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MARKET SYSTEMS
DEVELOPMENT FOR
DECENT WORK

▶ Accelerating tourism's impact on jobs.

Lessons from market system analysis in seven countries



Tourism is in the midst of a global boom. Travel costs have fallen, disposable incomes in developing economies have jumped with a rising middle class, and social media has driven users to seek and share new travel experiences.¹ Globally, it is already the highest generator of new employment and its role will only grow in importance as rapid growth is expected to continue over the next 10 years.²

Tourism is also increasingly relevant for the poor – sub-Saharan Africa's growth in international tourism now outpaces the global average.³

Beyond this, tourism growth has a broader economic reach. It creates knock-on growth in supporting sectors such as agriculture, construction, manufacturing, retail, handicrafts,

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& Daniela Martinez,
April 2020

¹ Misarhi, Tiffany. *The new travel boom: why your next holiday won't be where you expect*. World Economic Forum. 2017.

² 3.8% pa from 2018-2028, World Travel and Tourism Council (April, 2018).

³ WTO (World Trade Organization). *World trade statistical review 2017*. (2018).

and financial services. One dollar spent in tourism generates 3.2 additional dollars of GDP;⁴ one new tourism job creates an additional 1.5 jobs in the broader economy.⁵

Tourism can be inclusive too. It offers opportunities for women, youth, and other marginalised groups such as migrants, indigenous and tribal peoples. It creates jobs for people of all ages and skill levels and provides opportunities for micro, small and medium enterprises (MSMEs) – enterprises of fewer than ten people employ almost half the workforce.⁶

So where can development projects position themselves to drive the most change? Given the global tourism boom and its inclusive nature, there is a real opportunity for projects to accelerate growth and, in turn, job creation for the marginalised. Development projects can also leverage this growth to address some of the sector's job quality challenges – tourism work is often seasonal, with irregular working hours and informal working arrangements. It is also plagued by high rates of staff leaving the sector to find jobs elsewhere.

To better target future initiatives that can enhance employment impacts, **the Lab** – a knowledge generation project on how the market systems development approach can address decent work – has taken stock of lessons from its work in tourism markets. This brief synthesises the learnings from seven market systems analyses (see Box 1), which shed light on some common themes and challenges from a wide array of tourism contexts. The remainder of the brief is organised into three parts:

- ▶ **Part 1** explores the workers and their challenges;
- ▶ **Part 2** unpacks the common tourism market constraints;
- ▶ **Part 3** identifies key opportunities that can help development projects create more and better jobs.

4 Ibid.

5 *ILO guidelines on decent work and socially responsible tourism*. International Labour Office, Sectoral Policies Department – Geneva: ILO, (2017).

6 Ibid.

Box 1: Learning from a variety of contexts

Since 2015, the Lab has conducted market systems analyses in a variety of contexts – urban and rural; winter and summer; Asian, African and Latin American. The analyses reviewed for this brief include:

Location	Focus
San Cristobal de las Casas, Mexico	Tourism for SME growth
Mozambique	Restaurants and catering
Vietnam	Sustainable tourism for improving competitiveness
Kyrgyzstan	Winter Tourism for employment generation
Shan State, Myanmar	Tourism for SME and employment growth
Tanzania	Hospitality for youth employment
La Paz, Bolivia	Tourism for SME formalisation

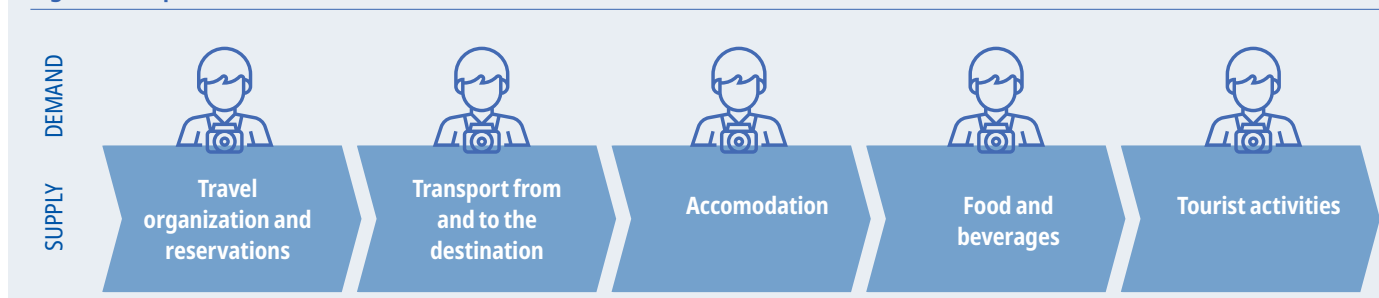


Box 2: What does a tourism value chain look like?

The travel and tourism value chain is quite different to a value chain in a more traditional sector. In traditional value chains, a product moves along various steps, from production to processing to consumption. In tourism, the product is a geographical space (the destination) with the supply being the set of tourism services and attractions – hospitality services, infrastructure, natural resources, and cultural and archaeological attractions – in that destination. The demand – the tourist – organises the experience and uses various services, product sellers, restaurants and hotels.

On the demand side, tourists form different segments: domestic or foreign; independent or tour-based; high-end, medium-end or backpackers. Each segment will pass through the chain differently, from planning the trip, to the types of restaurants and hotels that they visit and the activities that they do. They are targeted differently by marketing and have different expectations on professionalism and quality of service, fragmenting the offer to cater to these various markets.

Figure I: simplified tourism services value chain



Part 1: Who works in tourism and what are their challenges?

Focusing on women and youth

Tourism is driven by a largely young and female workforce – so, what's important to note? For women, despite making up roughly two-thirds of the global workforce⁷, they are over-represented in lower-skilled and lower-paid jobs, such as house-keeping, and have less access to education

⁷ Ibid.

Women represent
two-thirds of the workforce
in the tourism sector.

Half of the tourism
workforce is under 25.

and training. They are paid less too – taking home 20-25% less than their male counterparts with comparable skills in tourism⁸. In Mozambique, women represented less than 30% of the labour force in the higher paid service provision and sales. In Myanmar, management and supervisory positions were historically filled by men, though the distribution of male and female managers is now equalising.

Beyond being a female-dominated sector, the workers are also young. In tourism, the worker age profile is generally lower than most sectors and half of the workers are under the age of 25.⁹

Although tourism attracts youth, it doesn't necessarily mean that the sector is attractive in and of itself, particularly for high-skilled staff. Despite a high demand for tourism jobs, like tour guides and waiters, young people see tourism as a transition job rather than as a promising career as it lacks social and professional recognition. In Myanmar, hoteliers indicated that keeping young, qualified staff was nearly impossible – once they learned English, they were headhunted by higher paying international telecommunications companies. In Mexico, high-end restaurants indicated that waiters sometimes preferred to move to "more professional" administrative or reception posts even if the wages were half as much.

⁸ *International perspectives on women and work in hotels, catering and tourism*, Bureau for Gender Equality Working Paper 1/2013, Sectoral Activities Department Working Paper No. 289, by Professor Thomas Baum, International Labour Office, Sectoral Activities Department. Geneva, ILO, 2013.

⁹ Stacey, J. (2015). *Supporting quality jobs in tourism*. Paris: OECD.



New jobs for the many, but are they good jobs?

The quality of jobs in tourism is comparatively not so bad. Workers generally have decent occupational safety and health (unlike construction) and reasonable incomes (unlike smallscale agriculture). But problems do remain. Jobs are often seasonal, with irregular working hours and in informal companies with limited access to stable contracts or social security.

In San Cristobal de las Casas, Mexico, three out of five workers held a temporary job, part-time job, or had no contract at all. In Peru, three out of four tourism businesses were informal, meaning their workers were informally “contracted” as well. The presence of seasonality, irregularity of working time and informality has real consequences for workers and how they manage their livelihoods (see below figure and Box 3).

Temporary and part-time jobs	Irregular working hours	Informality
Due to the seasonality of the sector, many workers need multiple occupations to support themselves throughout the year	With variable tourism demand, workers have unpredictable shifts and in turn, difficulty in balancing personal life and work.	Informal workforces have limited social security coverage, contract stability and irregular payment of wages - impacting vulnerable workers the most.

Box 3: Working as a tour guide – a snapshot

Meet Thant. Thant works as an adventure guide in Myanmar. He leads tourists on hikes, rock climbing excursions, camping trips and sightseeing trips. Just three years ago, he had more work than he could handle during peak season, sometimes having to call in sick just to have a day's rest. This year, things are different due to a sharp downturn in international tourism. He works just eight or nine days per month and once rainy season comes and the tourists stop arriving, he won't have any work at all. At that time, Thant will head to the farm to grow vegetables, but still isn't sure if he will make enough money to survive for the whole year.

Unpacking job-quality a bit more, it must be said that it is not uniform throughout the sector. Job quality is often correlated to the market spending power of the market segment. Those working for upscale hotels or high-end tour operators are more likely to have formal contracts and earn better wages than those working in local guesthouses or guiding services oriented to budget travellers.



Part 2: Market Constraints: Finding and understanding the common challenges

Before diving straight into solutions on how to create more and better tourism jobs, one must first understand the problems that prevail. Through its review of market systems analyses, the Lab found that just about every market was constrained by **weak sector coordination, poor market information, limited product development** and a **lack of quality skills** – all of which have profound consequences on market growth and job quality. The following sub-sections dive further into each of these common constraints, exploring more about their underlying causes and unique impacts.

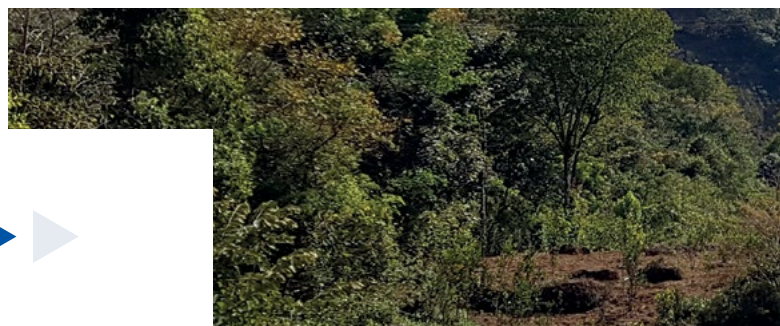
Sector coordination: Too many cooks in the kitchen

Weak sector coordination featured front and centre as a key constraint across most contexts. Without coordination, many fragmented voices advocate for specific individual needs rather than a collective good.

That is, they all fight small, individual, prolonged and often losing battles rather than working together to collectively improve the destination for everyone. A destination with well-coordinated stakeholders could work to align its offer to market demand, enhance its value and then package and promote it in a way that generates more demand. Here destination management organisations (DMO) are often on the frontlines of coordination (see Box 4).

Common constraints in the tourism sector include:

- ▶ weak industry coordination
- ▶ poor market information
- ▶ limited product development
- ▶ lack of quality skills.



Box 4: What is a Destination Management Organisation (DMO)?

A DMO is made up of local tourism stakeholders – businesses, government and civil society. DMOs play an important role in the coordination of a destination by supporting public-private dialogue and aggregating the individual product offers from small businesses into a more coherent destination offer. They can help package, market and sell this offer to attract more tourists and, in turn, generate socio-economic value for hoteliers, restaurateurs, tour operators and their employees and promote the optimal use of environmental resources. DMOs can be set up through private initiatives or through a government or development project push. The membership base can include a wide array of businesses from throughout the sector or can be isolated to, for example, just a few upscale hoteliers.

So if coordination is so important, why don't more destinations have stronger coordination? **Sector associations are often fragmented**, have little power and focus on advocating for the needs of their members. The local hoteliers' association might advocate for lower guest taxes, the restaurateurs for less restrictive alcohol licencing and the tour guides for shorter processing times for guide licences. Each association has big ambitions that can be oriented toward time-consuming, regulatory reforms that are no match for their limited resources.

DMOs lack coordination, structure and dynamism to deliver on their mandate and fail for two key reasons: they **lack resources** and **struggle to provide quality service that aligns to demand**. DMOs are generally poorly funded because it is difficult to pool resources from multiple actors – throughout the private sector and sometimes government – that have competing interests in a resource-competitive environment. DMOs also struggle to provide a quality service because they lack market information and adaptable governance structures. Limited market information means that work plans and targets, resources, and potential innovations are not oriented toward market demand. If a DMO is not oriented properly, it will struggle to generate value for its diverse members, which in turn, limits its operational sustainability.¹⁰

¹⁰ In Kyrgyzstan, 90% of assessed DMOs were dependent on donor support.

Box 5: What does a functioning DMO look like?

The example of the Vietnam's Tourism Advisory Board (TAB) illustrates how a DMO can work. TAB is a public-private partnership established under the Vietnam National Administration of Tourism (VNAT). It focuses its work on marketing, policy, human resource quality and, in its latest mid-term plan, will now attempt to tackle environmental concerns through promoting responsible and sustainable tourism. However, not all is perfect. With a board filled with representatives from large companies, the SME voice and participation is quite limited and as a result, the VNAT's strategy is not oriented to their interests.

Market Information: The root of all problems?

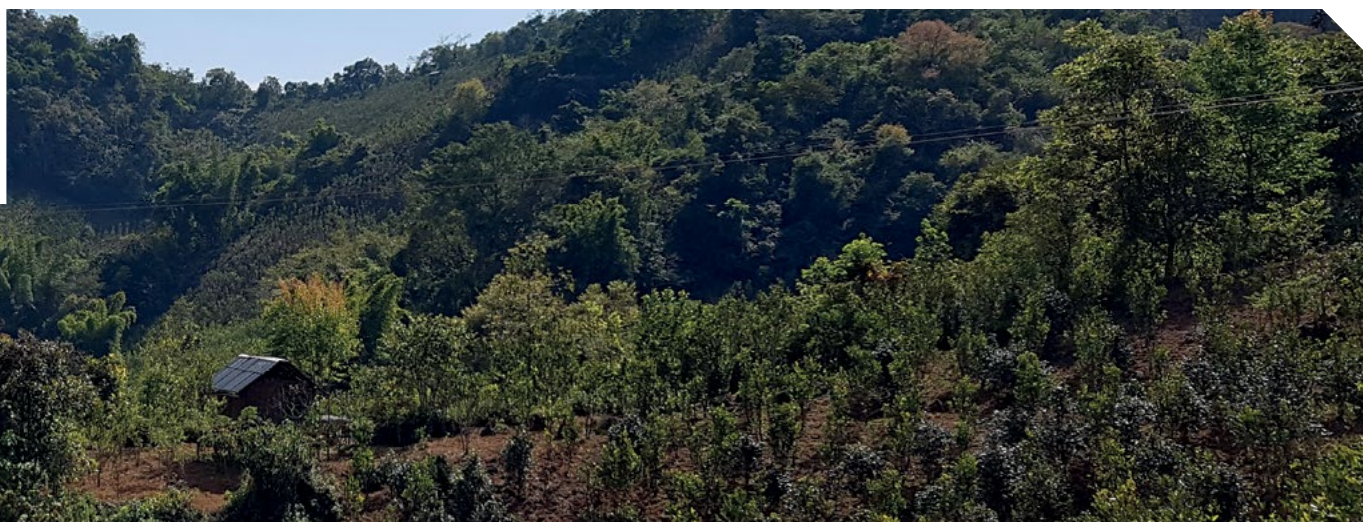
Good market data can arm tourism actors with the knowledge of changing trends and preferences – for both international and local demand – and support businesses to adapt and create new products that are in line with these preferences. Solid market information helps target marketing, which can attract more tourists and keep them at a destination for longer.

Despite its importance, actors across the tourism sector regularly complained about the dearth of quality market information. So why wasn't it being collected (well) in any of the analysed locations? Quite frankly, the **collection responsibility falls through the cracks** – few seem to believe it is a core function of their respective organisations. In Myanmar, the government, private sector associations and private businesses all collected narrow scopes of sporadic data, which was less useful to all than had they pooled resources to collect a more comprehensive picture. In Bolivia, the government collected and synthesised some data, but didn't circulate it into public domain. So, data existed, but no one outside of government knew about it.

Most markets lacked effective systems and expertise to collect reliable and useful data.

In Kyrgyzstan, Bolivia and Myanmar, the national statistics aggregated all foreign arrivals together – lumping the number of backpacker entries alongside those of transnational freight drivers and business travellers – making it impossible to understand tourism arrival trends.

Most tourism markets lacked effective systems and expertise to collect reliable and useful market data.



More in-depth survey data was also limited due to a lack of expertise – government agencies and sector associations didn't have the resources to hire or employ someone to develop and regularly administer, clean and synthesise surveys that could be useful for stakeholders.

Product development: The more things change, the more they remain the same

If you walk through the handicraft market in San Cristobal de las Casas, Mexico, you quickly realise that most stalls sell the same traditional shoes, necklaces, colorful ponchos, toys and sweets at roughly the same price. Poor product diversification regularly persists in many tourism markets – and it is limiting in two distinct ways. First, little product variation increases competition, lowers margins for producers and service providers and ultimately hurts profits. Secondly, the tourist experience feels more limited than it probably is. At Inle Lake, Myanmar, despite having an offer of roughly 20 different activities nearby, local tour sales agents generally offered the same three tours. Consequently, tourists perceived that the destination had little to offer. They did one or two tours, stayed one night and then left, taking their money elsewhere.

Poor market intelligence plays a big role in limited (or nonexistent) product differentiation.

So why is product differentiation so limited? **Poor market intelligence** plays a big role here – it's hard to know what services international tourists like if you have never been outside your country or don't have information to tell you what they want. As a result, businesses sometimes invest in new products that are poorly oriented to market demand and thus don't survive. In San Cristobal de las Casas, Mexico, business owners opened Italian restaurants to meet a growing number of Italian tourists. The problem was, Italian tourists wanted local gastronomic experiences, not Italian food that might not be as tasty as what they could get back home.

Product development also costs time and money and has a perceived risk. Larger tour operators are sometimes the first entrants behind new commercially successful tourism activities. They have R&D budgets, collect their own data on tourist preferences and trends and have time to test the idea.



For a small business, the cost of developing a new activity and the risk of uncertain market uptake outweigh the potential benefits. Good ideas are copied by others too, quickly driving up competition, driving down margins and thus, limiting incentives to innovate. As one tour operator indicated, “create a new idea and in one year it is copied.”

Skills: Struggling to keep up

As is common with rapidly growing sectors, the demand for quality skills often outstrips the market supply. It's no different in tourism, where hoteliers, restaurants and tour operators simply cannot find the necessary skills – at management or entry level – to offer a quality service. Not only does this diminish the experience for the tourist, it also negatively affects his or her perception of the business and in turn, that business' reputation and future business opportunities. Without good skills, business efficiency also suffers and, along with it, profitability.¹¹ One hotelier indicated that he needed to employ two low-skilled staff when one skilled staff would do.

In looking at the analyses, a number of causes were identified as to why poor skills persist across tourism markets.

- ▶ **Public training institutions cannot keep up with sector growth or don't exist in the first place** and governments in fast-growing environments prioritise tourism investment into infrastructure rather than into the supply of skills.¹²
- ▶ **Training curricula are outdated and often load students up with theoretical skills** rather than practical ones. A Bolivian hotelier said that the local university was pumping out tourism graduates, but she had to re-train them all as they had few, if any, practical skills. In Tanzania, a stakeholder indicated that the general private training offer was so useless that it was a waste of students' time and money.
- ▶ **The pay and stability of the position are not attractive** enough for the trained to start a career in tourism. In Kyrgyzstan, tour operators expressed difficulties in



finding trained tour guides, as most youth applied for customer service and administrative jobs.

- ▶ **Staff quickly move out of the sector to better jobs, which creates an uphill battle to replenish staff**, particularly for the most qualified.

11 *Global Talent Trends and Issues for the Travel & Tourism Sector*. World Travel & Tourism Council. (2015)

12 Ibid.



▶ Part 3: Finding the opportunities

Every context is unique and thus, the ways in which challenges should be addressed depend on the context. Despite that, three guiding principles may be useful when thinking about creating more and better jobs in the tourism sector:

- ▶ **Attract more tourists to come and stay longer** to increase sector spending, demand for more jobs and the supporting services outside of it. Growth in tourist arrivals and durations of stay can encourage the emergence of more formal businesses that hire more formal workers. This would improve worker contract stability and social security access. However, not all growth is good and the destination's carrying capacity needs to be considered. If tourism growth could generate over-tourism, work to shift demand into higher value markets or different niches that have sufficient spare carrying capacity.
- ▶ **Attract tourists in non-peak times** to spread-out the demand for services.¹³ This could transform jobs from seasonal to permanent – stabilising income, reducing

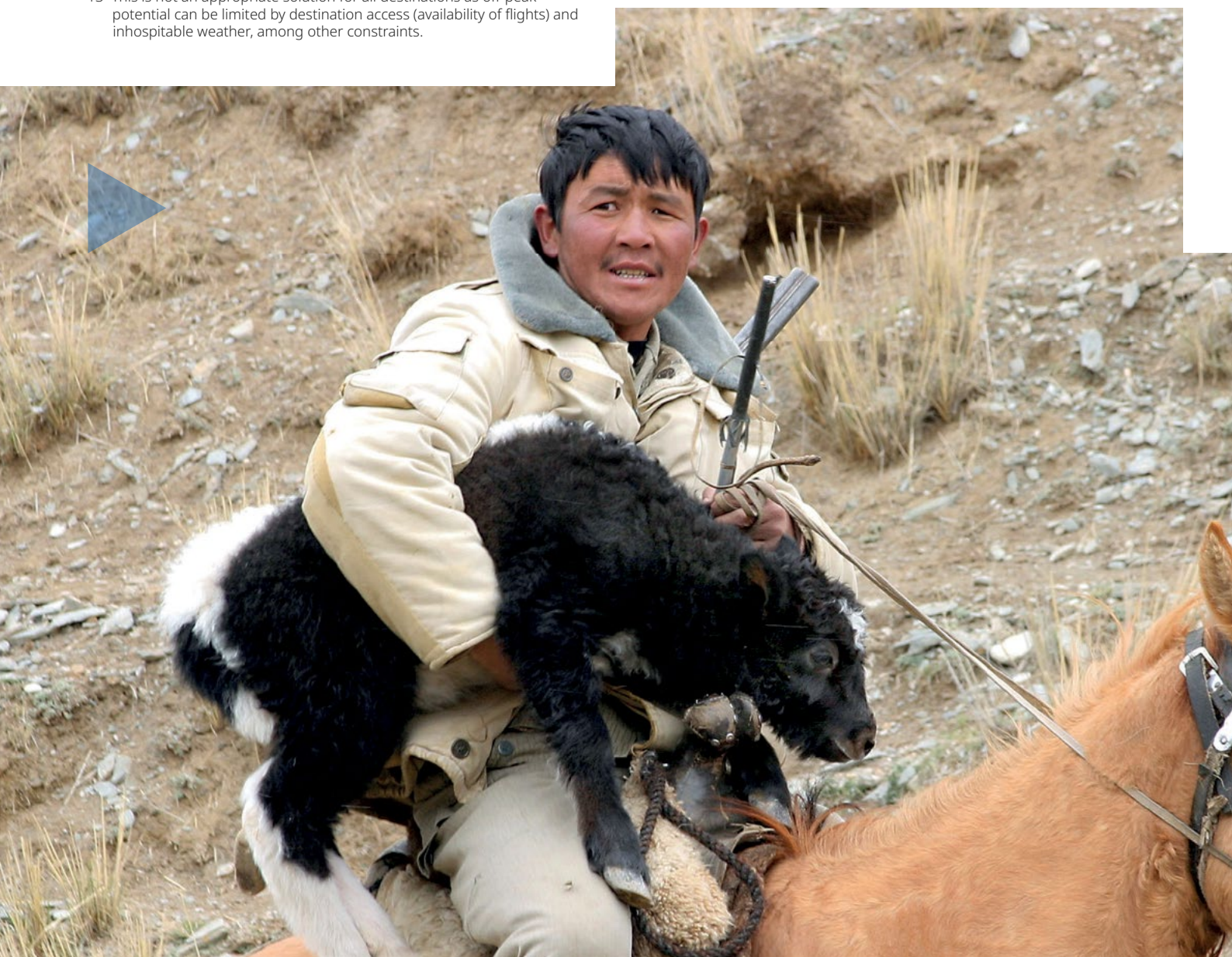
Not all destinations are primed to develop tourism and it's important to be realistic about their potential!

the need to hold multiple jobs throughout the year and increasing formal contracts. Non-peak times can be attractive to lower-spending market segments, which can make the most of discounted, low-season prices on hotels and services.

- ▶ **Protect the destination carrying capacity and environmental sustainability** such that an increase in tourism doesn't diminish the value of the asset itself. Overcrowding can hurt both the experience and the environment at the same time – a cultural heritage site surrounded by thousands of littered plastic bottles or a lake that has been contaminated by untreated hotel run-off aren't necessarily good for business in the short- or long-term.

Lastly, not all destinations are primed to develop tourism and it's important to be realistic about their potential. Some destinations may have little competitive offer vis-à-vis neighbouring destinations. Others may be plagued by external volatility, which may be too big to overcome – drug related conflict (Mexico), political crisis (Bolivia) or mass ethnic expulsion (Myanmar). If the destination's growth potential is limited, implementation won't come easy so it may be best to pivot to another sector with greater potential.

¹³ This is not an appropriate solution for all destinations as off-peak potential can be limited by destination access (availability of flights) and inhospitable weather, among other constraints.





So where are the opportunities? The following sub-sections identify some ways that practitioners can address the common market challenges in the tourism sector.

Develop a basis for collecting better market information

Poor market information is a principal cause of a number of constraints in the sector, so it is important to start here. Without it, sector coordination remains poorly targeted and product innovations continue to miss the mark. Some ways that this function could be improved:

- ▶ **Build on what's already available:** Stakeholders often collect data but it may not be so useful or even shared with other stakeholders. Step one is to see what's already available and open up data exchange between actors. Step two is to work with those already collecting data to see if collection can be reoriented to collect more meaningful data without increasing resource burden.
- ▶ **Demonstrate the value of the information:** As many markets have always lacked market information, the businesses within them may not know how good market

intelligence can serve them. Here, a project could work with a key, overarching player, such as a DMO, to collect user-friendly data that brings value to its members. This should be done with a view toward getting that player to take ownership of the collection process in the medium-term.

- ▶ **Use global and regional trends as proxies:** Trends in better resourced neighbouring countries or similar destinations can be sourced as a proxy for local data. For example, global tour operators reported a significant increase in sales of "sustainable" travel packages and offers such as Community Based Tourism (CBT) and certified 'green' accommodations.¹⁴ Vietnam's national authorities

¹⁴ EuroCham. (2017). *Whitebook 2017, Trade and Investment Issues & Recommendations*, 9th Ed. Hanoi: European Chamber of Commerce in Vietnam.



and tour operators used this data to reform and react to mainstream environmental and inclusive tourism into their respective strategies.

- ▶ **Explore the opportunity for the use cost effective, easy to manage collection methods:** Social media, GPS and google maps – though imperfect – can help small destinations understand trip patterns and trends. Here, projects could work with a DMO or smaller associations to collect and channel meaningful data and information to their members.

Strengthen coordination

The path to enhancing sector coordination is rarely direct and can be particularly bumpy with a diverse range of actors with competing interests. Thus, setting-up or enhancing the functionality of a DMO is no easy task. Many projects have trialled and failed to set up or improve the sustainability of DMOs, so explore this work with caution.

In line with market systems thinking, **the most practical starting place for strengthening the coordination function is to understand the driving factors why a DMO is not serving the sector.** This can help a project understand if the DMO is worth engaging with in the first place and what constraints are most limiting to that DMO. If the challenges are too vast to overcome, it may be worth downsizing expectation to work with smaller business associations, community-based tourism associations, or cooperatives.

If a project decides to support the DMO and that addressing some of the limitations can strengthen sector coordination, a range of factors (see Box 6¹⁵) and support mechanisms should be considered. Lessons from forthcoming Lab research on business membership organisations in market systems projects provides a grounding in what might lead to more effective support. **As a first priority, the project should invest in getting the organisational health to a**

“good enough” level and with **pathway toward long-term financial and operational sustainability.** It can then follow-on to help create membership value and engagement by taking incremental steps to enhance the destination's value, visibility, and coordination. As members benefit from being a part of the organisation, these “excludable benefits” can be used as a demonstration effect to incentivise other businesses to join and contribute to the DMO.

Box 6: Looking to Myanmar for a successful BMO

Many development projects have tried to set-up DMOs, but few have had success that transfers into long-term sustainability. In less than a year, the Kalaw Tourism Organisation (KTO) rose to become one of the more effective DMOs in Myanmar. Here's how they did it:

- ▶ **Political support:** KTO derived a series of benefits from getting a local political representative on board early. If KTO advocates for a night market - it can use political support to make the land available for it.
- ▶ **Diverse membership:** Its 30 members include hoteliers, guides and restaurateurs, which neutralise discussions from getting into one specific business line or another, helping keep the focus on community development that benefits all.
- ▶ **Community:** Most members are from the town of Kalaw and thus have both longstanding personal relationships with other members and an interest to develop the community. Kalaw is of a size that provides a sufficient base of members to drive initiatives but not too many to where it becomes overly bureaucratic or slow.

¹⁵ Contents in Box 5 adapted from [Getting ahead of the curve: finding opportunities in a fast-changing market: A market systems analysis of the tourism sector in Southern Shan State](#). ILO (2019)



Diversify activities and align them to demand

New, interesting products are key to piquing tourist interest in a destination as well as providing them with a reason to stay longer. Projects have a spectrum of tools to stimulate product development for smaller businesses who are looking to get into or strengthen their footing in the game:

- ▶ **Product development should highlight the destination's unique selling proposition.** For example, La Paz, Bolivia is a quick one-night stopover destination before tourists head somewhere else. Foreign tourists say that there isn't much to do and that the city isn't so charming. La Paz is the highest capital city in the world¹⁶ and is surrounded by mountains. However, there is no marketing, brand or offer of activities associated with the highest capital status. The availability of hiking and mountain biking activities in outer La Paz is generally underserved by tour operators or guides. Product development here could highlight the value of the destination and give tourists a reason to spend more time there.
- ▶ **Support small activity-based businesses to modify (or copy) existing products** at different price points and potentially open up activities for different market segments. Here, the project could first demonstrate that demand for existing activity-based businesses exists at different costs and then support willing businesses to develop a business model and marketing plan to take the modified idea to market. Such work minimises the R&D costs with developing a new activity to a new market.

¹⁶ World Atlas (2018). <https://www.worldatlas.com/articles/the-highest-capital-cities-in-the-world.html>



For example, if a tour operator has invested in a successful, high-end cooking class in a fancy classroom setting, the project could test demand for offering a lower-cost "home" cooking class where infrastructure investment is limited.





Final thoughts

In developing countries, tourism is rapidly growing and providing new opportunities for many, including the vulnerable. Although many jobs are being created, development projects have an opportunity to accelerate this job growth and at the same time, improve their quality.

To find the opportunities to create more and better jobs in tourism, projects should first start with a market systems analysis to understand the key challenges and their underlying causes. For tourism, this will likely require **unpacking key supporting functions like sector coordination, market information, product development and skills development** – constraints that limit just about every tourism market. Here, **market information is particularly important**. If enhanced, it can fuel more effective sector coordination, innovative product development and more targeted marketing and promotion – services that will be oriented around hard data rather than intuition or a best guess. **Sector coordination** is also critical, helping develop and highlight a destination's best assets to create more value for the businesses and workers within it.

In developing a strategy to enhance job quality, one should seek to address limiting constraints with a view toward creating more tourism demand – or more tourists, tourists that stay longer, or both. This has potential to generate business growth, which can create more jobs, formalise others and potentially reduce some seasonality. However, while promoting growth, protecting the environment and destination carrying capacity must be kept at the forefront. Promoting tourism growth that compromises either poses significant risks that will diminish rather than enhance the destination's ability to create more and better employment opportunities.



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