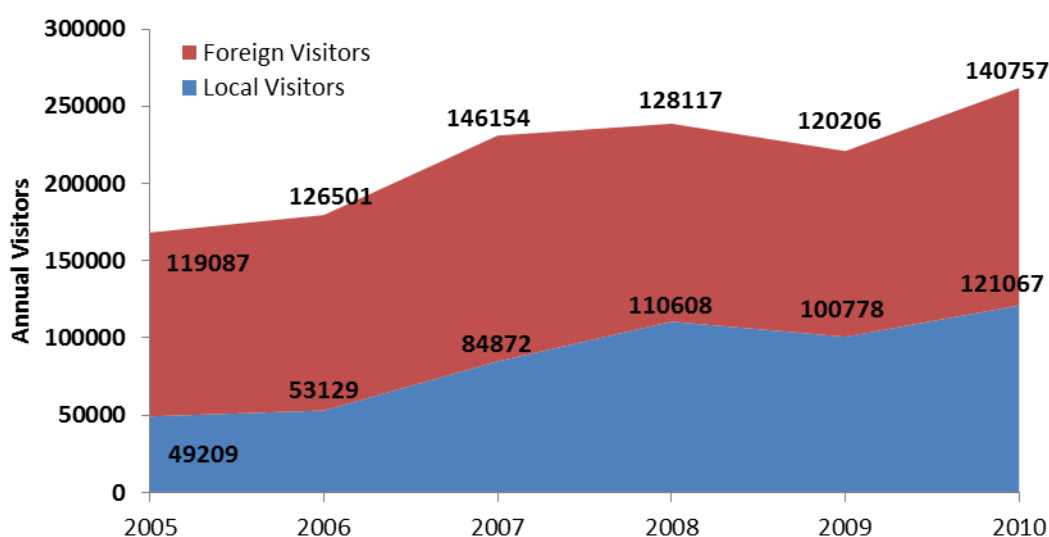
Table 33 - Visitor Figures for the Ngorongoro Conservation Area, 2006 - 2010

Year	2005	2006	2007	2008	2009	2010
Actual Visitors²¹⁸	168,295	179,629	231,025	238,724	220,983	261,823
Change (%)	-	7%	29%	3%	-7%	18%

Source: NCAA, 2011

Between 2005 and 2008 there has been a steady rise in local visitors to the NCA, whilst foreign visitors peaked in 2007 and levelled out. Whilst the park did see an overall decline in 2009, the decline was greater for foreign tourists (a 9% drop) than for local tourists (which saw a 6% decline).

Figure 86 - Local and Foreign visitors to the Ngorongoro Conservation Area, 2005-2010



Source: NCAA, 2011

The table below shows the top ten overseas source markets for visitors to the NCA and how visitor numbers for these countries have changed between 2007 and 2010. Between 2008 and 2009 the US (14,000 decrease) showed the greatest drop in tourist numbers to the Ngorongoro crater followed by the United Kingdom (9,900), Scandinavian countries (2,600) and Australia (2,000). For the top ten source markets, the average decrease was of around 10% between 2008 and 2009.

²¹⁸ This is around half of the registered visitors NCA, as most travellers have to enter the NCA twice, if they are going to the Serengeti, as the major route to the Serengeti passes through NCA.

Table 34 - Foreign visitors to the Ngorongoro Conservation Area by Source Market, 2007-2009

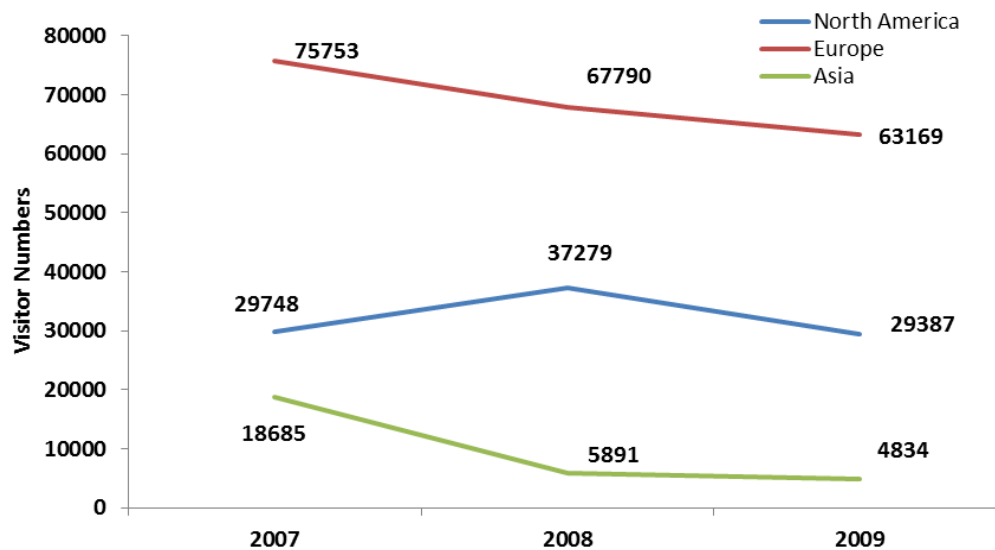
Country	2007	2008	2009	% change 2008-2009
USA	48.910	63.609	49.359	-22
United Kingdom	47.120	46.678	36.712	-21
Germany	34.110	26.257	27.881	6
France	19.846	22.284	20.475	-8
Scandinavia (incl. Denmark, Norway and Sweden)	16.069	13.794	11.188	-19
Spain	17.561	10.589	9.924	-6
Australia	7.356	15.346	13.252	-14
Canada	8.692	10.520	9.071	-14
India	25.539	3.171	3.134	-1
Italy	3.489	10.348	10.106	-2

Source: NCAA, 2011

Comparing tourists from the European and North American markets²¹⁹ it is possible to see where the majority of changes in source markets have occurred between 2007 and 2008. Whereas between 2007 and 2009 there has been a steady decline in tourists from Europe (from 75,700 a year in 2007 to around 63,000 in 2009) the American market picked up in 2008, though it subsequently fell in 2009. In terms of percentage changes, both markets fell by an average of 13% between 2008 and 2009 though if we look at the 2007 to 2009 period, the greatest decline occurred in the European market which showed a 16% drop, whilst the American market only showed a 1% drop.

²¹⁹ Including USA, Mexico and Canada

Figure 87 - Changes in visitors to the Ngorongoro Area from North America, Europe and Asia



Source: NCAA, 2011

Data by source market for the NCA are useful for the analysis as they give representative figures of tourists, by nationalities, for Northern Tanzania. As the crater is a widely visited spot and as there are no comparative figures for the other national parks, the data can be used to infer changes in source markets across the region. Overall the data shows a decrease in tourist numbers, between 2008 and 2009 of around 7%, with the greatest drop accruing from the countries that have been the most affected by the crisis in Europe as well as the USA.

5.1. Effects of the Crisis on the Northern Safari Circuit Labour Force

Driver guides are an essential part of the labour force in the Northern Safari as they take tourists around the national parks and are generally employed as both drivers and game spotters (though some companies sometimes employ two guides, either for translation purposes or to give a better experience to the tourists). Similarly to the Kilimanjaro guides, driver guides work seasonally, with the majority of work undertaken during the two high seasons.

Driver guides stay with the same group of tourists for the duration of the whole journey and are sometimes supported by camp crews in the camps or lodges in which the tourists spend their nights. Driver guides need to be able to speak English, though circumstantial evidence points to an increase in the number of multilingual driver guides as these are preferred by the tour operators. In addition to their language skills, driver guides need to have a good working knowledge of the flora and fauna within the

Northern Safari Circuit. Official licences to operate as a driver guide are not required either by TANAPA or the NCAA, unlike Kilimanjaro guides, Safari driver guides are not officially recognised by the Tanzanian government, so have not benefitted from any specific²²⁰ rises in daily wages as the Kilimanjaro guides have.

A number of driver guides were interviewed in Arusha in order to understand the effects of the crisis on their living standards, incomes and employment opportunities. On average driver guides have been working within the sector for around 11 years, with 8 people depending on their incomes.

Driver guides have stated that the crisis has had an impact on their income wages, with all of the interviewed groups stating that their wages had fallen since 2008. However as the table below shows, the average pay per trip for driver guides has increased by 60% between 2008 and 2010 and whilst the number of trips has decreased by 11%, annual incomes have actually increased by 43%, from US\$ 3,420 in 2008 to US\$ 4,896 in 2010. One difference between driver guides and hiking staff at Kilimanjaro is that the former have a high skill set which limits the number of people that can join the profession. This ensures that driver guides are able to maintain or increase their daily wage rates but, unlike the hiking staff that have lower barriers to entry into the labour force²²¹, these gains are not negated by new entrants causing their utilisation rates to drop dramatically. Another difference is the fact that the decrease in trips for driver guides (11%) is similar to the drop in tourists (9% in 2009) suggesting that because of their higher skill level, driver guides have not increased in numbers like hiking staff in Mount Kilimanjaro.

Table 35 - Average wages for Driver Guides 2008 - 2010

Year	Daily Wage (US\$)	Daily Tip (US\$)	Average Days per Trip	Pay per Trip (US\$)	Trips per year	Annual Income (US\$)
2008	8	12	9	180	19	3,420
2009	10	13	9	207	19	3,933
2010	16	16	9	288	17	4,896

Source: ODI Survey

Driver guides state that they felt that their job security had indeed decreased since 2008, mainly because most tour operators were moving towards short term contracts, which last between 3 to 6 months, as opposed to the longer term (or in some cases,

²²⁰ Beyond the national increase in minimum wages

²²¹ Driver guides have to generally be skilled linguists, mechanics, tour guides and game spotters, a wider range of skills than Kilimanjaro guides who only need to be able to speak English, have a working knowledge of Kilimanjaro climbing routes and basic mountain safety procedures.

permanent) contracts which the guides were previously used to. Non-wage benefits were also affected by tour operator cutbacks, the driver guides state that they have lost benefits such as transport and food allowances as well as wage related end of year bonuses while pension contributions by their employers are now only following the government minima.

In terms of the number of people working as guides, the majority of the groups said that there now was more competition as the number of people who were becoming guides was growing, considering the good remuneration opportunities of the profession. However, as the number of tourists to the Northern Safari Circuit has stabilised to around 0.27 million a year (based on the Serengeti entrance figures), as well as unsurprisingly low turnover rates for guides, the opportunity for work for these new entrants has been limited.

Evidence suggests that the response of the safari sector to a temporary decline in tourist demand in 2009 was to reduce the number of trips across all driver guides, rather than maintain the same levels of productivity amongst most staff and thus have to reduce the overall number of people working as driver guides. In addition, the fact that the number of trips per year organised by tour operators (see below) has actually increased between 2008 and 2010, whilst the average number of trips per guide has remained stable, lends more credence to the fact that there are now more driver guides operating in the Northern Safari Circuit.

All private sector stakeholders in the safari value chain believed that the government had not enacted any policies in response to the crisis. The majority of guides stated that the government should recognise driver guides as an official profession as well as help improve salaries for them. Other responses the government should have taken include improving transport infrastructure and lower park fees, citing the Kenyan government's response to the crisis, in terms of tourism.

5.2. Effects of the Crisis on Tour Operators in the Northern Safari Circuit

Tour operators that deal with the Northern Safari Circuit are generally based in the town of Arusha (though not exclusively as some tour operators in Moshi also organise combined Mt. Kilimanjaro expeditions and safari tours). Tour operators in the Arusha area have typically been active for 25 years and are privately owned organisations (in some cases through a partnership between individuals or owned by a single family). Their main activities are, unexpectedly, organising safari tours though some also offer additional services such as beach holidays in Zanzibar and organising Mt. Kilimanjaro expeditions.

The Arusha tour operators typically serve between 250 and 3,000 tourists a year, usually working with the North American and European markets (mainly Germany, the United Kingdom and Spain) and dealing with both international tour operators as well as directly with customers. Certain larger tour operators also have representative offices in the USA and in Europe, which serve as local contact points as well as undertaking marketing activities for the operators.

All the interviewed tour operators stated that they had been negatively affected by the crisis. The effect varied between different tour operators, however the most common effect was a cancellation of bookings, which they state was especially evident for the 2009 season²²². Estimates of cancellations ranged from 25% to 50%, leading to a loss in sales which has translated into staff or investment cuts (or a combination of both) depending on the different tour operators. Some tour operators said that they had felt the effect of the crisis more so in 2010 rather than 2009, though others report that tourist numbers were picking up again in 2010, with good expectations for the 2011 and 2012 seasons. The evidence suggests that the modest and temporary decline in tourist numbers in 2009 was primarily caused by quite sharp contractions in specific source markets (US and UK in particular).

The majority of tour operators said that they had cut the rates that they charged (by around 20% to 30%), though a minority said that they had frozen their rates. When comparing the actual safari rates from 2008 to 2010 we can see that in 2008 tour operators were charging an average of US\$ 1,600 per person for a 6 day safari, in 2009 this rose to US\$ 1,927 and in 2010 prices increased again to US\$ 1,950 per person, indicating that average rates had actually increased by 22% lending credence to the fact that most rates were actually increased if compared to the pre-crisis period, disproving tour operator claims that rates were reduced by 20% to 30% due to the crisis. However as rates are set in advance²²³ the relatively small decrease between 2009 and 2010 could indicate a freeze in rates in response to the crisis. Still, rates were not decreased as tour operators have claimed.

Average costs per trip in 2008 were US\$ 1,340, falling to US\$ 1,239 in 2009; whilst in 2010 they rose to US\$ 1,276, a total decrease of 5% in costs. With costs falling somewhat and revenues per trip increased by 22% between 2008 and 2009 we can see that profit margins have almost certainly increased since the beginning of the economic crisis.

Tour operators in Arusha stated that they had enacted a variety of responses to deal with the effects of the crisis, such as reductions in temporary and permanent staff numbers, reductions in staff wages and improvements in services such as better accommodation and food quality. However, further analysis of tour operator operations

²²² Tourist bookings are usually taken well in advance, for example, any cancellation occurring in 2008 would generally affect the 2009 season.

²²³ Usually 6 to 12 months

shows that in reality, except for a reduction in unskilled labour staff, these responses were not actually implemented²²⁴.

Tour operators in Arusha were also questioned about whether their business operations had returned back to pre-crisis patterns. The general view was that in 2009 the recovery had slowly begun, however it was only in mid-2010 that operations started picking up again with the majority of tour operators stating that 2011 may show a return of business operations to pre-crisis patterns.

Finally the tour operators perceived no tangible response to the crisis on behalf of the government, beyond improvements in marketing Tanzania abroad. The tour operators believed that the government should have reduced park fees, a cost item which represents about one-quarter of total package costs.

Table 36 - Monthly Wages for Safari Tour Operator staff 2008 – 2010, US\$

Year	Managerial Staff	Skilled Staff	Unskilled Staff
2008	615	202	88
2009	636	213	125
2010	725	213	125

Source: ODI Surveys

The table above shows the average monthly wages of staff working in tour operators within the Arusha area between 2008 and 2010, as the data shows there has been no increase in wages between 2009 and 2010, indicating that the freeze in wages reported by tour operators was effectively taking place after the onset of the crisis, even though wages did increase between 2008 and 2009 (though this may be due to the effects of the introduction of the increase in national minimum wages in early 2008).

Table 37 - Permanent Staff Employed by Safari Tour Operators 2008 - 2010

Year	Average No. Of Managerial Staff	Average No. Of Skilled Staff	Average No. Of Unskilled Staff
2008	6	47	42
2009	4	50	37
2010	4	55	22

Source: ODI Interviews

²²⁴ It was possible to verify that wages had actually increased, but impossible to verify if there were any improvements in service.

The table above shows that it is the unskilled staff working for tour operators who have suffered the most significant reduction in jobs since 2008 (tour operators employ few managerial staff and the number of skilled staff has actually increased). This suggests that those who are most vulnerable have been the most affected by cuts in employee numbers by tour operators showing a marked effect of the economic crisis on their employment opportunities.

Table 38 - Seasonal Staff Employed by Safari Tour Operators, 2008-2010

Year	Average No. Of Skilled Staff – High Season	Average No. Of Skilled Staff – Low Season	Average No. Of Unskilled Staff – High Season	Average No. Of Unskilled Staff Low Season
2008	0	0	50	20
2009	2	0	47	18
2010	0	0	15	15

Source: ODI Surveys

Looking at seasonal employees, no managerial staff were employed seasonally within the three years (as they tend to be employed permanently or at least on a long term basis), for skilled staff there was a 100% decrease between 2009 and 2010, though in 2008 tour operators had also not hired any skilled seasonal staff at all. The biggest real decrease was seen for unskilled staff between 2008 and 2010, with seasonal unskilled staff numbers dropping by 70% in the high season and by 25% in the low season. It can be seen again see that unskilled staff numbers have undergone the biggest negative impact during the crisis, especially for seasonal staff, which tend to be in even more precarious economic conditions than permanently employed unskilled workers.

5.3. Effect of the Crisis on Hotels in the Northern Safari Circuit

The majority of the hotels in the Northern Safari Circuit claimed that they had been affected by the crisis with effects ranging from a fall in room occupancy rates²²⁵, cuts in revenues as well as staff cuts.

In reality, evidence suggests that whilst there has been an average cut of 30% in employment; there is no evidence that other crisis-induced measures have been

²²⁵ Ranging from 15% to an estimated 50%, which is a clear overstatement of reality by hotel managers as visitor numbers only dropped by around 10% between 2008 and 2009 and actually increased in 2010. In addition, when comparing the official occupancy rates hotels gave, though there was a decrease of 10% between 2008 and 2009 there was a subsequent 10% increase in occupancy between 2009 and 2010 and reported guest length of stay remained the same between 2009 and 2010.

implemented. Due to the excess demand for good quality hotels on the Northern Safari Circuit, most hotels did not reduce their room rates. Average occupancy rates from 56% in 2008 to 46% in 2009 (slightly more than the 9% reduction²²⁶ in tourist numbers), rising back up again to 56% in 2010 with only a small proportion of hotels actually had to actually cut their room rack rates.

Table 39 - Permanent Staff Employed by Northern Safari Circuit Hotels, 2008- 2010

Year	Average No. Of Managerial Staff	Average No. Of Skilled Staff	Average No. Of Unskilled Staff
2008	9	90	48
2009	5	81	32
2010	4	80	36

Source: ODI Interviews

Table 40 - Monthly Wages for Northern Safari Circuit Hotel Staff, 2008-2010 (US\$)

Year	Managerial Staff	Skilled Staff	Unskilled Staff
2008	506	111	103
2009	492	149	133
2010	525	161	144

Source: ODI Surveys

As the table above shows, reported monthly wages have risen for all types of employment between 2008 and 2010, with skilled workers receiving the highest wage increase (45%) and managerial staff receiving the lowest increase (in both relative and absolute terms), unskilled staff wages also rose by around 39%. In addition there were also job losses across the whole skill spectrum. The effect of the crisis seems to have affected managerial staff more so than other employees, though the highest absolute loss was still in unskilled staff numbers.

For hotels in the Northern Safari circuit the evidence shows that the reduction in tourist numbers was small and temporary, even though there was a corresponding softening of occupancy levels for one year and there is very limited evidence of room rate discounting; hotel staff jobs were not reduced significantly and wage levels appear to have been maintained and, possibly, increased to some degree.

²²⁶ Using Serengeti figures as the basis.

Further proof that staff wages increased was provided by interviewed hotel staff. The staff have been working at least 4 years within the same hotel (on average they had been working 7 years each) and had 6 dependents on average. Between 2008 and 2010 wages had increased by nearly 33%, whilst tips had decreased by around 21% within the same period. On the other hand, if monthly incomes are calculated (combining both wages and tips) it is apparent that there has been an increase of 13% in hotel staff incomes.



Table 41 - Daily Wages & Tips, Northern Safari Circuit Hotel Staff, 2008 - 2010

Year	Wages/Day US\$	Tips/Day US\$	Avg. Monthly Income ²²⁷ US\$
2008	2.4	1.4	99
2009	2.7	1.2	101
2010	3.2	1.1	112

Source: ODI Surveys

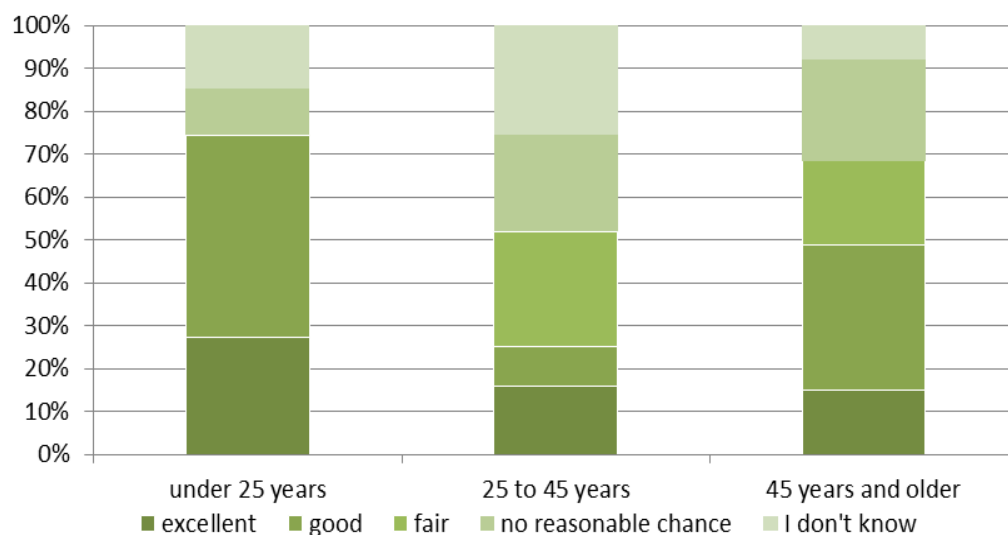
The majority of hotel employees also felt that their job security had remained either stable (citing the fact that they all had long term contracts) or it had actually improved (some staff had just received new long term contracts), though a minority still felt that insecurity had risen, these were employees in hotels that had either always had short term (annual) contracts or had never issued formal contracts to their staff.

Employee turnover has remained low since the beginning the beginning of the crisis, the work is relatively well paid and thus employees are likely to remain in hotels with larger, international hotels able to maintain staff numbers more so than smaller local hotels as they could more easily absorb any revenue losses.

²²⁷ Assuming 26 working days a month for hotel staff

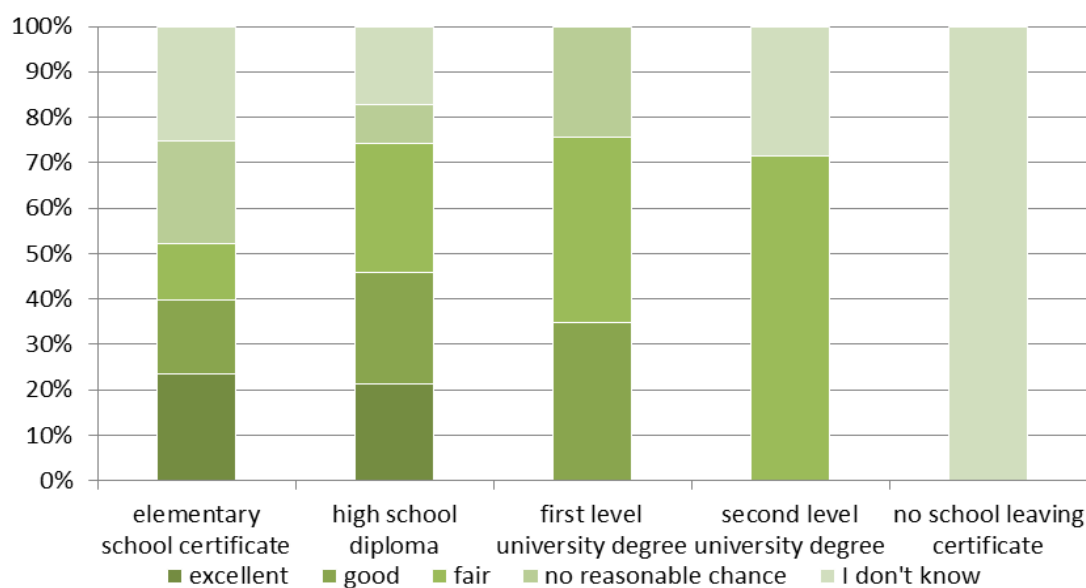
A preliminary study carried out in 2010 under the auspices of UNWTO looked at the prospects for employment for people in different age groups and education levels working in hotels within the Northern Safari Circuit, having ascertained that these two particular variables were the most influential. The study found that employees aged between 25 and 45 felt that they had lower chances for new employment (in case of being fired or made redundant) than younger employees. The same was also true for employees with different education levels, with uneducated employees (which can be classified as unskilled workers) being the most pessimistic in terms of new employment opportunities. These employees can be considered to be more vulnerable than the other groups as they do not have any quantifiable skills that can be useful for their employment, and are thus easily replaceable as well as being in an age group where they are less flexible in terms of migration as they will usually have a family (which will themselves be dependent on the workers) to look after.

Figure 88 - Employment Opportunity According to Age



Source: UNWTO (2010) Preliminary Tanzania Case Study (draft)

Figure 89 - Employment Opportunity According to Education Level



Source: UNWTO (2010) Preliminary Tanzania Case Study (draft)

Interestingly, employees with higher skill levels such as university degrees are more pessimistic than employees with high school or elementary school qualifications. As the field research in Kilimanjaro and the Northern Safari Circuit showed that management level employees are less prone to layoffs, the pessimistic view of employees with higher skill levels may be attributed to higher educated employees being more aware of the economic situation facing the country and thus more prone to pessimism in terms of employment opportunities.

Labour supply sources for hotels operating in the Northern circuit have not drastically changed between 2008 and 2010. Local sources of labour still supply the majority of the labour force, though there has been an 8% drop between 2008 and 2009. The picture contrasts with Kilimanjaro hotels (which only employ local labour) in that the hotels in the Northern Safari Circuit also include some large luxury hotels which are part of international hotel groups (such as the SOPA and Serena hotels), hotels which are more likely to include more, better trained or experienced, national and international staff in order to improve service standards within their hotels.

Table 42 - Labour Supply Source, Northern Safari Circuit Hotels, 2008- 2010 (%)

Year	Local (<100km)	Tanzania (>100km)	Africa	Other
2008	66	32	1	1
2009	58	38	2	2
2010	58	38	2	2

Source: ODI Interviews

Table 43- Food & Beverage Supply Source, Northern Safari Circuit Hotels, 2008- 2010 (%)

Year	Local (<100km)	Tanzania (>100km)	Africa	Other
2008	47	28	14	11
2009	60	15	15	10
2010	60	15	15	10

Source: ODI Interviews

Links with local suppliers as well as product sources had not been altered due to the crisis. Hotels generally bought their locally-grown fresh food and vegetables from local markets, processed goods were purchased either from local supermarkets (though about half of the processed food tended to be imported goods) whilst supplies for hotels (such as equipment and toiletries) tended to be imported. The crisis had no negative effect on the local sources of hotel food and beverage supplies, with the great majority of hotels now actually buying more locally sourced food, (see table above), though at the expense of food sourced nationally. About a quarter of all food and beverage supplies come from other countries with no changes between 2008 and 2010. Similarly to the Kilimanjaro hotels, very few interviewed hotels actually sold crafts and souvenirs, for those that did sell them, these were all produced locally and product supply was not altered by the crisis.

The general perception, from hotel managers, about the government response to the crisis was that nothing substantial had been done, other than the TTB²²⁸ improving its marketing campaign for Tanzania. Most hotels stated that tour operators had demanded an improvement in the services offered by the hotel and 60% reported that local tour operators expected a reduction in room rates, although the evidence suggests that hoteliers were able to resist the pressure to reduce room rates.

²²⁸ Tanzania Tourism Board

Hotel managers had a number of suggestions about what the government should have done in response to the crisis. The general consensus from all interviewed hotels was that the government should have increased their marketing efforts in regards to Tanzania as a tourism destination, in addition the government should improve infrastructure, especially in regards to transport as well as reducing park fees for tourists and taxes for hotels.

5.4. The Mto Wa Mbu Cultural Tourism Programme

The Mto Wa Mbu cultural tourism programme (CTP) is located close to the Lake Manyara and Tarangire National Parks and about an hour and a half drive away from Arusha. The product involves traditional lunches prepared by local women, walking and bicycle safari tours and visits to craft shops. The product is used by a range of different local tour operators (such as MEM, Shah, Bobby, Zara & Thomson) within the Northern Safari Circuit as well as with a number of international tour operators such as GAP Adventure, OAT²²⁹ and Guerba Intrepid. The Mto wa Mbu Cultural Tourism Programme is one of the about 30 Cultural Tourism Programmes in the country, which were initially supported by the SNV and are now under the aegis of the Tanzania Tourism Board (itself part of the Ministry of Natural Resources and Tourism).

CTP officials have stated that their relationships with both international and local tour operators has steadily improved over the last few years, with both types sending more tourists to the programme, these have proved popular with international tourists, which has translated into a significant rise in tourist numbers.

In 2008 the programme received 3,985 visitors, the number rose dramatically in 2009 to 5,862 (a 47% increase), with visitor numbers still rising (though to a much lower extent) in 2010, peaking at 5,991 visitors a year. This is in contrast to the patterns seen in the national parks which saw a slight decline in numbers between 2008 and 2010. The rise in tourist numbers is explained, by CTP officials, as a reaction by budget constrained visitors to the high park tariffs charged, seeing the CTP activities as a valid and cheaper alternative to a day spent in a national park.

The programme employs 2 administrative staff (and has done so over the last four or five years) and currently also includes 32 guide staff, whilst in 2008 only 26 guides were affiliated with the CTP. The guides take turns with tourist groups using a rota system and tourists groups of ten individuals are usually led by two guides (larger groups are often led by 3 or 4 guides) through various activities organised by the CTP, including traditional lunches prepared by local women, walking and bicycle safari tours as well as visits to crafts and curio shops affiliated to the CTP. Annual guide incomes have risen

²²⁹ Overseas Adventure Travel

from around \$353 each in 2007 to US\$ 617 each in 2010²³⁰, nearly doubling guide incomes over the same period, whereas CTP officials state that, on average, wages for CTP participants have risen from US\$ 150 a month in 2009 to US\$ 250 a month in 2010.

Revenues from the CTP (see table below) have steadily increased since the beginning of the financial crisis, whereas the programme was earning TZS 94.8 million in 2008 (equivalent to US\$ 74,074²³¹) to TZS, in 2010 this rose to TZS 154.7 million (equivalent to US\$ 103,154²³²), a rise of 39% in three years.

CTP officials have noted two sources of incomes which have steadily risen since the beginning of the crisis, tourist accommodation and souvenirs (such as crafts and curios). The rise in revenues from accommodation facilities between 2009 and 2010 was attributed to the fact that there are now many more budget travellers that want to use cheap campsites (as compared to lodges or hotels) and are making increased use of CTP facilities. Souvenir sales have also risen, according to CTP officials, because of the relaxed setting in which transactions are made, as opposed to the more chaotic markets and street sellers, which the tourists are apparently avoiding. In regards to non-CTP affiliated souvenir shops, CTP officials stated that they had taken a heavy financial blow as there is now increased competition between them while they may also be seen as a potential nuisance by tourists. In any case, guides also tend to bring tourist groups to affiliated souvenir shops as they get a 10% tip from the shops from all purchases made by the CTP tourist groups.

Table 44- Mto Wa Mbu CTP Visitor Numbers & Revenues 2008 – 2010, TZS

Year	2008	2009	2010
Visitors	3,985	5,862	5,991
Village Development Fund	11,955,000	17,586,00	17,973,000
Guide Fees	17,885,000	26,272,000	29,630,000
Administration Fees	15,940,000	23,448,000	23,964,000
Contact Person Fees	4,320,000	15,000,000	18,331,100
Food	7,803,000	10,090,000	16,905,000
Activities	13,319,000	8,798,000	11,357,000
Accommodation	1,450,000	280,000	1,110,000

²³⁰ Dividing reported annual guide fees by the number of guides working for the CTP, guides are not permanently employed but get paid every time they conduct a tour trip.

²³¹ Using 2008 exchange rates

²³² Using 2010 exchange rates

Souvenirs	8,850,000	13,715,000	17,033,000
Voluntary Donations	13,290,000	16,190,000	18,428,200
TOTAL	94,815,000	131,379,100	154,731,300

Source: CTP, Mto Wa Mbu

The table below shows how fees have risen between 2008 and 2010, in terms of TZS these have increased by 37%, thus generating increased revenues for participants, however in US\$ terms, due to the exchange rate the rise has not been as high, still providing good value for money for CTP tourists.

Table 45- Mto Wa Mbu CTP Village Walk Fees 2008 and 2010

Year	2008		2010	
Currency	US\$	TZS	US\$ 2010	TZS 2010
Village development Fee	1.7	2,000	2.67	4,000
Coordination Fee	2.5	3,000	3.33	5,000
Guide Fee	12.5	15,000	16.67	25,000
Forest Fee	3	3,500	2.67	4,000
Contact Person Fee	8.3	10,000	6.67	10,000
Total	30	35,000	32	48,000

Source: CTP, Mto Wa Mbu

One of the available activities to tourists is the “Lunch with Mama” which are traditional meals prepared by local ladies for the benefit of tourist groups. A meal in 2010 cost TZS 7500 (US\$ 5) per person, the same price as in 2008 and the cost of preparation in 2010 was typically around TZS 2,000 to TZS 3,000 with the local ladies netting any profits, whereas in 2008 the cost was around TZS 1,000 per person, indicating a rise in basic commodity prices within the region. CTP officials estimate that in 2009 and 2010 around 65% of visitors had one of these lunches. The lunch ladies are given an advance of TZS 30,000 to prepare the food (as well as fees received from the tourists), with supplies coming from local markets or their own produce.

The total cost for all activities was TZS 35,000 in 2008 (US\$ 30²³³, though this had risen to TZS 48,000 per person (US\$ 30²³⁴) by 2010. Charges (see table above) include the guide fee, a coordination fee to pay for CTP administration, the village development fee (money reinvested into the village) as well as a forest fee which is used to help preserve local forests from illegal woodcutters and poachers (using a team of local guardian scouts).

Overall, the Mto Wa Mbu Cultural Tourism Programme seems to have moderately prospered during the crisis period aiming its activities at budget travellers who do not want to exclusively spend large quantities of money on park fees and through strategic partnerships with both local and international tour operators which assure a steady flow of tourists to the programme each year.

5.5. SMEs & Micro-enterprises

Two different types of shops were surveyed, SMEs²³⁵ such as supermarkets and a set of micro-enterprises that make their living from selling souvenirs or small quantities of food produce to tourists, in order to gauge the effects of the crisis on their business operations.

All the surveyed SMEs claimed that there had been a drop in the number of tourist customers that they were serving, with estimates ranging from a minus 35% to minus 45% and a decrease in tourist spending of around 40%. These claims were contradicted by the fact that their revenues remained largely stable²³⁶ between 2008 and 2010. This may be an indication that SMEs, such as supermarkets and restaurants, may not have suffered due to the crisis even though they claimed that the crisis did indeed have negative effects on their business.

Table 46- Staff Employed by Small Businesses 2008 - 2010

Year	Average No. Of Skilled Staff	Average No. Of Semi Skilled Staff	Average No. Of Unskilled Staff
2008	3	8	4
2009	2	4	2
2010	2	4	1

Source: ODI Interviews

²³³ Using 2009 exchange rate

²³⁴ Using 2010 exchange rate

²³⁵ Small & Medium Enterprises

²³⁶ A reported 1% increase

Table 47- Monthly Wages for Small Business Staff 2008 – 2010, US\$

Year	Managerial Staff	Skilled Staff	Unskilled Staff
2008	145	58	42
2009	150	60	44
2010	150	60	44

Source: ODI Interviews

SME staff numbers have shown a decline between 2008 and 2010, both the average number of skilled, semi-skilled and unskilled staff working in small businesses have fallen, but even though the proportions were high, in absolute terms there was an average loss of 8 people per enterprise. This could be a crisis induced effects, however since the numbers are not too high they may also partially reflect natural fluctuations in staff numbers over the years. On the other hand monthly salaries have slightly increased since 2008, whilst all of the labour force still comes from Tanzania (and in most cases local to the shop itself). The provision of non-wage benefits (such as housing allowances or health insurance) has also been unaffected by the crisis.

Table 48- Food & Beverage Supply Source, Small Businesses, 2008 – 2010, %

Year	Tanzania	Africa	Other
2008	78	13	9
2009	82	9	9
2010	84	6	10

Source: ODI Interviews

SME supply sources for food and beverages have not significantly altered since the beginning of the crisis, though Tanzanian produce seems to have benefitted to a very small degree (a 6% increase between 2008 and 2010), whilst international imports showed small gains probably at the expense of imports from other African countries which showed a 7% drop between 2008 and 2010. Tanzania still remains the overall dominant supply source, providing nearly all the supplies for small businesses with changes over the last two years so small that they could be attributed to standard fluctuations rather than any crisis effect.

Looking at the government response to the crisis, all of the interviewed shops thought that the government had not done anything to help the tourism sector, though some shops did think that the government should have reduced taxes for small businesses (especially crafts and souvenir shops) whilst another shop thought that the government

should provide agricultural subsidies to local farmers in order to reduce the price of goods in the supermarkets, though these shops had actually increased the percentage of goods they brought from local producers.

For SMEs such as supermarkets, restaurants and large souvenir stores the overall effect of the crisis has been muted. While shop owners say that the crisis has had negative effects, this has not been evident. In addition, these businesses have still managed to increase their staff wages whilst employment losses have been minimal and could be attributed to normal annual changes in employment numbers rather than any crisis induced effects.

In addition to the larger shops, a number of different micro-enterprises (including souvenir and food sellers) were also interviewed in Marangu, Mto Wa Mbu and Arusha. The interviewed micro-enterprises typically served between 30 and 100 tourists a week during the high seasons and, on average, employ around 4 people each. The typical micro-enterprise tends to source all of its materials or goods locally, though some stores also sell items imported from other countries, which can represent up to 40% of the goods that they sell.

Interviewed micro-enterprises showed an average decrease in revenues of 25% between 2008 and 2010. In terms of employment numbers, there had been no change between 2008, 2009 and 2010 as most of these micro-enterprises are run by a family unit. This is a significant issue as Keane & Mitchell (2009) have estimated that there are around 28,000 people whose incomes depend on micro-enterprises such as souvenir stalls. In terms of tourist behaviour, stall owners have said that tourists are now much more inclined to bargain than they were before as well as being more informed about the prices of goods (by comparing prices across different souvenir stalls) and generally buying less products than they used to, confirmed by the fact that these micro-enterprises have seen significant (reported) declines in their annual revenues.

5.6. Summary for the Northern Safari Circuit

It would appear that the Northern Safari route, similarly to Kilimanjaro, has not been significantly negatively affected by the crisis; however there is some evidence that the return to pre-crisis operational patterns has been slower than for Kilimanjaro:

- The overall conclusion is that the safari value chain as a whole has suffered remarkably little impact from the crisis – given the dependency of the product on discretionary travel from the source markets which were particularly impacted by the recession;
- In terms of tourist numbers, it appears that numbers declined by about 9% to 10% in 2009 and subsequently largely recovered to near 2008 figures by 2010;
- There is little evidence of discounting within the value chain. Hotels suffered from soft occupancies in 2009 but, by 2010, these were back to the historic trend. Whilst there was a 30% cut in staff, wage levels appear to have been stable or

even increasing since 2008. This reflects the excess demand for reasonable quality accommodation on the Northern Safari Circuit and the fact that, even during the crisis, hotel accommodation remained a sellers' market.

- The labour and food supply chains to hotels and tour operators have been rather stable during the period 2008 to 2010 with no real evidence towards changes in food expenditure patterns.
- Local tour operators appear to have been able to contain costs successfully and pass on higher costs to their customers (international outbound operators or tourists themselves). As such, their margins have been defended. Tour operators have maintained the number of skilled driver guide workers with evidence of some upward pressure on wages. Unlike the hiking staff at Kilimanjaro, the driver guides seem to have been protected from large numbers of new entrants by the barriers to entry posed by their skill levels. However, there is clear evidence that tour operators have shed a significant amount of unskilled labour;
- Crafts and souvenirs micro-enterprises have shown decreased revenues of around 25% between 2008 and 2010; however this has not led to any losses in employment. The loss of revenues is significant however as this affects around 28,000 people, mainly in the Safari Circuit but also to a lesser extent in Mount Kilimanjaro.
- Community tourism projects can work if they link to commercial distribution channels and offer a competitive advantage to other excursions. The do, however, have limited impact on local economy.

6. Responses to the economic crisis

Interviews were held with a number of different representatives from the government agencies and business associations that deal with the tourism sector in Northern Tanzania; these include representatives from TANAPA, the NCAA, the MNRT, TATO, VETA and the KPA. They represent different aspects of the tourism sector ranging from the national park authorities, the Tourism Ministry to agencies representing tour operators and labourers.

TANAPA is in charge of all the National Parks in Tanzania, excluding the Ngorongoro Crater which falls under NCAA authority and Mt. Kilimanjaro which is governed by KINAPA (which were unavailable for any interviews). The MNRT is the Tanzanian Ministry of Natural Resources and Tourism, which directly oversees TANAPA, NCAA and KINAPA activities and is in charge of setting tourism policy within the country. TATO is the Tanzania Association of Tour Operators and looks after the interests of its member Tour Operator companies through research and government lobbying. VETA is the Vocational Education and Training Authority, it is a governmental agency

The following are some of the strategies government agencies implemented in regards to the crisis:

- The MNRT stated that they have conducted a number of studies on the impact of the crisis on tourism to provide information to relevant ministers in order to help

them choose which policies to implement in terms of reducing the negative impacts of the crisis.

- TANAPA stated that they would use the down time provided by the crisis (i.e. the reduction in tourist numbers) to prepare for better times in the future by improving their national park facilities and infrastructure such as roads, campsites and picnic areas. TANAPA stated that they also increased their investments into national parks, but they were still constrained by the available budget. TANAPA was also carrying out long term research in regards to the effects of the crisis.
- TATO's first response was to monitor member trends and provide government officials with further sources of information in order to help improve their understanding of the crisis and its likely impacts on tourism. In addition, TATO asked its member companies what they would have like the government to do but according to TATO member response was quite low and inconclusive. Finally, they collected data on the expected reduction on tourist arrivals and its impacts, in order to continue providing help to the government.
- The NCAA responded by stating that, in 2010, it froze the number of park staff it was employing until 2014, even though there had already been a 22% increase in staff between 2008 and 2010. In addition, a number of planned tented campsites (237 in the park) were put on hold (before their construction had even begun) due to the fact that tourists were spending much less time within the Park since they were staying only one day in the crater and were going straight towards the Serengeti National Park or back to Arusha.

Official representatives were also asked what policies they knew the government had actually implemented (beyond those implemented by their own agencies) in regards to the crisis.

The MNRT representative stated that the government improved its marketing efforts, especially in regards to East Asian countries. It had also engaged in a dialogue with local tour operators to understand what actions they would like the government to undertake. In addition, the government also tried to facilitate the provision of commercial loans to tourism enterprises from private sector banks.

All three interviewed representatives stated that the private sector wanted to see a reduction in park fees, though the TANAPA representative explained that the feasibility of reducing park fees was quite low. To begin with it is quite a long process which can take at least one or two years hence not really something that can be used as a form of rapid response to a crisis situation. In addition, the TANAPA official said that the organisation saw no real reason to reduce fees (the result of which would have been to limit the budget for conservation activities).

²³⁷ That were meant to be set up by private sector enterprises

Cross referencing with the park visitor figures, the TANAPA response was probably correct considering the fact that visitor numbers levelled from 2007 until 2010, a reduction in park fees would have meant a reduction in revenues which in turn would not provide any real benefits. Speculating that reduced park fees would attract more customers does not seem to be the case either, as earlier analysis shows that park fee costs only represent around 25% of total safari package costs on average. Even after TANAPA park fees rose across the board in 2007, tourist numbers, though declining in 2009, still picked up in 2010, indicating that tourists are price inelastic in terms of park fees and that TANAPA was correct in not hastily reducing fees after the onset of the crisis.

When asked about the effects of the crisis on employment in the tourism sector, many believed that job security had decreased (however the TATO representative was of the opinion that it had remained the same). However, most were of the opinion that there had been an overall growth in the sector in terms of employment, based on the fact that there are always new businesses being set up to cater for the tourism sector, especially tour operators. In addition, the TATO representative stated that only 10% of total tour operator staff was cut as a result of the crisis and that tour operators were using the crisis as an excuse to reduce wages, even though the analysis showed that this was not the case.

Regarding community development programmes (which are funded by national park revenues), the TANAPA representative stated that they still received 7.5% of total park revenues, whilst the NCAA representative stated that they gave 5% of NCAA revenues for local village development as required by the law. The NCAA representative stated that the real issue resided with the District Authorities in Tanzania who receive, by law, 23% of all park revenues²³⁸, money which is meant to be given to the community development programmes, but this does not usually occur. The TATO representative agreed with this statement, saying that District Authorities have not disbursed all of the money as they were meant to and where they have done so they have manipulated costs to show that they have spent more than they did in reality though there is no actual evidence whether this was in fact the case.

7. Overview of the Impacts of the Crisis

The effects of the crisis on the tourism value chain around Kilimanjaro have varied between different components. Kilimanjaro remains a highly desirable tourism destination, with tourist numbers neither affected by the doubling of park fees in 2007

²³⁸ In addition to the 5% paid to local villages

nor by the post-election violence in Kenya and with only a small decrease in numbers between 2008 and 2009 due to the economic crisis, followed by strong growth in 2010. Similarly, the Northern Safari Circuit also showed little decrease in tourist numbers with a 9% decline between 2008 and 2009 followed by a strong recovery (to near 2008 figures) in 2010. In terms of the impacts on poor and vulnerable groups, it is evident that the crisis had negative impacts on micro-enterprise owners as well as unskilled workers, but had no negative impacts on the members of the Cultural Tourism Programme who represent a third vulnerable group. On the other hand, the impact of the crisis is not evident on porters, a fourth significant vulnerable group, whose income fell not due to the effects of the crisis but rather due to an increase in the number of porters vying for work opportunities.

Tour operators and the hotels in both areas stated that, in response to the crisis, they had to cut both wages and the number of staff in order to reduce costs as well as reduce the prices offered to tourists. However, when analysing the data that they provided, it was clear that prices had not been reduced during the crisis. Tour operators in both Mount Kilimanjaro and the Northern Safari Circuit actually increased the rates charged to tourists for their packages. Hotels in Kilimanjaro, and to a lesser degree hotels in the Safari circuit (though this was limited to the larger, more expensive hotels that have excess demand for their rooms), were also able to increase the room rates between 2008 and 2010.

The fact that there had been increases in hotel room rates and tourist package prices across the board, as well as a rise in park fee entrances in 2007, together with the fact that visitor numbers to all the national safari parks have stabilised around the 270,000 mark for the safari parks²³⁹ and around 42,000 for Mt. Kilimanjaro between 2008 and 2010 suggests that tourists going to Northern Tanzania have a low price elasticity of demand. This has important policy implications for the government in that it justifies the fact that TANAPA has refused to lower park entrance fees for the sake of a quick rise in tourist numbers even though all private sector enterprises considered this to be something the government should have immediately carried out.

The study also shows that tour operators in both Kilimanjaro and the Northern Safari Circuit and hoteliers in the Northern Safari Circuit reduced the amount of unskilled staff, both seasonally and permanently. Effectively, even though tour operators and hotels did not seem to have lost a significant amount of revenues, they still reduced the number of staff working for them. The effect is compounded by the fact that those who lost their jobs tended to be in the most vulnerable social and economic groups.

This decrease in staff was coupled with an increase in short term contracts. One possible explanation is that even though revenues and profits have not fallen for tour operators or hotels (in some cases they have actually risen); they have used the crisis

²³⁹ Using the TANAPA Serengeti tourist entrance 2008,2009 and 2010 average as a basis; taking into account that there was a small decrease of about 9% between 2008 and 2009, followed by an almost similar increase in 2010 .

as an excuse to change permanent contracts into short term contracts. In addition, wages were increased across the board; this may be in part due to the minimum wage laws introduced in the country in 2008 which could have had a subsequent negative effect on employment numbers as unskilled staff wages rose.

In terms of unskilled workers, there was also a decline in employment opportunities. For example, tour operators on Mount Kilimanjaro used the economic crisis as a pretext to cut the number of staff²⁴⁰, an excuse that could also have been used to reduce staff after the increase in their minimum wages, showing an average decrease of 50% in seasonal and permanent staff. These cuts affected mostly seasonal and unskilled staff, people who also tend to be in the poorest income groups. Likewise safari tour operators increased their package costs but at the same time halve the number of permanent unskilled staff between 2008 and 2010; in addition, seasonal unskilled staff (who are amongst the most vulnerable income groups) were cut by 70% during the high season and 25% during the low season, whilst skilled staff members actually increased within the same period. A similar pattern emerges for unskilled staff working in the Northern Safari Route hotels where there was a 50% decrease in the average number of staff. On the other hand, workers in hotels in Kilimanjaro have seen employment opportunities remain relatively stable throughout the crisis.

The study shows that the income and employment potential of Kilimanjaro climbing staff, especially porters, changed quite dramatically between 2008 and 2010, however these changes have not occurred due to the economic crisis. Even though climbing staff are now earning significantly higher daily wages for each trip²⁴¹, they are also undertaking fewer trips per year leading to a steep decline in their annual incomes (-44%). These changes came as a result of the three factors: minimum wage legislation for climbing staff which has doubled daily wages for porters, a reduction in the number of climbing staff used per trip and an increase in the number of people working as climbing staff.

The key factor is that the number of average expeditions per worker has dramatically fallen from 15 a year in 2008 to 6 a year (on average) in 2010, though this has most likely not been as a result of a drop in tourist numbers (which have remained relatively stable since 2008) but rather due to the fact that the number of people working as guides, porters and cooks has increased. Evidence suggests that porter numbers have increased by around 69% between 2008 and 2010.

This has led to decreased opportunities for work as there is more competition for each job opportunity, which has led to a reduced number of trips up the mountain for each worker. However it has also led to an extra 67,000 people (dependant on porters) being able to benefit from wages earned by the new entrants to the labour force even though it has meant an overall reduction of around 50% in incomes for the families of porters who had already been working on the mountain. The same pattern emerges with Kilimanjaro

²⁴⁰ These do not include the hiking staff, but only permanent tour operator staff

²⁴¹ Daily wages have increased by 55% and daily tips by 19% between 2008 and 2010

guide dependents, where even though the total number of people benefitting from guide incomes has increased; the average income per person has fallen by 39%.

The CTP can be considered a pro-poor initiative as it tends to include a large number of local people in its activities, since the income of these activities goes directly to the low income families and people affiliated with the CTP. Strengthened strategic partnerships with local and international tour operators have allowed the CTP to target its activities towards lower budget tourists for the benefit of its participants.

If compared to any medium sized hotel or lodge, the direct socio economic impact of the analysed Mto wa Mbu²⁴² CTP has not been very high as the CTP only supports about 30 guides and another 70 beneficiaries, (including ladies making lunch for tourists, bicycle hire groups, guides and souvenir shop owners) for half the year on reasonably modest wages, which have however generally doubled between 2008 and 2010. However beyond its direct participants, the CTP also provides grants to around 300 farmers within the Mto Wa Mbu area in order to incentivise the preservation of rice fields within the area, whereas in 2008 and 2009 there were only around 50 beneficiaries and local farmers were not receiving any form of financial assistance. In addition to providing assistance to local farmers, the CTP has set up a microfinance scheme for small vendors over the last four years, providing loans from US\$ 30 up to US\$ 200.

The crisis had little impact on labour and food supply chains for the tourism sector with supermarkets showing stable revenues throughout the crisis as well as hotels reporting either stable or increasing purchases of food from their suppliers. On the other hand, small crafts, food and souvenir micro-enterprises have shown marked declines in revenues of around 25% between 2008 and 2010. Even though this has not led to any losses in employment for small micro-enterprises, the loss of revenues for these micro-enterprises is still significant as this affects around 28,000 economically vulnerable people, mainly in the Safari Circuit but also to a lesser extent in Mount Kilimanjaro.

The overall story is one where the crisis had no significant impacts on the business operations of the majority of larger enterprises in the tourism sector, such as hotels, tour operators and SMEs such as supermarkets. These have generally 'weathered' the effects of the crisis quite well in spite of their claims to the contrary. On the other hand, there were negative impacts on some of the most vulnerable workers within the sector such as unskilled workers and micro-enterprise owners and workers. At the same time, Kilimanjaro porters also saw a dramatic decrease in their earning potential, which occurred not as a consequence of the crisis but rather due to a combination of increased minimum salaries causing enhanced competition for porter jobs coupled with a low level of enforcement for worker rights.

²⁴² The Mto Wa Mbu CTP is one of 30 CTPs in Tanzania, although it is the most successful operation

8. Policy Measures

The 2008-2009 global economic crisis could serve as a 'wake up' call. The only reason that more vulnerable Tanzanians did not suffer was that the aggregate impact of the crisis was rather muted and fairly brief.

From the private sector side, the value of organisations such as TATO and Kilimanjaro Porters Association is highlighted by this analysis. Individual product owners (whether tour operators or hoteliers or excursion providers) should look into the opportunity to have a closer relationship with TATO to coordinate a private sector response to future crises. The proposals to cut park fees and taxes which were made by many operators during research in mid-2011, which with the benefit of hindsight which indicates that these policies would have had little positive impact and a clear negative impact, is striking. The clear empirical evidence is that park fees make up a small share of the total package price so that, even if park fees were lowered and even if these savings were passed onto customers; it is unlikely that tourism demand would have increased significantly. The evidence suggests that tour operators have been able to contain some elements of costs over the past couple of years and have absorbed these into larger margins, rather than passing the benefits onto customers.

In a context where even large quite significant commercial organisations, such as hotels belonging to international chains and large scale tour operators, are unable to contribute positively to policy processes that affect their own future by actively engaging with the public sector to propose positive changes in terms of crisis response and long term growth policy, there is a clear need to strengthen their representative structures to have a body, such as a lobby group or a business association, with which government can engage. TATO does have a more strategic perspective on the tourist sector in Tanzania and should be supported to more effectively articulate this view.

It is clear that specific vulnerable groups have suffered significantly; for instance, hiking staff in Kilimanjaro, craft stall sellers and some unskilled workers in tour operators and hotels. Government cannot intervene directly on behalf of these workers but could create an enabling environment where their interest will be better served. For instance, strengthening the capacity of the KPA, labour unions, the organisations distributing park fees to local communities and the craft sector could impact on the livelihoods of large numbers of resource poor households.

There is also clear evidence that the regulatory function of park staff in preventing porters being overloaded is not being properly implemented. The recent reduction in porter to tourist ratios in Kilimanjaro trips has directly impacted on the lives of several thousand low-income households and would probably have been prevented if the employees of parastatal organisations had just carried out their duties diligently.

Ultimately the best way to achieve a reasonable livelihood is through having a skill which is relevant within a globally-competitive economic sector. Given the poor skill levels and low competitiveness of the Tanzanian tourist sector, the government should focus on building skills and encouraging higher service standards.

The public sector response to the crisis was also disappointing. Marketing was intensified and may have led to the muted impact of the crisis on the tourist sector. However, this did not prevent a significant shedding of unskilled labour during the crisis. In general, however, it is difficult to reconcile the limited and tardy response to the crisis by government with the key importance of the tourist sector to Tanzania's economy and population. Specific policy proposals are as follows:

- **Improved monitoring data:** it was difficult during this research project in mid-2011 to find basic tourism data available for 2010. There is thus a need to advance the system of tourism statistics in Tanzania and work on possible short term monitoring options:
- **Support the tourism sector:** If tourism is nurtured and develops it will be able to generate resources for community development and conservation.
- **Improve linkages with the private sector:** the crisis showed an opportunity to improve the communication between the public and private sector in tourism on policy and strategic issues.
- **Evaluation of measures:** the minimum wage legislation for hiking staff at Kilimanjaro is a good example of unintended consequences. Although the lines of causality are not completely clear, it would appear that one of the consequences of the 2008 minimum wage for hiking staff has been to halve the average annual wages of hiking staff at Kilimanjaro (mainly as a consequence of the number of new entrants).
- **Improve the pro-poor regulations:** the best way for low-income households to build up their resilience to future shocks is to build up their assets and capabilities. Changing the way park fees are distributed to local communities, for example by enabling local communities to benefit much more significantly from the park fees collected by the NCAA and TANAPA as well as how park staff regulate the loads carried by hiking staff through weight control checkpoints at the Kilimanjaro gates could have an important and immediate impact.

IV. Conclusions and General Policy Recommendations

This study reveals that the economic crisis has impacted differently on tourism industries as well as on poor and vulnerable groups employed in the sector. Although global tourism was remarkably resilient and recovered faster than other sectors, several countries were hit hard by the decrease in tourism demand resulting from the crisis. There is mounting evidence to suggest that the crisis severely impacted on the livelihood of poor and vulnerable groups employed in the tourism sector and contributed to question the capacities of vulnerable groups to sustain their standard of living. In this regard, the findings of the study point to the fact that, even in countries that may have been regarded as quite crisis resilient, the day-to-day costs of the crisis were high for many households.

Many of the poor and vulnerable had to cope with unemployment, a decrease in income, increasing costs for nutritious food and disproportionately high costs of care provided for dependent household members. In addition, the global economic crisis further aggravated pre-existing economic problems. Apparently, poor and vulnerable groups are more severely affected by the economic crisis than national economies and private business corporations.²⁴³ The livelihoods of such groups have been damaged significantly.

In light of the findings concerning the impact of the economic crisis on the tourism employment of poor and vulnerable groups, pertinent policy recommendations can be deduced in order to try to mitigate the impact of future crisis situations. The suggested recommendations can be categorised as follows:

- 1) The need for more effective crisis monitoring.
- 2) The importance of establishing measures which impact indirectly on the tourism labour markets by improving the overall crisis resilience mechanisms of the tourism sector as well as accelerating the recovery from decreases in tourism demand.
- 3) The significance of establishing measures to directly mitigate the impact of such crises on poor and vulnerable groups within the sector.

The following recommendations are based on the analyses at hand and entail short-term recommendations to overcome the 2008-2009 crisis and, at the same time, establish a number of more fundamental and progressive long-term action directives.

²⁴³ The country case study on the Maldives is of special relevance in this regard. The study demonstrates that the income losses of poor and vulnerable tourism employees and their households by far exceed the average losses within the country's tourism sector. Therefore, poor and vulnerable groups have significantly contributed to bear the burden of the current crisis.

Making crisis monitoring more effective

The macro-economic analysis demonstrated that various measures need to be introduced in order to improve data availability and quality on global, national and sub-national levels, since the supply of more complete and reliable statistics is essential for effective policy decisions (see Chapter II.5).

Since international tourism receipts recorded in the Balance of Payments are only a rough proxy of the real impact of international tourism on the overall economy of a country, implementing a more appropriate statistical measurement of the economic relevance of tourism must be a top-priority. Therefore it is recommended to:

- Progress with the implementation of Tourism Satellite Accounts (TSA) as suggested in the 2008 International Recommendations for Tourism Statistics.
- Design a more complete and credible System of Tourism Statistics (STS). The information system created by a national STS ought to be the foundation for a reliable and accurate national Tourism Information System (TIS).
- Advance the possible collection of the following data:
 - early warning indicators derived from sources such as credit card records, air traffic slot allocation or bookings;
 - short-term performance indicators of the tourism industries' turnover derived from administrative records produced by official source;
 - business cycle indicators derived from business tendency surveys;
 - employment data of national and foreign employees;
 - data on income distribution and poverty-related indicators on a household and individual basis.
- Improve market and customer knowledge. The availability of research on the potentialities of new markets is a prerequisite for a successful diversification of tourism products and generating markets. Therefore, further research in this regard is strongly encouraged.
- Share information and ensure good governance. To ensure information flows between government institutions as well as with the private sector and to harmonise their actions, it is necessary to be able to immediately and successfully address new challenges in the wake of a crisis. Establishing clear transparent principles and mechanisms of information networks is a crucial step to overcome hurdles to effective and strategic crisis management.

Improving crisis resilience and recovery

Improving the overall crisis resilience of the tourism sector and accelerating the recovery from decreases in demand are key issues for minimising the pressure on tourism related labour markets from the very beginning. Hence, the subsequent set of recommendations is presented:

- Public and private sector partnerships should be strengthened wherever possible, in order to maximise synergies between national, regional and international stakeholders. Close monitoring and analysis of changing trends and an early response will help the tourism sector to maintain its competitiveness. This requires increased collaboration, research and information exchange between public and private sectors, international organisations and educational institutions as well as the development of new tools and data analysis.
- A number of country experiences have shown that targeted source market promotional campaigns had a positive impact on the negative trends in terms of international demand during the global economic crisis. This points to the growing importance of close source market observation and research going hand in hand with the development of flexible and efficient promotional tools. Additional marketing activities are strongly recommended and should address underlying demand shifts for better value/deals as well as competitive realities.
- The macro-economic analysis and the country case studies have clearly demonstrated that not only the reliance on advanced economies was linked to the decline of international tourist arrivals. Therefore, a diversification of international source markets will help improve the crisis resilience of destinations.
- Efforts to enhance product differentiation should be increased in order to spread risks over different markets segments. The focus should be towards extending forms of tourism that could be beneficial to the economy, especially in terms of ensuring a more effective multiplier effect through more localised forms of economic stimulation as well as enhancing stronger economic links. To further develop more offers of community-based tourism and eco-tourism in accordance with UNWTO ST-EP Initiative could enhance the benefit of local communities.
- In order to improve resilience, provide stimulus and implement the green economy in the tourism sector for the future, the *Roadmap for Recovery*, announced by UNWTO at ITB Berlin in March 2009 should be taken into consideration. The *Roadmap* includes 15 recommendations based on three interlocking action areas (for more details see Chapter II.5). It seeks to reveal the contribution tourism can make to the global efforts of mitigating an economic crisis by creating jobs and promoting trade flows. It should function as a best practice catalogue for improving resilience, providing stimulus and advance the transformation to the green economy, thus supporting the tourism sector and the global economy.

- The creation of 'crisis reaction plans' by private sector organisations should be supported by governmental institutions and development agencies in order to increase the capacity of local companies to deal with external shocks and avoid cost-cutting activities that have a detrimental effect on low income and vulnerable groups.
- The protection and support of SMEs during critical economic times, since these companies provide a large number of jobs to poor and vulnerable groups. Promotion and improved access to support schemes offered by governments would be perceived to be institutionally germane, especially in terms of financial support and credit schemes; mechanisms widely perceived to help SMEs. SMEs are arguably the backbone of an economy in terms of innovation, job provision, and international competition. Particularly in tourism, links between tourism and the primary sectors (especially agriculture, fishing and handicrafts) have a larger potential to be developed. However, SMEs need support not only in terms of establishing a trained workforce but also technical education, marketing and equipment in order to meet international quality standards and to efficiently access international markets. International cooperation, as well as improvement of the national education and training sector, will help to improve the situation. In terms of financial support for entrepreneurs in tourism and hospitality businesses, the establishment of micro-credit schemes should be considered. The implementation of joint marketing institutions for clusters and cooperatives of tourism SMEs may be one way to increase their market penetration and to enhance their abilities to cope with future crisis situations.
- Raise awareness on the importance of domestic tourism in order to provide the sector with a stable basis of demand. Complementing official marketing campaigns with special offers by the private sector designed specifically for domestic markets could help to outbalance the decrease in occupancy rates in times of crisis. Such promotional measures will especially be helpful for SMEs, since most domestic travellers in developing countries are not consuming luxury tourism services.
- Visa systems could be simplified and existing bottlenecks of air access reduced by providing more direct flights so as to remove growth barriers in tackling new source markets.
- The tourism infrastructure should be carefully reviewed in order to overcome infrastructural growth barriers.

Directly mitigating the impact of the crisis on poor and vulnerable groups

Several measures may contribute to directly mitigating a crisis impact on poor and vulnerable groups employed in the tourism sector. Whereas a number of measures focus directly on employment issues, others will enhance the general resilience of vulnerable groups and contribute to sustaining their living. It is recommended that the following measures be considered:

- Tax systems should be reviewed and adjusted in order to reduce the amount of possible unfair financial burdens on the sector. Instead, revenue related taxes are preferred. This will help to mitigate future crisis impacts on the labour markets.
- Granting tourism companies with additional liquidity through central banks should help outbalance a crisis-induced decrease in revenues in the short-term. It might also help avoid large scale lay-offs, if the granting of such loans were subject to the condition of retaining employees.
- Implementing robust social protection schemes. The report demonstrates that a lack of social security and national health protection in many countries makes employees particularly vulnerable in cases of unemployment, illness, accidents or family incidents. If they do not already exist, the implementation of basic unemployment insurance and health protection schemes would significantly reduce the general level of vulnerability of low and unskilled groups and contribute to stabilising the livelihood of such groups. Insurance schemes may be based on a compulsory monthly contribution of employees to a social insurance fund. Alternatively, local unions may be supported by local and international consultants to build voluntary insurance schemes for their members.
- In countries with more developed unemployment security schemes, the introduction of government supported short-time working schemes may help to avoid lay-offs during times of crisis. With short-time working schemes, companies can avoid dismissals during economic difficult situations. In times of temporarily decreasing demands, companies may apply for government support. Assuming the application is accepted; employees' working hours can be reduced or set to 0. In this case, employees would receive short-time pay paid by the respective governmental employment agency, as a kind of partial unemployment benefit. The short-time pay is paid via the employer. In this way, the employer may reduce his payroll, without having to dismiss employees. The employees are temporarily losing some of their income, since the short-time pay does not totally compensate for the decreased remuneration, but they do not lose their job. From the perspective of the government, the general idea of this scheme is not to pay for unemployment but instead to use unemployment insurance resources to pay for keeping people employed. In the recent crisis, this model has proven to be quite successful in Germany since it avoids large layoffs, mitigates the decreases in domestic demand due to decreasing incomes and contributes to better crisis resilience since companies do not have to search again for new employees as soon as business activity accelerates.
- Existing education and training programmes ought to be expanded, while new professional training programs for already employed persons ought to be implemented in order to reduce individual levels of vulnerability and to improve the livelihood of poor and vulnerable groups. Since women have to bear a higher risk of becoming unemployed and considering that their chances of finding a new job in the

tourism sector are worse than those of men, improvements to female education are highly recommended in order to reduce their above average level of vulnerability.

- Increase development and promotional activities for pro-poor tourism products with core features of a community-based approach. The successes of the pro-poor and community-orientated Mto wa Mbu project in Tanzania demonstrates that it is possible to make the tourism product more competitive in times of crisis and to simultaneously increase the share of local value creation. Therefore, national governments are encouraged to re-investigate and to support project possibilities to alleviate poverty through tourism. Furthermore, it is recommended to expand the pro-poor tourism and community development orientated UNWTO ST-EP Initiative and to increase capacities to finance, initiate, support and monitor additional projects.

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Annex

Annex I – Macroeconomic Report

Table 49 – Percentage of Missing Data by Income Groups and Region

	(a) International Tourist Arrivals ²⁴⁴		(b) Inbound Tourism Receipts as Ratio to GDP ²⁴⁵		(d) Tourism Sector Employment ²⁴⁶	
	Monthly (Jan06-Dec09)	Annually (1995-2007)	Monthly (Jan06-Dec09)	Annually (1995-2007)	Quarterly (Jan08-Sep09)	Annually (1995-2007)
INCOME GROUP						
TOTAL	39%	28%	.	27%	71%	.
High Income	18%	28%	.	23%	33%	.
Upper Middle Income	20%	23%	.	18%	66%	.
Lower Middle Income	45%	25%	.	18%	94%	.
Low Income	79%	35%	.	49%	100%	.
Emerging Economies	45%	29%	.	31%	87%	.
Advanced Economies	7%	25%	.	0%	4%	.
REGIONAL GROUP						
TOTAL	39%	28%	.	27%	71%	.
Europe	20%	33%	.	20%	37%	.
North Europe	0%	14%	.	0%	0%	.
West Europe	10%	33%	.	22%	30%	.
Central-East Europe	48%	38%	.	19%	52%	.
South-Med. Europe	0%	35%	.	29%	38%	.
Asia & the Pacific	19%	31%	.	31%	69%	.
North-East Asia	0%	67%	.	33%	33%	.
South-East Asia	10%	30%	.	30%	60%	.

²⁴⁴ Data are from UNWTO

²⁴⁵ Data are from UNWTO Tourism Compendium.

²⁴⁶ Data are from SECTOR / ILO at the 1 digit ISIC Rev.3 level in the category H (Hotels and Restaurants).

<i>South Asia</i>	38%	0%	.	13%	88%	.
<i>Oceania</i>	25%	33%	.	42%	83%	.
<i>Americas</i>	16%	8%	.	8%	76%	.
<i>North America</i>	33%	0%	.	0%	0%	.
<i>Central America</i>	0%	14%	.	0%	100%	.
<i>South America</i>	25%	17%	.	0%	67%	.
<i>The Caribbean</i>	13%	0%	.	20%	87%	.
<i>Africa</i>	85%	35%	.	37%	98%	.
<i>Middle East</i>	54%	31%	.	54%	100%	.
<i>North Africa</i>	50%	50%	.	25%	100%	.
<i>Sub-Saharan Africa</i>	88%	33%	.	38%	98%	.

Table 50 – Income Groups of Countries taken by the World Bank

Low Income	Lower Middle Income	Upper Middle Income	High Income
Bangladesh	Albania	Algeria	Andorra
Benin	Angola	Argentina	Antigua and Barbuda
Burkina Faso	Armenia	Belarus	Aruba
Burundi	Azerbaijan	Bosnia and Herzegovina	Australia
Cambodia	Belize	Botswana	Austria
Central African Republic	Bhutan	Brazil	Bahamas
Chad	Bolivia	Bulgaria	Bahrain
Comoros	Cameroon	Chile	Barbados
Democratic Republic of Congo	Cape Verde	Colombia	Belgium
Equatorial Guinea	China	Costa Rica	Brunei
Eritrea	Congo	Cuba	Canada
Ethiopia	Cote d'Ivoire	Dominica	Croatia
Gambia	Djibouti	Dominican Republic	Cyprus
Ghana	Ecuador	Fiji	Czech Republic
Guinea	Egypt	Gabon	Denmark
Guinea-Bissau	El Salvador	Grenada	Estonia
Haiti	Georgia	Jamaica	Finland
Kenya	Guatemala	Kazakhstan	France
Kyrgyzstan	Guyana	Latvia	Germany
Laos	Honduras	Lebanon	Greece

Liberia	India	Libya	Guam
Madagascar	Indonesia	Lithuania	Hong Kong, China
Malawi	Iran	Macedonia	Hungary
Mali	Iraq	Malaysia	Iceland
Mauritania	Jordan	Mauritius	Ireland
Mozambique	Kiribati	Mexico	Israel
Myanmar	Lesotho	Montenegro	Italy
Nepal	Maldives	Namibia	Japan
Niger	Micronesia (Fed.St.of)	Palau	Korea, Republic of
Palestine	Moldova	Panama	Kuwait
Rwanda	Mongolia	Peru	Liechtenstein
Senegal	Morocco	Poland	Luxembourg
Sierra Leone	Nicaragua	Romania	Macao (China)
Somalia	Nigeria	Russian Federation	Malta
Tajikistan	Pakistan	Saint Kitts and Nevis	Monaco
Tanzania	Papua New Guinea	Saint Lucia	Netherlands
Togo	Paraguay	Saint Vincent and the Grenadines	New Zealand
Uganda	Philippines	Serbia	Norway
Uzbekistan	Samoa	Seychelles	Oman
Vietnam	Sao Tome and Principe	South Africa	Portugal
Yemen	Solomon Islands	Suriname	Puerto Rico
Zambia	Sri Lanka	Turkey	Qatar
Zimbabwe	Sudan	Uruguay	San Marino
	Swaziland	Venezuela	Saudi Arabia
	Syria		Singapore
	Thailand		Slovakia
	Tonga		Slovenia
	Tunisia		Spain
	Turkmenistan		Sweden
	Ukraine		Switzerland
	Vanuatu		Trinidad and Tobago
			United Arab Emirates
			United Kingdom
			USA

Table 51 – Regional Groups of Countries Taken by UNWTO²⁴⁷

Africa			Americas				Asia & the Pacific				Europe			
<i>Middle-East</i>	<i>North Africa</i>	<i>Sub-Saharan Africa</i>	<i>North America</i>	<i>Central America</i>	<i>South America</i>	<i>the Caribbean</i>	<i>North-East Asia</i>	<i>South-East Asia</i>	<i>South Asia</i>	<i>Oceania</i>	<i>North Europe</i>	<i>West Europe</i>	<i>Central-East Europe</i>	<i>South-Med. Europe</i>
Bahrain	Algeria	Angola	Canada	Belize	Argentina	Antigua and Barbuda	China	Brunei	Bangladesh	Australia	Denmark	Austria	Armenia	Albania
Egypt	Libya	Benin	Mexico	Costa Rica	Bolivia	Aruba	Hong Kong, China	Cambodia	Bhutan	Fiji	Finland	Belgium	Azerbaijan	Andorra
Iraq	Morocco	Botswana	USA	El Salvador	Brazil	Bahamas	Japan	Indonesia	India	Guam	Iceland	France	Belarus	Bosnia and Herzegovina
Jordan	Tunisia	Burkina Faso		Guatemala	Chile	Barbados	Korea, Republic of	Laos	Iran	Kiribati	Ireland	Germany	Bulgaria	Croatia
Kuwait		Burundi		Honduras	Colombia	Cuba	Macao (China)	Malaysia	Maldives	Micronesia (Fed.St.of)	Norway	Liechtenstein	Czech Republic	Cyprus
Lebanon		Cameroon		Nicaragua	Ecuador	Dominica	Mongolia	Myanmar	Nepal	New Zealand	Sweden	Luxembourg	Estonia	Greece
Oman		Cape Verde		Panama	Guyana	Dominican Republic		Philippines	Pakistan	Palau	United Kingdom	Monaco	Georgia	Israel
Palestine		Central African Republic			Paraguay	Grenada		Singapore	Sri Lanka	Papua New Guinea		Netherlands	Hungary	Italy
Qatar		Chad			Peru	Haiti		Thailand		Samoa		Switzerland	Kazakhstan	Macedonia
Saudi Arabia		Comoros			Suriname	Jamaica		Vietnam		Solomon Islands			Kyrgyzstan	Malta
Syria		Congo			Uruguay	Puerto Rico				Tonga			Latvia	Montenegro
United Arab Emirates		Cote d'Ivoire			Venezuela	Saint Kitts and Nevis				Vanuatu			Lithuania	Portugal
Yemen		Democratic Republic of Congo				Saint Lucia							Moldova	San Marino
		Djibouti				Saint Vincent and the Grenadines							Poland	Serbia
		Equatorial Guinea				Trinidad and Tobago							Romania	Slovenia
		Eritrea											Russian Federation	Spain

²⁴⁷ Due to technical reasons, overseas territories are not included in the report's analysis.

		Ethiopia											Slovakia	Turkey
		Gabon											Tajikistan	
		Gambia											Turkmenistan	
		Ghana											Ukraine	
		Guinea											Uzbekistan	
		Guinea-Bissau												
		Kenya												
		Lesotho												
		Liberia												
		Madagascar												
		Malawi												
		Mali												
		Mauritania												
		Mauritius												
		Mozambique												
		Namibia												
		Niger												
		Nigeria												
		Rwanda												
		Sao Tome and Principe												
		Senegal												
		Seychelles												
		Sierra Leone												
		Somalia												
		South Africa												
		Sudan												
		Swaziland												
		Tanzania												
		Togo												
		Uganda												
		Zambia												
		Zimbabwe												

Table 52 – Countries Ranked by the Share of Tourism Exports to GDP (1995-2007 Country Average)

All			Africa and Middle East			Americas			Asia & the Pacific			Europe		
Rank	Country	Tourism Export-GDP Share	Rank	Country	Tourism Export-GDP Share	Rank	Country	Tourism Export-GDP Share	Rank	Country	Tourism Export-GDP Share	Rank	Country	Tourism Export-GDP Share
1	Maldives	55%	1	Lebanon	26%	1	Antigua and Barbuda	42%	1	Maldives	55%	1	Cyprus	18%
2	Antigua and Barbuda	42%	2	Seychelles	21%	2	Saint Lucia	39%	2	Vanuatu	22%	2	Malta	15%
3	Saint Lucia	39%	3	Liberia	15%	3	Bahamas	31%	3	Samoa	18%	3	Croatia	13%
4	Bahamas	31%	4	Gambia	13%	4	Barbados	30%	4	Fiji	14%	4	Luxembourg	9%
5	Barbados	30%	5	Mauritius	13%	5	Saint Kitts and Nevis	23%	5	Cambodia	8%	5	Estonia	8%
6	Lebanon	26%	6	Jordan	11%	6	Saint Vincent and the Grenadines	23%	6	Tonga	6%	6	Albania	7%
7	Saint Kitts and Nevis	23%	7	Sao Tome and Principe	8%	7	Grenada	21%	7	Singapore	6%	7	Bulgaria	7%
8	Saint Vincent and the Grenadines	23%	8	Cape Verde	8%	8	Dominica	19%	8	Thailand	6%	8	Hungary	6%
9	Vanuatu	22%	9	Tunisia	8%	9	Belize	15%	9	Malaysia	5%	9	Austria	5%
10	Grenada	21%	10	Namibia	7%	10	Jamaica	15%	10	Mongolia	5%	10	Greece	5%
11	Seychelles	21%	11	Bahrain	7%	11	Dominican Republic	12%	11	Laos	5%	11	Slovenia	5%
12	Dominica	19%	12	Syria	6%	12	Guyana	9%	12	Hong Kong, China	5%	12	Czech Republic	5%
13	Samoa	18%	13	Morocco	6%	13	Costa Rica	7%	13	New Zealand	4%	13	Spain	5%
14	Cyprus	18%	14	Tanzania	6%	14	Panama	4%	14	Nepal	3%	14	Bosnia and Herzegovina	4%
15	Malta	15%	15	Egypt	5%	15	Honduras	4%	15	Indonesia	2%	15	Portugal	4%
16	Liberia	15%	16	Ghana	4%	16	Nicaragua	3%	16	Philippines	2%	16	Georgia	4%

17	Belize	15%	17	Botswana	4%	17	Haiti	3%	17	Australia	2%	17	Lithuania	3%
18	Jamaica	15%	18	Sierra Leone	3%	18	Uruguay	3%	18	Brunei	2%	18	Turkey	3%
19	Fiji	14%	19	Senegal	3%	19	Trinidad and Tobago	3%	19	Myanmar	2%	19	Poland	3%
20	Gambia	13%	20	Benin	3%	20	Guatemala	2%	20	Sri Lanka	2%	20	Moldova	4%
21	Croatia	13%	21	Lesotho	3%	21	El Salvador	2%	21	Solomon Islands	1%	21	Ireland	3%
22	Mauritius	13%	22	Kenya	3%	22	Suriname	2%	22	China	1%	22	Switzerland	3%
23	Dominican Republic	12%	23	Uganda	3%	23	Ecuador	2%	23	Korea, Republic of	1%	23	Iceland	3%
24	Jordan	11%	24	Madagascar	3%	24	Mexico	1%	24	India	1%	24	Slovakia	3%
25	Luxembourg	9%	25	Swaziland	3%	25	Peru	1%	25	Iran	1%	25	Israel	3%
26	Guyana	9%	26	South Africa	2%	26	Canada	1%	26	Papua New Guinea	0%	26	Armenia	2%
27	Estonia	8%	27	Mali	2%	27	Bolivia	1%	27	Pakistan	0%	27	Belgium	2%
28	Sao Tome and Principe	8%	28	Zambia	2%	28	Paraguay	1%	28	Japan	0%	28	Italy	2%
29	Cape Verde	8%	29	Mozambique	2%	29	Argentina	1%	29	Bangladesh	0%	29	Denmark	2%
30	Tunisia	8%	30	Oman	2%	30	Chile	1%	30	Vietnam	n.a.	30	Latvia	2%
31	Cambodia	8%	31	Mauritania	2%	31	Colombia	1%		Kiribati	n.a.	31	France	2%
32	Albania	7%	32	Qatar	1%	32	USA	1%		Bhutan	n.a.	32	Kyrgyzstan	2%
33	Costa Rica	7%	33	Rwanda	1%	33	Venezuela	1%		Macao (China)	n.a.	33	Ukraine	2%
34	Bulgaria	7%	34	Djibouti	1%		Brazil	0%		Micronesia (Fed.St.of)	n.a.	34	Sweden	2%
35	Namibia	7%	35	Malawi	1%		Cuba	n.a.		Guam	n.a.	35	Netherlands	2%
36	Bahrain	7%	36	Niger	1%		Puerto Rico	n.a.		Palau	n.a.	36	Kazakhstan	2%
37	Hungary	6%	37	Guinea-Bissau	1%		Aruba	n.a.				37	Azerbaijan	2%
38	Tonga	6%	38	Yemen	1%							38	United Kingdom	1%
39	Syria	6%	39	Cameroon	1%							39	Russian Federation	1%
40	Singapore	6%	40	Ethiopia	1%							40	Norway	1%
41	Morocco	6%	41	Togo	1%							41	Finland	1%
42	Thailand	6%	42	Burkina Faso	1%							42	Romania	1%
43	Tanzania	6%	43	Cote d'Ivoire	1%							43	Germany	1%

44	Malaysia	5%	44	Congo	1%							44	Belarus	1%
45	Austria	5%	45	Iraq	0%							45	Tajikistan	0%
46	Greece	5%	46	Kuwait	0%							46	Macedonia	0%
47	Egypt	5%	47	Libya	0%								San Marino	n.a.
48	Mongolia	5%	48	Gabon	0%								Uzbekistan	n.a.
49	Laos	5%	49	Angola	0%								Liechtenstein	n.a.
50	Hong Kong, China	5%	50	Sudan	0%								Turkmenistan	n.a.
51	Slovenia	5%	51	Burundi	0%								Andorra	n.a.
52	Czech Republic	5%	52	Nigeria	0%								Serbia	n.a.
53	Spain	5%	53	Guinea	0%								Monaco	n.a.
54	Bosnia and Herzegovina	4%		Central African Republic	n.a.								Montenegro	n.a.
55	Ghana	4%		Democratic Republic of Congo	n.a.									
56	Portugal	4%		United Arab Emirates	n.a.									
57	New Zealand	4%		Eritrea	n.a.									
58	Panama	4%		Chad	n.a.									
59	Botswana	4%		Saudi Arabia	n.a.									
60	Georgia	4%		Algeria	n.a.									
61	Honduras	4%		Zimbabwe	n.a.									
62	Lithuania	3%		Equatorial Guinea	n.a.									
63	Turkey	3%		Somalia	n.a.									
64	Poland	3%		Palestine	n.a.									
65	Nicaragua	3%		Comoros	n.a.									

Table 53 – Average Shares of Sectoral Exports to GDP by Income Groups (1995-2007)

Income Group	Year	Tourism	Manufactures	Food	Agriculture	Ores & Metals	Fuel	Total
Low Income	1995	1,73	3,52	4,46	1,74	0,61	0,79	12,85
Low Income	1996	1,72	3,69	4,40	1,59	0,42	2,01	13,83
Low Income	1997	1,48	4,29	3,92	1,59	0,43	1,51	13,23
Low Income	1998	1,68	5,41	4,07	1,18	0,43	1,17	13,95
Low Income	1999	1,77	4,76	3,34	1,21	0,38	1,44	12,91
Low Income	2000	1,82	6,18	3,53	1,24	0,47	2,24	15,48
Low Income	2001	1,98	6,57	3,94	1,31	0,50	2,20	16,51
Low Income	2002	1,97	6,31	4,02	1,41	0,38	2,54	16,62
Low Income	2003	1,90	6,41	3,85	1,38	0,32	2,24	16,10
Low Income	2004	2,18	6,84	3,77	1,24	0,40	2,12	16,54
Low Income	2005	2,21	7,26	3,84	1,51	0,51	3,22	18,55
Low Income	2006	2,12	8,01	3,99	1,25	0,56	3,32	19,25
Low Income	2007	2,44	7,31	3,77	1,39	2,43	3,21	20,55
Lower Middle Income	1995	1,23	10,89	2,17	0,45	0,45	2,10	17,29
Lower Middle Income	1996	1,27	10,17	2,01	0,40	0,39	2,21	16,45
Lower Middle Income	1997	1,33	10,92	1,89	0,35	0,41	2,35	17,27
Lower Middle Income	1998	1,37	11,06	1,84	0,30	0,38	1,68	16,62
Lower Middle Income	1999	1,38	11,27	1,67	0,28	0,39	2,86	17,85
Lower Middle Income	2000	1,44	12,84	1,66	0,30	0,46	4,10	20,80
Lower Middle Income	2001	1,43	12,44	1,66	0,27	0,41	3,27	19,46
Lower Middle Income	2002	1,42	13,56	1,74	0,26	0,44	2,81	20,24
Lower Middle Income	2003	1,27	15,16	1,79	0,34	0,52	3,51	22,59
Lower Middle Income	2004	1,54	16,92	1,76	0,37	0,70	3,80	25,10
Lower Middle Income	2005	1,50	18,11	1,77	0,37	0,86	4,45	27,06
Lower Middle Income	2006	1,51	18,78	1,70	0,42	1,02	4,64	28,08
Lower Middle Income	2007	1,47	18,65	1,67	0,34	0,90	3,82	26,85
Upper Middle Income	1995	1,64	9,92	2,17	0,76	1,68	3,88	20,05
Upper Middle Income	1996	1,81	9,49	2,17	0,59	1,42	3,97	19,46
Upper Middle Income	1997	1,80	9,79	2,20	0,56	1,45	3,73	19,51
Upper Middle Income	1998	1,90	10,72	2,12	0,56	1,72	3,35	20,36
Upper Middle Income	1999	1,77	11,64	2,14	0,69	1,85	4,80	22,89
Upper Middle Income	2000	1,73	12,02	1,97	0,70	1,78	6,37	24,58
Upper Middle Income	2001	1,90	11,70	2,24	0,62	1,67	5,41	23,55
Upper Middle Income	2002	1,96	11,99	2,71	0,65	1,51	5,60	24,42
Upper Middle Income	2003	1,94	12,09	2,87	0,67	1,56	6,04	25,18
Upper Middle Income	2004	1,87	12,74	2,88	0,64	1,95	6,38	26,46
Upper Middle Income	2005	1,80	12,17	2,74	0,58	1,99	7,39	26,67
Upper Middle Income	2006	1,74	11,94	2,63	0,55	2,54	6,61	26,01
Upper Middle Income	2007	1,72	11,50	2,74	0,53	2,59	6,61	25,69

High Income	1995	1,67	14,00	1,52	0,47	0,52	0,74	18,93
High Income	1996	1,72	14,17	1,54	0,41	0,48	0,82	19,13
High Income	1997	1,73	15,32	1,54	0,41	0,52	0,86	20,38
High Income	1998	1,78	16,07	1,47	0,38	0,49	0,73	20,92
High Income	1999	1,77	15,79	1,38	0,36	0,46	0,80	20,55
High Income	2000	1,83	17,07	1,37	0,39	0,54	1,18	22,38
High Income	2001	1,76	16,71	1,40	0,36	0,51	1,10	21,86
High Income	2002	1,67	16,39	1,37	0,35	0,47	1,00	21,26
High Income	2003	1,60	16,30	1,32	0,33	0,46	1,05	21,07
High Income	2004	1,62	17,21	1,31	0,33	0,54	1,19	22,20
High Income	2005	1,61	17,58	1,31	0,32	0,60	1,35	22,77
High Income	2006	1,61	18,44	1,34	0,32	0,81	1,69	24,20
High Income	2007	1,60	18,64	1,41	0,33	0,86	1,67	24,51

Table 54 – Average Shares of Sectoral Exports to GDP by Regions (1995-2007)

Regional Group	Year	Tourism	Manufactures	Food	Agriculture	Ores & Metals	Fuel	Total
Africa	1995	1.68	2.89	4.76	1.65	1.39	8.88	21.25
Africa	1996	1.65	2.90	4.50	1.41	1.32	9.58	21.35
Africa	1997	1.46	3.23	3.89	1.28	1.25	10.86	21.98
Africa	1998	1.63	3.44	4.23	1.12	1.29	7.87	19.58
Africa	1999	1.78	3.22	3.77	1.10	1.18	14.90	25.94
Africa	2000	1.84	3.29	3.78	1.02	1.17	19.24	30.33
Africa	2001	2.10	3.29	3.80	1.00	1.39	14.30	25.87
Africa	2002	2.11	3.73	3.90	0.91	1.03	11.64	23.30
Africa	2003	2.11	3.56	4.03	1.13	1.08	13.02	24.93
Africa	2004	2.25	3.70	3.91	1.06	1.23	13.27	25.41
Africa	2005	2.38	3.86	3.69	1.00	1.37	15.26	27.55
Africa	2006	2.36	3.91	3.73	0.90	1.75	15.39	28.04
Africa	2007	2.45	4.03	3.65	0.91	2.01	12.75	25.79
Americas	1995	1.21	6.84	2.28	0.51	0.90	1.43	13.17
Americas	1996	1.25	6.90	2.33	0.44	0.79	1.82	13.53
Americas	1997	1.22	7.18	2.41	0.41	0.80	1.53	13.55
Americas	1998	1.22	7.42	2.28	0.36	0.72	1.06	13.06
Americas	1999	1.26	7.69	2.27	0.39	0.76	1.42	13.79
Americas	2000	1.27	7.94	2.15	0.42	0.81	2.04	14.63
Americas	2001	1.21	7.59	2.28	0.42	0.79	1.69	13.97
Americas	2002	1.23	7.60	2.68	0.42	0.84	1.93	14.69
Americas	2003	1.31	7.61	2.83	0.44	0.87	2.26	15.32
Americas	2004	1.27	8.03	2.89	0.45	1.16	2.56	16.35
Americas	2005	1.27	8.06	2.74	0.41	1.26	3.03	16.78
Americas	2006	1.26	7.91	2.62	0.39	1.64	3.15	16.95
Americas	2007	1.26	7.81	2.80	0.38	1.75	2.94	16.94
Asia & the Pacific	1995	1.13	11.88	1.82	0.47	0.41	0.86	16.57
Asia & the Pacific	1996	1.15	11.25	1.70	0.43	0.37	0.84	15.75
Asia & the Pacific	1997	1.19	12.19	1.66	0.41	0.39	0.79	16.62
Asia & the Pacific	1998	1.29	12.77	1.62	0.33	0.37	0.59	16.96
Asia & the Pacific	1999	1.26	12.81	1.39	0.31	0.37	0.68	16.84
Asia & the Pacific	2000	1.32	14.56	1.41	0.34	0.43	1.17	19.22
Asia & the Pacific	2001	1.32	14.17	1.48	0.32	0.39	1.14	18.83
Asia & the Pacific	2002	1.30	15.21	1.56	0.35	0.44	1.14	20.00
Asia & the Pacific	2003	1.12	16.98	1.46	0.32	0.48	1.22	21.58
Asia & the Pacific	2004	1.32	18.97	1.42	0.34	0.64	1.46	24.15
Asia & the Pacific	2005	1.28	20.38	1.47	0.40	0.80	1.86	26.20
Asia & the Pacific	2006	1.29	21.44	1.46	0.41	1.01	2.07	27.67
Asia & the Pacific	2007	1.24	20.84	1.46	0.43	0.93	1.97	26.88
Europe	1995	2.13	15.12	2.55	1.11	1.63	3.04	25.57
Europe	1996	2.28	14.73	2.46	0.79	1.26	2.90	24.41
Europe	1997	2.38	15.62	2.29	0.77	1.33	2.90	25.29
Europe	1998	2.52	16.06	2.04	0.59	1.75	2.81	25.76
Europe	1999	2.39	16.83	2.03	0.69	1.92	4.14	28.01
Europe	2000	2.45	18.63	2.00	0.74	2.09	5.64	31.54

Europe	2001	2.53	18.55	2.08	0.63	1.63	4.97	30.41
Europe	2002	2.48	18.25	2.12	0.66	1.47	4.81	29.79
Europe	2003	2.31	18.15	2.12	0.68	1.36	5.01	29.63
Europe	2004	2.42	19.14	2.06	0.65	1.46	5.25	30.97
Europe	2005	2.32	18.50	2.08	0.53	1.43	5.87	30.73
Europe	2006	2.28	19.10	2.03	0.49	1.79	5.10	30.80
Europe	2007	2.25	19.14	2.11	0.48	1.65	5.12	30.76
Middle East	1995	4.45	3.02	1.18	0.49	0.61	6.77	16.52
Middle East	1996	4.57	2.40	1.23	0.36	0.57	12.27	21.39
Middle East	1997	4.62	2.36	1.30	0.43	0.52	10.09	19.32
Middle East	1998	3.57	2.06	1.12	0.45	0.47	6.64	14.31
Middle East	1999	4.21	2.12	1.03	0.35	0.44	9.15	17.28
Middle East	2000	4.05	2.20	0.84	0.33	0.31	12.05	19.80
Middle East	2001	3.72	2.06	0.93	0.33	0.41	10.29	17.74
Middle East	2002	3.86	2.64	1.38	0.44	0.45	10.01	18.77
Middle East	2003	4.65	3.08	1.42	0.45	0.44	10.98	21.03
Middle East	2004	6.50	3.65	1.58	0.54	0.53	10.76	23.57
Middle East	2005	6.33	3.60	1.60	0.29	0.53	12.77	25.12
Middle East	2006	5.95	4.72	1.87	0.23	0.50	13.29	26.57
Middle East	2007	6.32	4.46	1.97	0.18	0.45	11.71	25.09

Table 55 – Statistics for a FE-Regression: Influence of Exports on GDP Growth per Capita for all Countries (1995-2007)

Sectoral Exports (independent variables)	Growth of GDP per Capita (dependent variable)						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Tourism Exports	0.492*** (0.001)						0.380* (0.026)
Food Exports		-0.307 (0.083)					-0.321 (0.150)
Agriculture Exports			-0.729** (0.008)				-0.482 (0.243)
Fuels Exports				0.586*** (0.000)			0.577*** (0.000)
Ores & Metals Exports					0.307 (0.100)		0.188 (0.287)
Manufactures Exports						0.308*** (0.000)	0.316*** (0.000)
Constant	4.259*** (0.000)	2.827*** (0.001)	3.523*** (0.000)	6.292*** (0.000)	8.311*** (0.000)	7.773*** (0.000)	-1.094 (0.545)
Observations	1825	1880	1788	1873	1883	1882	1735
R-squared	0.005	0.014	0.035	0.003	0.002	0.005	0.177

Linear Regression with FE-Model Dummies used for better estimation of R-squared.

p-values in parentheses * p<0.05 ** p<0.01 *** p<0.001

Table 56 – Statistics for a FE-Regression: Influence of Exports on GDP Growth per Capita by sub-groups (1995-2007)

Sectoral Exports as share to GDP (independent variables)	Growth of GDP per Capita (dependent variable)								
	Model 1: Low income countries	Model 2: Lower middle income countries	Model 3: Upper middle income countries	Model 4: High income countries	Model 5: Africa	Model 6: Americas	Model 7: Asia & Pacific	Model 8: Europe	Model 9: Middle East
Tourism Exports	1.575** (0.009)	0.940*** (0.000)	-0.249 (0.441)	-0.151 (0.550)	-0.0840 (0.686)	1.690*** (0.000)	0.663 (0.206)	0.0405 (0.935)	0.752* (0.041)
Food Exports	-0.315 (0.664)	-0.183 (0.504)	0.0492 (0.899)	-1.094* (0.014)	0.318 (0.350)	-0.522 (0.287)	-1.536*** (0.000)	-1.104 (0.434)	-0.318 (0.437)
Agriculture Exports	-0.214 (0.623)	0.414 (0.435)	-8.141*** (0.000)	-7.520*** (0.000)	1.957 (0.278)	1.049* (0.017)	-1.356 (0.230)	-13.97** (0.003)	-1.481* (0.013)
Fuels Exports	0.325 (0.538)	0.616** (0.001)	0.938*** (0.000)	0.391*** (0.000)	0.739*** (0.000)	0.593 (0.083)	1.219*** (0.000)	0.458** (0.003)	0.475* (0.026)
Ores & Metals Exports	0.135 (0.772)	0.260 (0.582)	0.183 (0.384)	0.275 (0.799)	0.0889 (0.675)	1.006 (0.063)	-2.127** (0.009)	1.789 (0.227)	0.218 (0.625)
Manufactures Exports	-0.0918 (0.730)	0.585*** (0.000)	0.0513 (0.755)	0.234*** (0.000)	0.326 (0.180)	0.107 (0.099)	0.570*** (0.000)	0.365 (0.226)	0.439* (0.031)
Constant	2.855 (0.430)	-6.643* (0.032)	10.82** (0.007)	6.458* (0.019)	-0.885 (0.813)	-10.00** (0.004)	0.753 (0.846)	-4.638 (0.454)	0.518 (0.879)
N	289	497	438	511	396	286	529	95	429
R ²	0.128	0.269	0.179	0.217	0.101	0.231	0.260	0.266	0.155

p-values in parentheses ** p<0.05 *** p<0.001
* p<0.05 ** p<0.01

Linear Regression with FE-Model Dummies used for better estimation of R-squared

Table 57 – OLS-Regression Matrix: Annual Change of International Tourist Arrivals 2007 to 2008 and Share of Tourist Arrivals by Region

Share of Tourist Arrivals by Region (independent variable)	Annual Change of International tourist arrivals 2007 to 2008 (dependent variable)					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Africa	0.0370 (0.469)					0.0998 (0.433)
Middle East		0.295** (0.002)				0.353* (0.028)
Americas			-0.0388 (0.323)			0.0419 (0.730)
Asia & Pacific				0.0180 (0.667)		0.0747 (0.534)
Europe					-0.0327 (0.338)	0.0468 (0.693)
Constant	4.935*** (0.000)	4.308*** (0.000)	6.130*** (0.000)	4.999*** (0.000)	6.745*** (0.000)	-1.173 (0.918)
R	0.003	0.053	0.006	0.001	0.005	0.062
Observations	172	172	172	172	172	172
p-values in parentheses	* p<0.05	** p<0.01	*** p<0.001			

Table 58 – OLS-Regression Matrix: Annual Change of International tourist arrivals 2007 to 2009 and Share of Tourist Arrivals by Region

Share of Tourist Arrivals by Region (independent variable)	Annual Change of International tourist arrivals 2007 to 2009 (dependent variable)					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Africa	-0.00235 (0.977)					-0.103 (0.661)
Middle East		0.515*** (0.000)				0.396 (0.155)
Americas			-0.00419 (0.921)			-0.0935 (0.681)
Asia & Pacific				0.0350 (0.439)		-0.0723 (0.744)
Europe					-0.0761* (0.049)	-0.143 (0.519)
Constant	0.819 (0.568)	-0.619 (0.637)	0.915 (0.602)	0.117 (0.943)	4.124 (0.057)	10.36 (0.634)
R	0.000	0.144	0.000	0.006	0.035	0.168
Observations	110	110	110	110	110	110
p-values in parentheses	* p<0.05	** p<0.01	*** p<0.001			

Table 59 – OLS-Regression Matrix: Annual Change of International tourist arrivals 2007 to 2008 and the Degree of Source Market Domination

Independent Variables	Annual Change of International tourist arrivals 2007 to 2008 (dependent variable)					
	(1)	(2)	(3)	(4)	(5)	(6)
Domination	-0.131* (0.027)	-0.144* (0.014)	-0.145* (0.014)	-0.140* (0.019)	-0.142* (0.015)	-0.142* (0.015)
Europe			0.170 (0.950)			
Americas				-0.998 (0.741)		
Asia & the Pacific					-5.443 (0.081)	
Africa						2.686 (0.383)
Western dominates		-5.813* (0.020)	-5.845* (0.022)	-5.605* (0.030)	-7.383** (0.005)	-5.783* (0.021)
Constant	11.58*** (0.000)	14.64*** (0.000)	14.62*** (0.000)	14.59*** (0.000)	16.37*** (0.000)	14.02*** (0.000)
R-squared	0.031	0.065	0.065	0.066	0.084	0.070
Observations	156	156	156	156	156	156
p-values in parentheses	* p<0.05	** p<0.01	*** p<0.001			

Simple OLS-regression models are employed in Table 57 to 58. Due to a high degree of multi-collinearity among shares of arrivals across countries (independent variable), the annual change of international tourist arrivals in 2008 and 2009 compared to the level of 2007 (dependent variable) is regressed on each region's share of inbound tourism arrivals separately.

Table 60 – OLS-Regression Matrix: Annual Change of International Tourist Arrivals 2008 to 2009 and Policy Measures (follow-up survey) in Countries Highly Dependent on Western Source Markets.

Policy Measures from follow-up survey (independent variables)	Annual Change of International tourist arrivals 2008 to 2009 (dependent variable)								
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Promotion	7.820* (0.010)					7.857* (0.011)	7.349* (0.026)	6.927* (0.036)	6.873* (0.037)
Producer		0.546 (0.856)				-0.315 (0.912)	-0.801 (0.794)	-1.078 (0.725)	-1.765 (0.572)
Consumer			3.668 (0.210)				1.461 (0.649)	1.658 (0.604)	2.043 (0.525)
Reducing				-4.632 (0.185)				-3.854 (0.255)	-3.276 (0.337)
Long Term					-3.452 (0.255)				-3.288 (0.273)
Constant	11.33*** (0.000)	-6.091** (0.002)	-7.404*** (0.000)	-4.882** (0.004)	-4.689* (0.011)	11.24*** (0.000)	11.31*** (0.000)	10.16*** (0.001)	-9.006** (0.004)
Observations	46	46	46	46	46	46	46	46	46
R-squared	0.141	0.001	0.035	0.040	0.029	0.141	0.145	0.172	0.197
p-values in parentheses	* p<0.05	** p<0.01	*** p<0.001						

Annex II – Maldives Report

A.1 Explanatory Notes and Definitions according to the Ministry of Tourism Arts and Culture (MoTAC, 2009)

Tourist resort – Island or designated area of an island that has been developed to accommodate tourists and to provide board and lodging facilities for them.

Tourist hotel – Establishment, other than a tourist resort or a tourist guesthouse, that has been developed to provide board and lodging or [only] lodging for tourists for a payment decided at a certain rate per day of stay.

Tourist guesthouse – Establishment other than a tourist hotel that has been developed, in compliance with standards determined by the Ministry of Tourism, to provide board and lodging or [only] lodging for tourists for a payment decided at a certain rate per day of stay.

Tourist vessel (safari vessel) – Seagoing vessel that has been developed, in compliance with standards determined by the Ministry of Tourism, to provide board and lodging for tourists for a payment decided at a certain rate per day of stay on board such vessel.

Table 61 – Expert Interviews in the Maldives

Date, Time	Interview Partner/s	Institution
2 June 2010	Mr. Ahmed Salih (Permanent Secretary); Mr. Moosa Zameer Hassan (Assistant Director)	MoTAC
3 June 2010	Mr. Hussain Jinan (Programme Associate Poverty Reduction)	UNDP
3 June 2010	Official representative	MATI
3 June 2010	Mr. Ali Hashim (Minister of Finance and Treasury)	Ministry of Finance and Treasury
3 June 2010	Two Committee Members	TEAM
3 June 2010	Three official representatives	LAM
6 June 2010	Mr. Hussain Ismail (Deputy Minister); Mrs. Fathimath Thasneem (Project Manager)	Ministry of Human Resources, Youth and Sports
6 June 2010	Executive Member	DAM
6 June 2010	Official representative	MATATO
6 – 9 June 2010	Resort Owner/General Manager; Manager, HR & Administration; Manger, Sales & Marketing	Island Resort 1
9 – 11 June 2010	General Manager; Manager; Assistant Spa Manager	Island Resort 2
12 June 2010	Ms. Mariyam Suzana (Statistics Department); Ms. Fazla Aminath (Head of Statistics Department)	MoTAC
12 June 2010	General Manager; Accountant Finance and Administration	Local Hotel Group, Male'

Note: Interview partners from non-governmental institutions have been kept anonymous for data privacy protection reasons.

Textbox 1 – Mohammed, Maldivian, 36 years, Supervisor in the Transport Department of a Resort

Mohammed is married and has two daughters (14 and 7 years old), both of them school kids. Mohammed's wife does not work but stays at home looking after the household and the children. His wife and children live in one of the Southern atolls in one household with Mohammed's parents. His mother is still working, whereas his father has already retired and receives a government pension of MRF2,000 due to his former employment as a cleaner in a school. The income of Mohammed's parents is not sufficient to make a living but they are supported by their children. Mohammed is only able to visit his family once a year.

Mohammed has four brothers and four sisters. Two of his brothers live in Malé and work in the local tourism sector, a third brother works in another tourism resort. Three of his four sisters still live with his family in the house of his parents.

Mohammed works in the tourism sector, more precisely in the same resort since 1999. He approached the tourism sector because there was no alternative opportunity to make a living on his home island and it was one of the rare existing job opportunities for him. He started working as a waiter, got promoted to captain, which was followed by a position as supervisor and eventually advancing to restaurant manager. After that, he wanted to make a change and applied for the transport department where he is currently seeking to gain experience in a different working field of the resort. For Mohammed, broadening his professional experiences and qualifications is part of his personal strategy to reduce his unemployment risk and in case of unemployment to find a new job much quicker.

Even though Mohammed has never lost his job, he has been indirectly hit by the current crisis because of the fact that one of his brothers was laid off in a resort in 2009. His brother needed about eight months to find a new job in a travel agency in Malé, where he is currently employed. According to Mohammed's perception, it is very hard to find a new good job at the very moment, since an increasing number of young people enter the labour market each year. During his period of unemployment, his brother depended on the family's (financial) support for his own living. Due to the non-existence of an unemployment scheme on the Maldives, redundancy of one member usually impacts the income situation of the whole family, worsening its level of vulnerability.

However, the crisis also impacted Mohammed's income directly. Even though he did not experience salary cuts, the decrease of the resorts' occupancy rates and the reluctant spending behaviour of tourists led to a tremendous decrease of service charge. Thus, he had to cope with a significant loss of income. For Mohammed this volatility of income is hard to manage because his total monthly income is neither calculable nor reliable, while additional costs continually increased. If the family's income will not increase significantly within the next few months, Mohammed worries that the crisis will affect his ability to save money, in order to pay for a better education for his children in the future. Moreover, Mohammed fears to lose his job if the low hotel occupancy will not soon improve.

Source: compiled from own interviews

Textbox 2 – Suzanna, Maldivian, 33 years, Single, Club Assistant Children's Club

Prior to working in the resort, Suzanna held a position in a beauty salon in Malé but changed for a better paid job in the tourism sector. In addition to a better income, she did not have to pay for food and avoided the high rent in Malé.

Her family lives in the northern Atolls, four hours by speedboat from the resort, which is why she is only able to visit them once a year. Her parents are very sick, her mother is still suffering from an apoplectic stroke she had three years ago, while her father is a heart patient. Her mother receives a pension of MRF2,000 due to her employment with the government before she retired. Suzanna's three sisters are all married and have families; one of her three brothers works and lives with his family in Malé, one is unemployed but married and has children.

With her income, Suzanna supports her parents and her unemployed brother with his family. One of her sisters lives with her husband and children next door to their parents, taking care of them. However, their earned income is not sufficient to also financially support the parents. Overall,

including herself, six persons have been substantially dependent on Suzanna's income for a couple of years now. Her income situation worsened during the last year and has not yet improved. Predominantly, Suzanna suffers from the decrease of the resort's total service charge, the shares of which contributed significantly to her income. Suzanna and her relatives cannot rely on any income buffer, if the health situation of her parents worsens. In this case, Suzanna hopes to soon be able to take out a loan from her employing company.

Last year, she had to take the whole four weeks of annual leave and an additional two months unpaid leave, in order to accompany her mother to the hospital because her sister had to stay with the family on the atoll. Thus, the family had to deal with the loss of two whole monthly salaries.

Currently, it appears that her father needs an eye operation, and Suzanna is not sure how she will be able to finance it. At the same time, she is afraid of losing her job due to the long periods of absence.

Source: compiled from own interviews

Annex III – Cost Rica Report

Table 62 – Expert Interviews in Costa Rica

Date	Interview Partner/s	Institution
23 July 2010	Mrs. Ruth Alfaro Rojas (Jefe Departamento Desarrollo Turístico), Mr. Alfonso Rojas Alvarez (Asesor, ICT)	ICT
23 July 2010	Mrs. Licda. Roxana Arguedas Carvajal (Subproceso Administración de la Información)	ICT
23 July 2010	Mr. Luis Eduardo Madrigal Calvo (Marketing), Mr. Rafael Quesada Alvarado (Leader Process Research & Evaluation Marketing)	ICT
24 July 2010	Chief Board Director	International Hotel 1, San José
25 July 2010	General Director	Tour Operator, San José
25 July 2010	Administration Manager	Hotel Ecolodge, Central Pacific Coast
26 July 2010	Mrs. Gina Guillen Grillo (Senior Advisor to the Minister of Tourism)	ICT
27 July 2010	Mr. Manuel Ardón (Senior Director, Operations Division)	Proyecto Península Papagayo, Guanacaste
28 July 2010	Environment, Farm & Landscape Manager	Local Hotel 2, Guanacaste
28 July 2010	Training Manager, HR	International Hotel 2, Guanacaste
28 July 2010	General Manager; Resort Manager	International Hotel 3, Guanacaste
28 July 2010	Mrs. Verónica Grant (Executive Director)	Cartugua, Guanacaste Chamber of Commerce, Guanacaste
28 July 2010	General Manager	International Hotel 4, Guanacaste
30 July 2010	General Manager	Local Hotel 2, Guanacaste
30 July 2010	General Director	Local Hotel 3, Guanacaste
01 July 2010	Marketing	Local Hotel 4, San José

Note: Interview partners from non-governmental institutions have been kept anonymous for data privacy protection reasons.

Textbox 3 – Juan, 38 years, Gardener in a big Hotel in South Guanacaste

Juan's job is to clean the hotel area and the beach, cut the grass and the plants. He decided to become a gardener as he is passionate about nature and working with the green. It is not his first job as a gardener. 6 years ago he worked in a finca just a few kilometres away from the hotel he is currently working for now.

Juan lives in a small community close to his work. He and his wife are separated but his three-year-old daughter and his parents live with him in the same house. Because his parents only receive a very small pension, he has to support them financially. Before the crisis, they all spent more money. With 150,000 Colones (US\$ 300) per month they still have enough money to live on but if they did not live in their own property it would not be enough to pay for living and rent.

In the summer 2008, at the onset of the crisis, the hotel employed 15 gardeners, now 11 remain. However, the workload is the same. Fortunately, his old colleagues found other jobs after a short search period. And Juan is also optimistic. He sees a chance for his old colleagues to come back to work in the hotel this year [2010] when the peak season is expected to start in November.

Juan left college after 6th grade. He never received a formal training as a gardener. He gained his first experience in fincas before he was employed at the hotel. Here, he enjoys the opportunities that are offered to the employees. For example, he as a gardener receives different kinds of training by experts. Apart from that, each employee has the chance to take English lessons. According to him, this is maybe the best insurance against unemployment in Guanacaste.

Source: own interviews with employees in Guanacaste

Textbox 4 – Teresa, 23 years, Cleaner in a Hotel in South Guanacaste

Teresa is – along with 10 other women – responsible for cleaning rooms, villas, the restaurant, and the bar. When she left school almost five years ago, the hotel was urgently looking for cleaning staff and she entered the tourism sector. Teresa lives in a village close by, so she only needs about 30 minutes by bus to get to work. She lives in a family-owned house together with her brother, her uncle and her grandmother. Her brother and her uncle also work, while her grandmother receives a small pension. All in all, they do not have to worry about money.

Nevertheless, the crisis also had an impact on her and her family. The hotel had to close down and Teresa was sent on unpaid leave [permiso de goce sin salario] for three months. She admits that families with children had far more problems in 2009 than her own family. And up to now, Teresa has not lost her job once. However, she knows a number of people who did. Her mother, for instance, who was also a cleaner at a hotel in the region, lost her job during the crisis. She did what according to Teresa many people in Guanacaste do when they lose their job: she tried to establish her own small business. Teresa's mother started sewing clothes for her family, friends, and other people in the community. Another friend of hers also lost her job at the hotel and now stays at home and looks after the children, so her husband became the only wage earner in the household.

Teresa used to earn 207,000 Colones (US\$ 414) per month, recently her salary increased to 215,000 Colones (US\$ 430). She does not have to pay a rent, instead she has a loan from the bank, which she has to pay back every month. She is currently building a house for her grandmother. Teresa likes working in the tourism sector and enjoys her job, specifically the contact to the clients. As soon as the house for her grandmother is finished, she wants to study 'Ecological Tourism' in Nicoya or Santa Cruz in Guanacaste. The manager of the hotel approves of her plans and offered his support, so she will be able to combine both working and studying.

Source: compiled from own interviews with employees in Guanacaste

Textbox 5 – Jang, 30 years, Waiter in an International Chain Hotel

Jang lives in a village close to Playa de Coco, 45 minutes away from the hotel by the employees' bus. He is married and has a seven-year-old son. His wife manages the household and looks after the child.

Jang started working at the hotel without having a formal education as a waiter or a cook. His father used to run a Chinese cuisine restaurant in his village. Jang had not finished college when he started helping his father in the kitchen of the restaurant. That is how he trained to be a cook. When his father retired, Jang decided to start working in another company as a cook, and later as a waiter.

According to Jang, his job and private situation have not been affected too much by the crisis. He experiences the crisis as a time of saving money during the high season and spending less during the critical months when employees were sent on unpaid holidays. With about 200,000 Colones (US\$ 400) per month he usually has enough money for himself and his family. During the critical months they do not go to the movies or out for lunch.

Jang says that he is happy with the solution of part-time work the hotel offered him and his colleges during the critical month instead of getting laid off. He knows a few people in the tourism sector who lost their jobs during the crisis both because of permanent or temporary job reductions. He is also aware that in Guanacaste job opportunities outside the tourism sector are limited. Jang would like to go back to school and study, particularly because he quit college very

early. Unfortunately, he needs the time and money for his family, which is why his aspiration might remain a dream.

Source: compiled from own interviews with employees in Guanacaste

Annex IV – Tanzania Report

Table 63 – Expert Interviews in Tanzania – 2010 preliminary study

Date	Interview-Partner (Name, Position)	Organisation/Institution
13 September 2010	Mr. Philip S. Chitaunga (Tourism Officer), Mr. Josephat S. Msimbano (Tourism Officer)	Ministry of Natural Resources and Tourism
13 September 2010	Mr. Ibrahim Mussa	Ministry of Natural Resources and Tourism
13 September 2010	Mrs. Maria Mmari, (Director Tourism)	Ministry of Natural Resources and Tourism
13 September 2010	Mr. Dr. Aloyce K. Nzuki (Managing Director)	Tanzania Tourist Board (TTB)
14 September 2010	Mr. Ernest K. Ndimbo (Director of Employment)	Ministry of Labour, Employment and Youth Development ; Employment Department
14 September 2010	Mr. Prof. Dr. Issa Shivji	University of Dar es Salaam
14 September 2010	Mr. Paskazi D. Mwiru (Senior Tourism Officer)	Ministry of Natural Resources and Tourism, Statistics Department
15 September 2010	Ms. M. J. Mwaffisi (Permanent Secretary), Mr. Meshak M. Ndaskoi (Director of Gender Development), Mr. Jeremiah Mshimbu (Assistant Director for Community Development)	Ministry of Community Development, Gender and Children
15 September 2010	Mr. Deogratias Malogo (Research & Development Manager)	TTB Dar es Salaam
15 September 2010	Mr. Deogratias Malogo (Research Manager)	National Tourism Board
15 September 2010	Mr. Josaphat Kweka (Senior Economist Poverty Reduction & Economic Management, AFTP2)	World Bank
15 September 2010	Mrs. Dr. Wineaster Anderson (Lecturer), Mrs. Prof. Dr. Lettice Kinunda Rutashobya (Prof. of Business Administration)	University of Dar es Salaam, Business School, Marketing Department
15 September 2010	Mr. Bedason A. Shallanda (Ag. Commissioner Policy Analysis Department)	Ministry of Finance and Economic Affairs
16 September 2010	Mr. Emmanuel M. Achayo (Director of Policy & Planning)	Ministry of Agriculture, Food Security and Cooperative
16 September 2010	Mr. Titus T. Mwisomba (Principal Statistician), Mr. Valerian G. Tesha (Trade, Transport, Tourism and Migration Statistics Manager)	Ministry of Finance and Economic Affairs
16 September 2010	Official representative	Hotel Association of Tanzania (HAT)
16 September 2010	Mrs. Birgit Steck, Senior Tourism Advisor	SNV (Netherlands Development Organization)
17 September 2010	Mr. Ndauka and Mr. Saumu, both Municipal Community Development Officers	Arusha Municipality
17 September 2010	Official representative	Tourism Confederation of Tanzania (TCT)
17 September 2010	Three official representatives	TATO (Tanzania Association of Tour Operators)
17 September 2010	Mr. Johnson M. Manase (Manager Tourism Services)	TANAPA (Tanzania National Parks)
17 September 2010	Andrew (Chef)	Employee
17 September 2010	Thomas (Driver and Guide)	Employee
17 September 2010	Kadiri (Driver and Guide)	Employee
17 September 2010	Kilindi (Security Guard)	Employee
18 September 2010	Christina (Cleaner in a hotel)	Employee

18 September 2010	Mndolwa (Driver for Ministry of Tourism)	Employee
18 September 2010	Official representative	Mt. Meru Arts and Crafts Market
18 September 2010	General Manager	Lodge Meru/Kilimanjaro
19 September 2010	Issa (Waiter in a hotel)	Employee
19 September 2010	Official representative	Cultural Tourist Programme
20 September 2010	Agnes	Centre for Informal Sector
20 September 2010	Representative	Africa Hope Arts Group
20 September 2010	Chrisanta (Supervisor)	Kiwohede
20 September 2010	Gosberth	Orphans Foundation Fund
20 September 2010	Managing Director	Local Hotel 1 (Arusha)
21 September 2010	Board Member	Local Hotel 2 (Arusha)
21 September 2010	Group Operations Manager Tanzania	Local Lodges Group 1 (Arusha)
21 September 2010	Two Coordinators	Cultural Tourism Enterprise
22 September 2010	Mr. Joseph S. Mshana (Manager – Planning and Finance), Mr. Kalembo Simon Joseph (Chief Accountant)	Ngorongoro Conservation Area Authority
22 September 2010	Lodge Manager	NgorongoroLodge 1
22 September 2010	General Manager	Ngorongoro Lodge 2
22 September 2010	Assistant Manager; Lodge Manager	Ngorongoro Lodge 3
23 September 2010	Mrs. Trish Ferguson (Relationship Manager Tanzania), Mr. Crispo Ndembeka (Assistant Program Officer East Africa)	& Beyond (Headquarter TZ, Arusha) // & Beyond Foundation
23 September 2010	Director	Tour Operator (Arusha)
23 September 2010	Group Operations Manager Tanzania; Procurement Coordinator Tanzania	Local Lodges Group 2 (Headquarter Arusha)
23 September 2010	Mrs. Mary P. Lwoga (Cultural Tourism Coordinator)	TTB
29 September 2010	Mrs. Hopolang Phororo (Deputy Director), Mrs. Leoncia N. Salakana (Programme Officer – Education & Skills Training)	International Labour Organization, Area Office for Tanzania, Kenya and Uganda

Note: Interview partners from non-governmental institutions have been kept anonymous for data privacy protection reasons.

Expert interviews Tanzania – 2011 field research

Date	Interviewee (Name, Position)	Organisation/Institution
10 May 2011	General Manager	Thomson Safari, Tour Operator, Arusha
10 May 2011	Driver Guide Group	Employees, Arusha
10 May 2011	General Manager	Bobby Tours, Safari Tour Operator, Arusha
11 May 2011	Manager	Leopard Hotel, Moshi
12 May 2011	Manager/Owner	Trans Kibo Tours, Moshi
12 May 2011	Hotel Manager	Buffalo Hotel, Moshi
12 May 2011	Accountant	Shah Tours, Moshi
13 May 2011	Kilimanjaro Guide Group	Employees, Marangu
13 May 2011	Kilimanjaro Porter & Cook Group	Employees, Marangu
13 May 2011	Kilimanjaro Porter & Cook Group	Employees, Marangu

13 May 2011	Micro Enterprise Owners	Marangu
13 May 2011	Chairman	Kilimanjaro Porter Association Marangu
13 May 2011	Manager/Owner	MEM Tours, Moshi
13 May 2011	Manager/Owner	Bushmen Expeditions, Moshi
14 May 2011	Kilimanjaro Porter & Cook Group	Employees, Marangu
14 May 2011	Kilimanjaro Guide Group	Employees, Marangu
14 May 2011	Kilimanjaro Guide Group	Employees, Marangu
14 May 2011	Kilimanjaro Guide Group	Employees, Marangu
14 May 2011	Manager	Crane Hotel, Moshi
14 May 2011	Hotel Staff	Employees, Moshi
15 May 2011	Coordinator	Mto Wa Mbu Cultural Tourism Programme
15 May 2011	Micro Enterprise Owners	Mto Wa Mbu
15 May 2011	SME Owners	Mto Wa Mbu
16 May 2011	Mr. Asantel W Melita, Principal Tourism Officer	Ngorongoro Conservation Area Authority, Ngorongoro
16 May 2011	Hotel Staff	Employees, Ngorongoro
16 May 2011	Manager	Ngorongoro SOPA Lodge, Ngorongoro
17 May 2011	Asst. Manager	Bourganvillia Lodge, Karatu
17 May 2011	Hotel Staff	Employees, Karatu
17 May 2011	Hotel Staff	Employees, Lake Manyara
17 May 2011	Hotel Staff	Employees, Lake Manyara
17 May 2011	Manager	Serena Lodge, Lake Manyara
18 May 2011	Manager	SOPA Coffee Lodge, Arusha
18 May 2011	Hotel Staff	Employees, Arusha
18 May 2011	Manager	Ranger Safari's, Arusha
18 May 2011	Chief Accountant	Kibo Guides Ltd., Arusha
19 May 2011	Mustapha Akunaay, Executive Secretary	Tanzania Association of Tour Operators, Arusha
19 May 2011	Sirili M. Akko, Executive Officer	Tanzania Association of Tour Operators, Arusha
19 May 2011	Ms. D. F. Massawe, Representative	Ministry of Natural Resources & Tourism, Arusha
19 May 2011	Mr. Johnson M. Manase, Manager Tourism Services	Tanzania National Parks, Arusha
19 May 2011	Micro Enterprise Owners	Arusha
20 May 2011	Manager & Chief Accountant	Impala Hotel, Arusha
20 May 2011	Driver Guide Group	Employees, Arusha
20 May 2011	Driver Guide Group	Employees, Arusha

20 May 2011	Manager	LASI Tours, Arusha
20 May 2011	SME Owners	Arusha
20 May 2011	Mr. Albert Sanga, Vice-Principal	VETA Hotel & Tourism Training Institute, Arusha

Interview passages with employees in the tourism sector in Tanzania

The following three narratives indicate the significant problems and challenges that tourism workers encountered during the economic recession. They present a ‘real-life snap shot’ of the situation ‘on the ground’, illuminating clear personal circumstances and, in some case, additional strategies for economic survival.

Textbox 6 – Dickson, Chef, 25 years old

Dickson was born in Arusha and is from the Waha tribe from Kigoma region in Northwest Tanzania. For the past three months he has been working as a chef at a lodge in Marangu, next to the Kilimanjaro National Park gate in the town of Moshi. He has no wife or children, and is one of the guardians to his younger sister; as his parents died some years ago. Dickson pays for his sister's education at a social science college in the Tanga region. He pays around TZS 600,000 (US\$ 420) tuition fees per year, and his uncle provides for her accommodation and daily expenses. His monthly housing rent is TZS 30,000 (US\$ 20.05) and he spends around TZS 50,000 (US\$ 33.56) each month on his own personal expenses. Dickson worked for a Masai camp based in Arusha town from May 2006 to January 2007. He was the chef at the camp, which provides tourist accommodation and also has a bar, night club, and a restaurant. His monthly salary was TZS 150,000 (US\$ 100.67).

Dickson worked for Karama Lodge in Arusha from January 2007 to June 2008, where his salary was TZS 120,000 (US\$ 84). The management also employed a trainee Kenyan chef. Both Dickson and the trainee were persuaded to accept small incomes on the basis that they were perceived to be trainees. Dickson was also learning hotel management skills. He worked at Unoto Lodge from June 2008 until early September 2008, though soon lost his job due to financial cuts which precipitated as a direct consequence of a downturn in guests. Dickson then decided that he needed to keep himself occupied, and continued to enhance his skills and work-based knowledge. He participated in a hotel management refresher course for two months until November 2008, when he was able to start work as a chef at University of Dodoma. His monthly salary was TZS 250,000 (US\$167.62), but it was only based on a three month temporary contract. He explained:

“I started my business when I bought an oven to bake food. I have employed some youths... well my friends really. I taught them how to bake. Due to lack of equipment I was not able to get by so I had to close it. The recession was very, very tough on me. This is why I originally decided to open up a bakery so that I could generate some income. At the same time, I could also encourage my friends to join me in my business. I wanted to teach my friends how to become self-reliant, and they liked the job and were willing to work with me. The capital for the business was my own but it soon ran out. Tourism work is a very intensive. I would say that tourism is a good sector to work in...it's interesting and you can learn things, but payment is often a problem. I would rather open a restaurant with three tables. But, you know, the situation is still very tough.”

Dickson did not receive any assistance from the government during the difficult times. He indicated that support came largely from his friends. In order to survive and “get by in life” he emphasised that nepotistic structures are essential, claiming that “friendships carry you along.” In periods when he had very little money to buy a meal, Dickson would visit his uncle so he could receive “some food on the table”. He described his current situation “a life filled with borrowing from each other.”

Textbox 7 – Timothy, Tour Guide and Driver, 50 years old

Timothy is from the Mkwya tribe. He lives with his wife and their four children, and also cares for two other children, who are his late brother's siblings. He currently lives in Sakina (Arusha). Timothy enrolled in military service in 1978 when Tanzania went to war against Uganda. After the war he was enlisted as a permanent defence force employee. During his career with the security forces he specialised in communication technology, completing an Advanced Diploma in Communications at the Dar Es salaam Institute of Technology. He retired from the forces in 2001, with the rank of 'staff sergeant'. He then decided to participate in a tourism studies programme at Mount Meru Tourism College and started working in the tourism sector in 2004 as a driver/tour guide for a tour operator. This opportunity was secured through a friend of his who managed another tour company. The prospect to interact with people from foreign destinations and learn different languages, as well as understand and appreciate diverse cultures, was a major reason as to why Timothy wished to work in the tourism sector. Prior to his retirement from the security forces, Timothy would spend time with his brother's close friend, who was a driver/tour guide. This association influenced his decision to work in the tourism sector.

Before the economic crisis, during the peak season from May to August, Timothy could work for about 21 days in a given month, and he would always go on overnight trips. He received a total allowance of TZS 420,000 (US\$ 280) for the 21 days and a salary of TZS 250,000 (US\$ 167) per month. In total this would amount to TSH 670,000 per month. During the low season before the economic crisis from September to December, his work would reduce to 7-10 days a month with allowances declining to TZS 140,000 (US\$ 92.27) to TZS 200,000 (US\$ 131, 82) a month. During the high season before the economic crisis from January to March, Timothy could work for 14 days and was paid overnight allowances worth TZS 280,000 (US\$ 187.13) as well as his monthly salary. He considers his allowances as an added income to his salary, though it is supposed to cover his expenses when he is on a trip. Also, tip giving can help a little. Timothy notes:

"Tipping is not compulsory here. If you are lucky you might get US\$ 50 to US\$ 100 a month, but on average a guest can give you 5-10 US\$ as a token of their appreciation. But we should have a system like in Kenya, tour guides there are very lucky. The government imposed a law that requires all foreign tourists to tip by around 25 US\$ to their driver guides after their services have ended."

When the economic crisis started in 2008 there was no business during the high season. Timothy therefore lost his job in March 2008 at a Safari company based in Arusha and stated: "The company director closed shop because of heavy financial burdens. So I was basically jobless. Life became very tough for me though, considering as well that I have a big family to support. ... I then helped my wife open a small vegetable stall next to our house... because of the needed extra income in the house ... She set up the business in June 2008 and she earns around TZS 80,000 (US\$ 53.51) per month. My wife buys fresh vegetables at the central market in Arusha and then re-sells this produce in our neighbourhood. During the holidays the children go to the market and sell used clothes. I do not like my children doing this but what can I do. I need money to send them to school and thank they understood the situation that I am in and they offered to help me and their mother. Luckily I do not have a second wife to pay for! I thank God... that I had tour guide training and had been involved with the hotel management school. This meant that I could cook, clean and manage a hotel ... I am pleased to say I speak fluent French, English, and a good bit of Spanish as well."

During the recession Timothy worked for a hotel from March 2008 to January 2009, encouraging guests to stay at the hotel. He received a monthly salary of TZS 200,000 (US\$ 134.09). Timothy worked at another hotel in Arusha from May 2009 to May 2010 as a general manager. This was mainly for locals and it was newly opened, so the turnover was very low. He earned only around TZS 150,000 (US\$100.67 US\$), so his income dropped significantly from when he was a driver/tour guide. Whilst working at the two hotels he did not sign any formal contract. Since mid-May 2010 Timothy works as a driver/tour guide for another tour operator, but business has been very slow. He only engages in a total of four weeks work within a four month period. He

does not receive a monthly salary but a daily allowance which depends on when the tours are booked. His daily allowance has been around TZS 15,000 (US\$ 10.06) for a daily trip and TZS 20,000 (US\$ 13.42) for an overnight trip. Therefore, he is dependent on his allowance and tips. He receives a monthly retirement pension from the government of around TZS 115,000 (US\$ 77.10), which helps “very little” but at least acts as a very basic salary.

In order to mitigate the current financial burdens, Timothy intends to plant maize crops in a quarter acre piece of land that he owns. He explained that he has to constantly look for additional ways to increase his income, especially to meet his monthly household expenditure. His major financial commitments each month are TZS 150,000 (US\$ 100.67) for renting the family home, as well as a total of TZS 960,000 (US\$ 643.65) for his children’s school fees, which comprise of three academic terms for three dependent children.

Timothy dreams of owning his own safari car. This would not only give him more independence but it would also allow him to rent this car to the safari companies, up to US\$180 (TZS 267,750) to US\$ 200 (TZS 297,500) to rent a vehicle to a safari company per day. Unfortunately for Timothy, the car would be very expensive, at around US\$ 64,000 (TZS 95,200,000) for a new land cruiser safari vehicle and around US\$ 30,000 (TZS 44,625,000) for a good conditioned used vehicle. He also plans to open a secretarial bureau where his wife can offer printing, faxing, stationary, and computer services.

Source: compiled from own Interviews

Textbox 8 – Kokuhumbya, Front Office Lodge Employee, 32 years old

Kokuhumbya originates from the Haya tribe in Bukoba region of Northern Tanzania. She has been employed in a lodge in the Ngorongoro National Park since 2005 and has had previous training at basic diploma level in hotel management in Arusha. She previously worked for a local tour operator for two years. Although she enjoys working in the tourism sector, especially guest relations, she is deeply concerned with the fact that her wages are too low to adequately contribute to the needs and requirements of her family. Her husband, who is tour driver for a safari company, relies on wages from irregular group bookings. They support three children and two other siblings. She explained her circumstances:

“Personally the crisis affected me a lot because when the government announced basic wage increases for employees in the tourism sector.... around 2008 ..., the hotel increased our salaries to TZS 150,000 (US\$ 100.67). This was the basic minimum approved by the government. My query is the fact that previously we were receiving only a basic salary of TZS 50,000 (US\$ 33.56) a month.... this was before 2008, and also TZS 70,000 (US\$ 46.98) as service charge fee as it was paid equally to all employees. But after the wage increase, the hotel reduced our service charge fee to TZS 20,000 (US\$ 13.42). I find this very unfair because it looks like they reduced our service charge fees to pay for our salaries. They do not have any excuse for this because clients pay service charge fees as usual. I think that the tourism sector, especially the hotel sector, is very hard work and the employers do not value us Tanzanians. That is why they pay us peanuts, while foreigners are paid a lot. During the crisis, we practically closed the hotel temporarily during the peak season (May to September 2008) because we lacked guests.”

It took her over two years before she was able to consolidate a permanent contract with the hotel company, and her wage only increased in 2008 by TZS 10,000 (US\$ 6.71) to TZS 160,000 (US\$ 107.39). She was also concerned that there has been a “negative atmosphere” in the hotel, particularly between low ranking employees and management. ... The company was paying employees less than 40 US\$ a month before the government increased the basic wages for hotel employees. She was concerned that the hotel company in their marketing activities “often boasts itself as property that offers international standards and caters to international guests, but the salaries... do not match this point at all”. She further expressed:

“This year we have seen an increase in hotel guests... from April... I deal with bookings and occupancy information, so I know... But you know, the management announced that they wanted to send some employees on unpaid leave! Some employees protested and asked to resign because they did not see themselves coming back after the leave. There were redundancies from around April to June.”

Kokuhumbya hopes that the hotel will deal more productively with any current and future financial cuts and suggests that the hotel could aim to attract more of the luxury-end tourists.

Source: compiled from own Interviews

Table 64 – Devaluation of the TZS' Exchange Rate compared to the US\$

Date	Exchange rate of 1 US\$ to...
1 st January 2005	1.058,40 TZS
1 st July 2005	1.172,60 TZS
1 st January 2006	1.163,00 TZS
1 st July 2006	1.291,92 TZS
1 st January 2007	1.303,90 TZS
1 st July 2007	1.263,00 TZS
1 st January 2008	1.172,50 TZS
1 st July 2008	1.200,40 TZS
1 st January 2009	1.341,26 TZS
1 st July 2009	1.337,19 TZS
1 st January 2010	1.360,10 TZS
1 st July 2010	1.489,80 TZS
1 st January 2011	1.508,00 TZS

Source: Finance Currency Converter, 10th January 2011

Project Itinerary and Timeline – 2nd phase

The project fieldwork began on the 10th of May 2011 and lasted for 11 days, during which a number of different interviews were held with tourism enterprises (see table below) in both Moshi and Marangu (covering the Mount Kilimanjaro tourism sector) as well as in Arusha, Lake Manyara, Mto Wa Mbu, Karatu and the Ngorongoro Crater (covering the Northern Safari Circuit). A total of 9 tour operators, 9 hotels and 16 small and micro enterprises were surveyed.

Activity Area	Day										
	1	2	3	4	5	6	7	8	9	10	11
Arusha											
Moshi											
Moshi/Marangu											
Marangu/Moshi											
Moshi/Arusha											
Mto Wa Mbu											
Ngorongoro Crater											
Karatu /Lake Manyara											
Arusha											
Arusha											
Arusha											

In addition, focus group interviews were held with different staff groups:

- 6 Hotel Staff Groups
- 4 Kilimanjaro Guide Groups
- 3 Kilimanjaro Porter and Cook Groups
- 3 Driver Guide groups

Tourist Enterprises Surveyed

Location	Tour Operators	Hotels	SMEs & Micro-enterprises
Arusha	5	2	5
Moshi	4	3	
Marangu	-	-	4
Mto Wa Mbu & Lake Manyara	-	2	7
Ngorongoro & Karatu	-	2	-
Total	9	9	16

Source: ODI Surveys

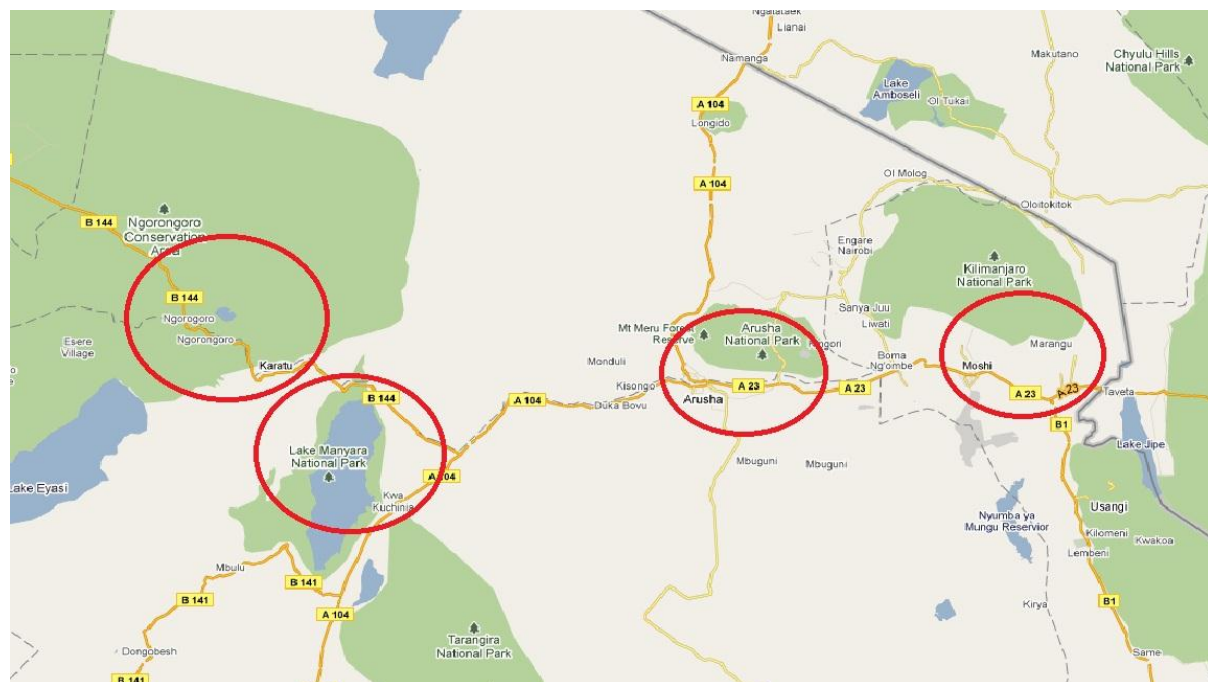
Interviewed Hotels & Tour Operators

Type	Location	Company	Staff Interviewed
Hotel	Moshi	Leopard Hotel	Hotel Manager
Hotel	Moshi	Buffalo Hotel	Hotel Manager
Hotel	Moshi	Crane Hotel	Hotel Manager
Hotel	Arusha	Impala Hotel	Hotel Manager
Hotel	Arusha	SOPA Coffee Lodge	Hotel Manager
Hotel	Lake Manyara	Serena Manyara Lodge	Hotel Manager
Hotel	Karatu	Bourganvillia Hotel	Hotel Manager
Hotel	Ngorongoro Crater	SOPA Ngorongoro	Hotel Manager
Tour Operator	Arusha	Thomson Safaris	Sales Manager

Tour Operator	Arusha	Bobby Tours	Owner
Tour Operator	Arusha	Lasi Tours	Owner
Tour Operator	Arusha	Ranger Safaris	Owner
Tour Operator	Arusha	Kibo Safaris	Chief Accountant
Tour Operator	Moshi	MEM	Owner
Tour Operator	Moshi	Trans Kibo	Owner
Tour Operator	Moshi	Shah Tours	Chief Accountant
Tour Operator	Moshi	Bushmen Safari	Owner

Interviews were also held with representatives from TANAPA, the NCAA, TATO, the MNRT, VETA and the KPA, most of which were held in Arusha (except the NCAA interview and the KPA interview) as these organisations were mostly based there.

Fieldwork research areas in Northern Tanzania



Source: Google Maps