

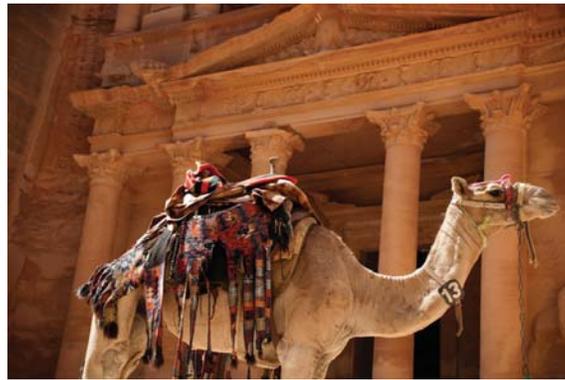
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GLOBALIZATION,  
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EXECUTIVE SUMMARY

# The Tourism Global Value Chain

ECONOMIC UPGRADING AND WORKFORCE DEVELOPMENT



Michelle Christian  
Karina Fernandez-Stark  
Ghada Ahmed  
Gary Gereffi

Contributing CGGC Researchers: Shelli Jo Heil

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## “Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries”

This research project examines workforce development strategies in developing countries in the context of the shifting upgrading dynamics of global value chains. Funded by RTI International and carried out by Duke CGGC, this research addresses policymakers, donors and development practitioners to improve our understanding of how workforce development strategies can enhance the upgrading efforts and competitiveness of developing countries in global industries.

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None of the opinions or comments expressed in this study are endorsed by the companies mentioned or individuals interviewed. Errors of fact or interpretation remain exclusively with the authors.

The authors can be contacted at:

Michelle Christian	<a href="mailto:michelle.christian@duke.edu">michelle.christian@duke.edu</a>
Karina Fernandez-Stark	<a href="mailto:karina.stark@duke.edu">karina.stark@duke.edu</a>
Ghada Ahmed	<a href="mailto:ghada.ahmed@duke.edu">ghada.ahmed@duke.edu</a>
Gary Gereffi	<a href="mailto:ggere@soc.duke.edu">ggere@soc.duke.edu</a>

### Duke University Center on Globalization, Governance and Competitiveness (Duke CGGC)

The Duke University Center on Globalization, Governance & Competitiveness (CGGC) is a center affiliated with the Social Science Research Institute at Duke University. Duke CGGC is a center of excellence in the United States that uses a global value chains methodology to study the effects of globalization in terms of economic, social and environmental upgrading, international competitiveness and innovation in the knowledge economy. Duke CGGC works with a network of researchers and scholars around the world in order to link the global with the local and to understand the effects of globalization on countries, companies and the full range of development stakeholders.

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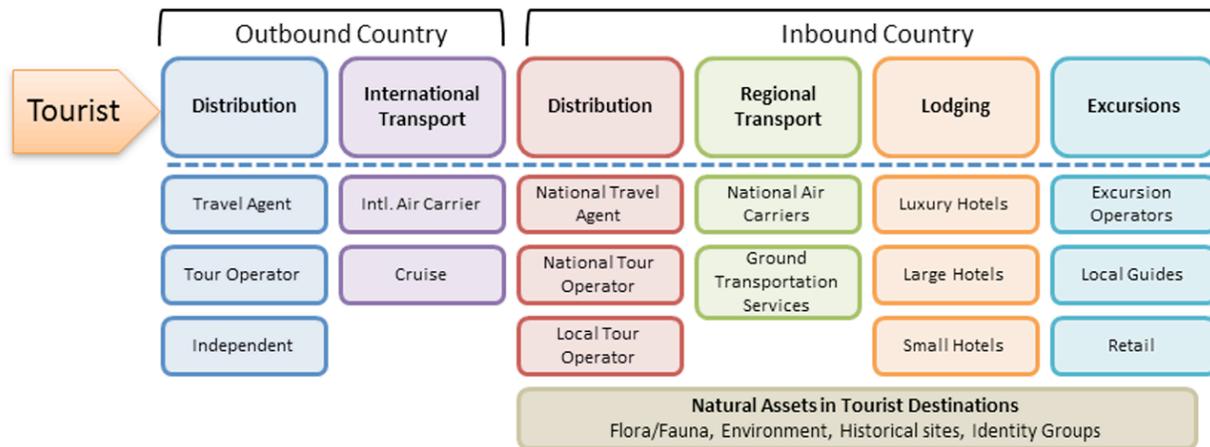


## Executive Summary

Tourism is a labor-intensive field with workers participating in multiple sectors that cumulatively represent the tourism industry. The jobs in tourism demand a range of skill sets from low to high. In 2010, global tourism accounted for more than 235 million jobs (ILO, 2010). Developing countries generally suffer from shortages of a trained local workforce, and local workers commonly hold jobs with low-end skills—groundskeepers, housekeeping, and food service—and less in managerial and other senior positions that are often held by expatriates. Implementing a strong workforce development initiative is an avenue for differentiating between tourism markets, and multilateral institutions and private initiatives are helping developing countries foster the skills needed to meet the demands of international tourists.

This report will use the global value chain (GVC) framework to understand global tourism upgrading themes and how workforce development initiatives are linked to this upgrading process. The tourism GVC follows the tourist’s “footprint”; that is, the series of their interactions with firms and includes the distribution, transport, lodging, and excursion segments. *Figure 1* illustrates the stages of the tourism GVC.

**Figure 1. The Tourism Global Value Chain**



Source: Christian, 2010.

Upgrading can occur simultaneously in multiple segments, and the common forms of upgrading include

- **Entry into the tourism GVC:** a country becomes an international tourist destination.
- **Adding on tourism products:** the destination country diversifies its tourism market.
- **Product upgrading in lodging (and other local services):** hotel firms upgrade their accommodations via expanding beds, luxury scale, or facilities. A country destination can also upgrade hotels by providing more accommodation options with better services.
- **Functional upgrading along the excursion/distribution segments:** a tour operator takes on additional logistic and coordination services for tour packages to the destination and may begin to take tours to regional destinations.
- **Adopting information technology (IT):** tourism firms and destination management organizations adopt web marketing, online purchasing, and social network capabilities.

Three countries were selected for analysis: Costa Rica, Jordan, and Vietnam. These country cases represent varied forms of upgrading in the tourism GVC, and they differ in their range of tourism products, entry into the tourism GVC, distribution channels to the destination, and outbound markets.

## **Main Findings:**

### **Economic Upgrading**

Four upgrading trajectories were highlighted as key drivers of the global tourism industry:

- For the hotel sector, each of the countries studied pursued pro-foreign direct investment policies to attract international four- and five-star hotels. These hotels offer higher levels of luxury and they have strong linkages with global distributors who facilitate access to a broader market. In all three of the country cases, significant upgrading within the hotel segment occurred during the 2000s.
- In the tour operator segment, incoming agents were pushed to upgrade their coordination and destination trip planning by global tour operators. As competition increases, global tour operators seek to offer more trips at competitive prices. This pressure has been pushed down the value chain to incoming agents. In response, firms in both Costa Rica and Vietnam were able to position themselves well in the value chain and serve as regional tour operators in addition to coordinating tours in-country. In Jordan, the Jordan Inbound Tour Operator Association (JITOA) has been active in facilitating upgrading of its tour operators, although they are focused principally on internal rather than regional offerings.

- The IT revolution pushed all three countries to establish a web presence. Marketing boards in each of these countries play an active role in providing platforms that not only promote the destination, but also include functions such as online reservation systems for local hotels and tour operators. In Vietnam, Vietnam National Administration of Tourism (VNAT) created an organization exclusively focused on developing a web presence for the country's tourism sector. This allowed smaller local firms direct access to the market.
- The growing diversity of international tourists with varied tastes and preferences has helped to broaden potential offerings. In Costa Rica, in addition to eco-tourism, the country now offers sun, sand and surf, adventure and community-based tourism; Jordan has expanded its product offerings from cultural and religious tourism to include medical and Meetings, Incentives, Conventions and Exhibitions (MICE) tourism; and Vietnam has had success in offering MICE products in addition to its more well-known cultural tourism offerings.

## **Workforce Development**

The principal workforce development initiatives in the three countries studied supported two of the four aforementioned upgrading trajectories: upgrading of the hotel segment and functional upgrading in the tour operator segment. Efforts to improve language skills across the tourism sector have also been adopted, while soft skills remain a key weakness:

- Hospitality training, including hotel cuisine, food preparation, wait service, housekeeping, and hotel reception training courses, stands out as a consistent workforce development initiative across all countries. Training programs include both short courses (e.g. two to three weeks); longer programs where students lived and worked in a hotel school; or internship programs, where students participate in short courses followed by hands-on practical training in hotels. While these programs have helped to facilitate upgrading in the hotel segment, international hotel chains also provide extensive internal training programs.
- In the tour operator segments, workforce development initiatives were implemented in all three countries, although these programs varied more than for the hotel segment. Jordan stands out among the three cases with a strong focus on the skill development of tour operators. This is considered a professional role and tour operators must hold a university degree; there are 17 universities that offer related degrees. Training courses include events management and destination management certificate programs from a leading U.S. university. Moreover, tour operators had access to a specific training program on business networking skills for the European market.

- More generally, all three countries are strengthening their foreign language abilities, which is one of the most important skills for a good tourism job. Initiatives to promote English and other languages are highlighted in all three cases. In Costa Rica, for example, the Instituto Nacional de Aprendizaje (INA) offered 25,000 scholarships in 2007 for English-language training, while Asociación Costarricense de Profesionales de Turismo provides members with access to Mandarin Chinese, French, and Italian classes as well. In Jordan, the JITOA also offer English-language training for its members.
- Soft skills remain a central workforce development issue for the tourism industry. Professional associations in both Costa Rica and Jordan began offering soft skill development courses for their members in the 2000s. Classes include communication skills, customer service, and time management. Overall, the response from educational institutions to develop these competencies remains weak, even in Vietnam where VTET institutions are well established. Instead, these training schools focus on technical skills required for the industry, including food and beverage services and housekeeping and room preparation.

### **Institutions**

Our three country cases provide distinct examples of institutional frameworks for workforce development: Costa Rica entered the tourism industry with a narrow framework that depended on a single public institution, the INA, to provide training; in Jordan, universities played the central role for education, although with weak direct linkages to the industry; and in Vietnam, a legacy of government control meant that all training for the industry was centralized under VNAT. Until very recently, there was limited response in all three countries from the private sector to workforce development, with the exception of international hotel chains, which implemented their own global internal training programs.

However, the effectiveness of these public sector programs varies widely. There is a lack of qualified instructors and an overemphasis on hospitality training at the expense of other issues, particularly soft skills. For example, INA in Costa Rica teaches the basics, but it has struggled to create a curriculum that matches the industry's needs. VNAT in Vietnam has moved from a reactive to a proactive strategy in human resource development for tourism, but faces challenges in soft skills. Jordan has actively sought assistance from international universities, multilateral agencies, and private associations to build capacity, while Vietnam has created a detailed Human Resource Development plan to outline current deficiencies and strategies for improvement.

Private sector involvement has been more limited with the exception of large international hotel chains, which implement their own extensive training schemes to ensure that their clients receive the level of service they expect. For local firms, on-the-job training is popular for developing staff internally in the

sector; classroom-based training is mostly carried out by industry associations and these courses are often supported by international agencies. In Jordan, for example, although the JITOA is particularly active in driving workforce development, many of its initiatives are facilitated by the United States Agency for International Development. In Costa Rica, the Multilateral Investment Fund–Inter-American Development Bank - and the United Nations Development Program also provided funding for training programs run by industry associations. In Vietnam, even though the two lead firms, Saigon and Hanoi Tourism, have their own internal training program, public sector oversight is prevalent and VNAT designs, develops and evaluates their curriculum.

### **New Global–Local Interactions**

Foreign direct investment in the hotel segment of the tourism value chain has been important for workforce development in all three of the countries by providing them with access to international clients from developed countries.<sup>1</sup> Most global tour operators tend to choose accommodation suppliers in developing countries that are foreign-run or are higher on the luxury scale based on their ability to meet international service standards, while virtual travel agents typically only provide options for foreign-run or large-scale accommodations in developing countries.

This has both direct and indirect effects. It has a direct impact on workforce development in the hotel segment, since these hotels provide their own training programs that meet their global standards. This serves an important role in facilitating the development of international service capabilities and of soft and technical skills in developing countries that meet the expectations of international travelers. However, because upper management continues to be staffed by expatriates, little information on the diffusion of managerial know-how in international brand hotels flows down to local staff in these developing countries.

Foreign-run hotels also have an indirect influence on workforce development within the tour operator segment. All three countries experienced hotel upgrading and tour operator upgrading simultaneously. Thus, the increased flow of international tourists to upscale hotels has a spin-off effect for the tour operator segment in developing countries. These hotels have a more rigorous approach to excursion and tour operator selection, and they require a range of characteristics such as reliability, promptness, and safety. This requires professionalization of the tour operator segments.

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<sup>1</sup> The accommodations on their itineraries are usually selected from among properties that meet international standards.

**Table 1. Upgrading Trajectories in the Tourism Global Value Chain**

	Diagram	Description
<p><b>Entry into the Value Chain</b></p>		<ul style="list-style-type: none"> <li>• Countries become a destination for incoming tourists.</li> <li>• Firms or individuals in another industry shift to tourism.</li> <li>• Firms that catered to domestic tourism add international tourism.</li> </ul>
<p><b>Upgrading within the Tour Operator Segment (Functional Upgrading)</b></p>		<ul style="list-style-type: none"> <li>• Firms move along the tour operator segment.</li> <li>• The lowest segment is as a guide, upgrading to excursion operator, local arranger or national arranger for an incoming agent</li> </ul>
<p><b>Upgrading within the Hotel Segment (Product Upgrading)</b></p>		<ul style="list-style-type: none"> <li>• Countries offer larger and higher quality hotels</li> <li>• Hotel that started as small or budget accommodation upgrades in size and/or luxury.</li> <li>• Local hotel “brand” is created/expanded into a chain or a hotel management company.</li> </ul>
<p><b>Adding Tourism Types (Product Upgrading)</b></p>		<ul style="list-style-type: none"> <li>• Countries expand offerings by developing tourism in different regions or by cultivating a particular tourism product such as “sea, sand, and sun” or “medical” tourism.</li> </ul>
<p><b>Adopting ICT (Process Upgrading)</b></p>		<ul style="list-style-type: none"> <li>• Firms, country marketing boards adopt IT such as website design and computer reservation systems.</li> </ul>

Source: Duke CGGC.

**Table 2. Job Profiles in the Tourism Global Value Chain**

Position	Job Description	Formal Education Requirements	Training/ Experience	Skill level
<b>Distribution</b>				
Local Arranger	Sells and arranges tours in local destinations and acts as a broker between guides, excursion operators, and tourists.	High school diploma/technical education	Management and soft skills	
Travel Agent	Promotes tourism destinations; plans, organizes and sells tour packages and provides general travel information and assistance. Must be licensed/certified.	Certification program, technical education	Technical training	
Tour Operator	Designs, plans, and arranges package tours, negotiates rates with suppliers, and sells travel products. Most are licensed/certified.	Technical certification/ Bachelor's degree for owner	Internships for support staff Management and soft skills.	
<b>Transportation</b>				
Transport drivers	Responsible for transporting tourists to and from airports, hotels, and sites. Most are licensed.	No formal education required, licenses, insurance	On-the-job training	
Airline Agents	Responsible for sales and customer service including tickets, reservations, check-in, missing baggage and cargo shipments.	High school diploma/no formal education	On-the-job training	
Airport/ Airline Maintenance	Responsible for facilities and equipment maintenance, cleanliness, and safety.	Specialized certificates and licenses	Technical training, internships	
Airport Manager	Plans, organizes, directs, controls, and evaluates the operations of facilities. Oversees safety and security systems and procedures. Hires and trains staff.	Business-related Bachelor's degree	Management and technical training	
Pilots	Responsible for air transportation. Requires aeronautics specialties, safety procedures, weather system management, etc. Must be licensed.	Specialized flight schools and licenses, further airline training	Flight hours, specialized courses	
<b>Lodging</b>				
House-keeping	Responsible for cleanliness, room preparations, laundry, inventory, and maintenance.	No formal education required; literacy and numeracy skills	On-the-job training	
Food and beverage	Plans, organizes, and operates hotel room service, bar, restaurants and/ or other food and beverage services.	Technical certificate or diploma program	On-the-job training and internships	
Front Office	Responsible for front desk operations (check in and check out), customer feedback, and customer assistance; and manages reservations and room assignment.	Technical diploma or certificate program	Technical and on-the-job training and internships	
Management	Responsible for hotel operations, budgets, supervising quality standards, hiring and training staff, enforcing hotel policies, and monitoring profitability.	Technical degree /diploma or business/tourism Bachelor's degree	Management and soft skills; on-the-job training	
<b>Excursions</b>				
Retail	Offers tourist products such as artisanal crafts and souvenirs for tourists to buy.	No formal education required	On-the-job training	
Local Guide	Plans excursion itineraries, arranges transportation to site, leads individuals or groups, and advises on safety and emergency measures. Must be licensed/certified	Certificate programs	On-the-job training	
Excursion Operator	Guides activities and provides specific services such as canoeing, rafting, mountain climbing, camel riding, and bicycling. Most are licensed.	Technical certificate programs licenses, insurance	On-the-job training	

Source: Duke CGGC.

Skill Level	Low	Low-Medium	Medium	Medium-High	High
					
	No formal education; experience	Literacy and numeracy skills; experience	Technical education/certification	Technical education/ undergraduate degree	University degree and higher

**Table 3. Workforce Development and Upgrading in the Tourism Global Value Chain**

	Diagram	Workforce Development Implications	
Entry in the Value Chain		Depending on the development level of the country, the workforce takes on low- to mid-skilled positions in all subsectors. Being able to meet international customer services standards is key.	
		<p><b>Skills Preparation</b></p> <p>Short training for low skill positions and formal education for higher level jobs. Emphasis on soft skills</p>	<p><b>Institutions</b></p> <p>Private Sector Government NGO/Multilateral organizations</p>
Upgrading within the Tour Operator Segment (Functional upgrading)		Workers are trained for technical and safety requirements of excursions and guides for incoming agents have training in natural asset knowledge. Incoming agents need marketing and coordination training.	
		<p><b>Skills Preparation</b></p> <p>Formal short training and university degrees for national tour operators</p>	<p><b>Institutions</b></p> <p>Private sector Government Tertiary education institutions</p>
Upgrading within the Hotel Segment (Product Upgrading)		Workers need training in hotel services, back office, and management. There is often a lack of senior management positions, and demand for middle management and hotel services is strong.	
		<p><b>Skills Preparation</b></p> <p>Short training (formal or on-the-job) and university degrees for higher positions</p>	<p><b>Institutions</b></p> <p>Private sector Tertiary education institutions</p>
Adding Tourism Types (Product Upgrading)		Workers need to learn international standards and technical skills and they are trained according to the product.	
		<p><b>Skills Preparation</b></p> <p>Short training, university degree</p>	<p><b>Institutions</b></p> <p>Private sector Government Tertiary education institutions</p>
Adopting IT (Process Upgrading)		Workers need to apply and maintain website design and computer reservation systems.	
		<p><b>Skills Preparation</b></p> <p>Short training, technical degrees, and university degree</p>	<p><b>Institutions</b></p> <p>Private sector Tertiary education institutions</p>

Source: Duke CGGC.