

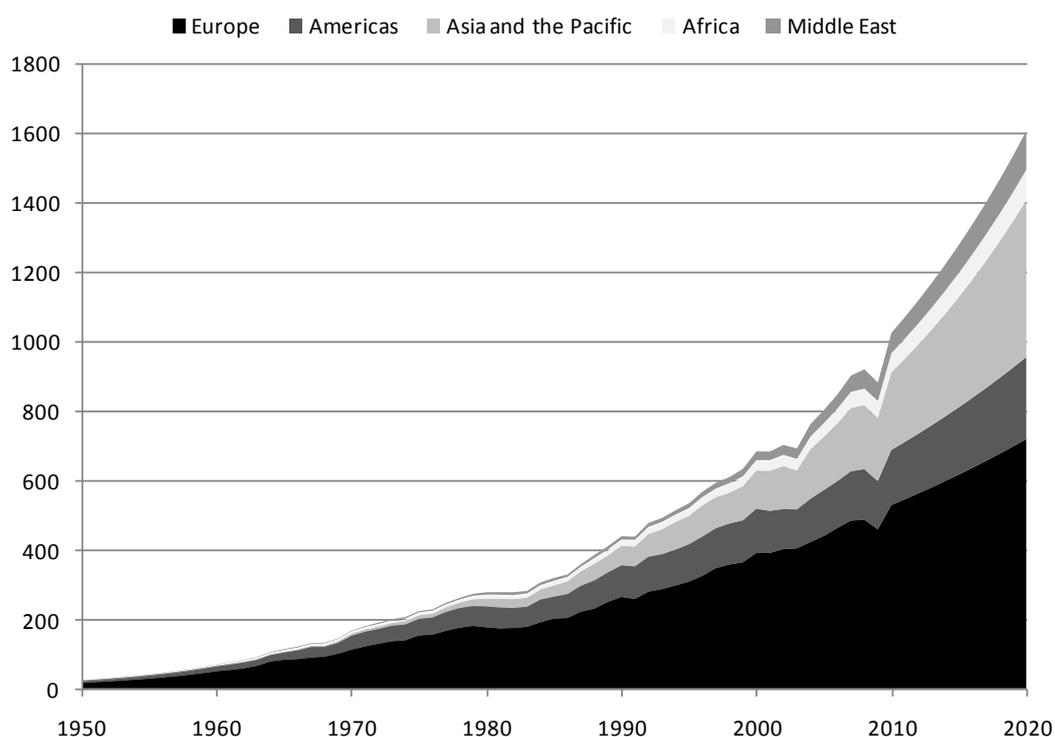
# 1. Structure and characteristics of the sector

## 1.1. The hotel, catering and tourism industry

Compared to other sectors of the global economy, the industry is one of the fastest growing, accounting for more than one third of the total global services trade. International tourist arrivals have grown by 4.3 per cent between 1995 and 2008.<sup>1</sup>

The sector has benefited from the process of globalization and from the constantly falling relative costs of travel. In 1950 the travel industry recorded 25 million international tourist arrivals while there were 277 million in 1980, 438 million in 1990, 684 million in 2000, 904 million in 2007 and 922 million in 2008 (see figure 1). Since 1990, international arrivals have increased by 4.3 per cent annually and the UNWTO expects them to rise by 4 per cent per annum over the next 20 years. During the past 25 years, international tourist arrivals have increased about one percentage point faster than global GDP in real terms. After an increase in 2008 (US\$942 billion), international tourism receipts decreased by 5.7 per cent in real terms to US\$852 billion in 2009.<sup>2</sup>

Figure 1. International tourist arrivals, 1950–2020



Source: UNWTO: *Tourism Highlights*, 2009 edition, p. 11, UNWTO, 2009.

Over the past decade, international tourism arrivals have differed across regions of the world. In emerging regions, international tourist arrivals received by developing countries

<sup>1</sup> UNWTO: *Tourism Highlights*, 2009 edition, p. 11, UNWTO, Madrid, 2009.

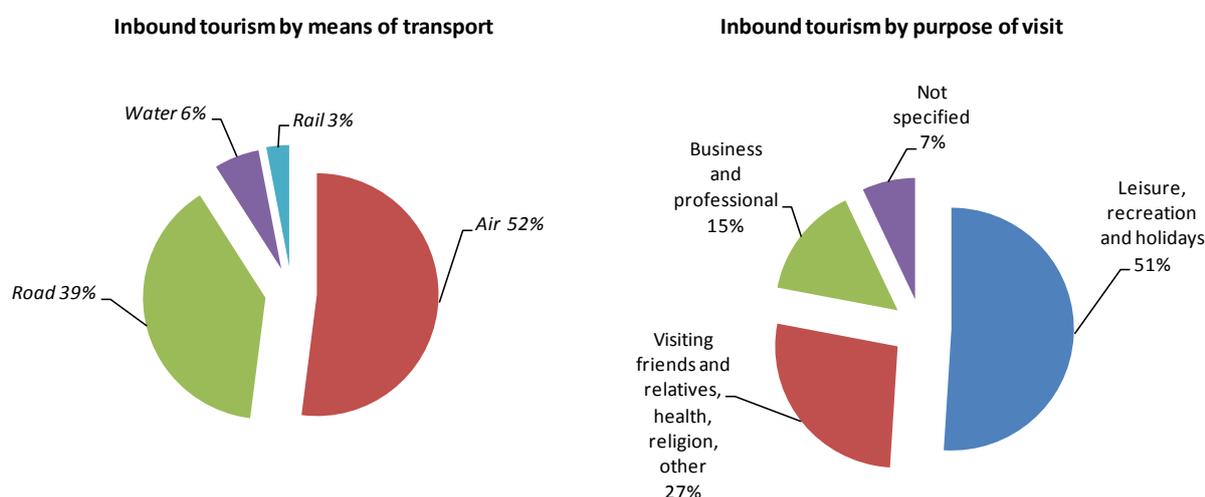
<sup>2</sup> UNWTO: *World Tourism Barometer*, Madrid, June 2010, p. 5.

have continuously risen from 31 per cent in 1990 to 45 per cent in 2008.<sup>3</sup> Asia and the Pacific have seen a significant annual average growth rate of 7.2 per cent, including 21 per cent in Hong Kong (China), 11 per cent in China, and 10 per cent in Japan. North America's arrivals grew by 2.4 per cent, with the United States stagnating at -0.1 per cent. Western Europe had an average growth rate of 2.2 per cent. Although OECD countries saw their international arrivals strongly decline,<sup>4</sup> during the final years of the 1990s, they continued playing a major role in international tourism, which remains the fastest growing element of the sector. In 2008, OECD countries still accounted for 57 per cent of international tourist arrivals and for 67 per cent of corresponding travel receipts.<sup>5</sup>

## 1.2. International tourist arrivals

In recent years, air transport has increased more than surface transport and the expansion of low-cost air travel has greatly altered the industry in many regions.<sup>6</sup> Figure 2 provides statistics to demonstrate the use of various transport methods as well as the visitor objectives characterizing inbound tourism for 2008.

Figure 2. Inbound tourism, 2008<sup>7</sup>



Source: Figure prepared by the ILO based on UNWTO: *Tourism Highlights*, 2009 edition, p. 3, UNWTO, 2009.

<sup>3</sup> UNWTO: *Tourism Highlights*, 2009 edition, p. 2, UNWTO, Madrid, 2009.

<sup>4</sup> Inbound OECD arrivals declined by 1.8 per cent between the third quarter 2007 to 2008 and by 4.3 per cent between the fourth quarters 2007 to 2008. In 2009, there were 12.5 per cent and a 6.5 per cent decline respectively in the first and second quarters 2009; OECD: "Tourism trends in the OECD area and beyond", in *Tourism Trends and Policies 2010*, 2010, p. 7.

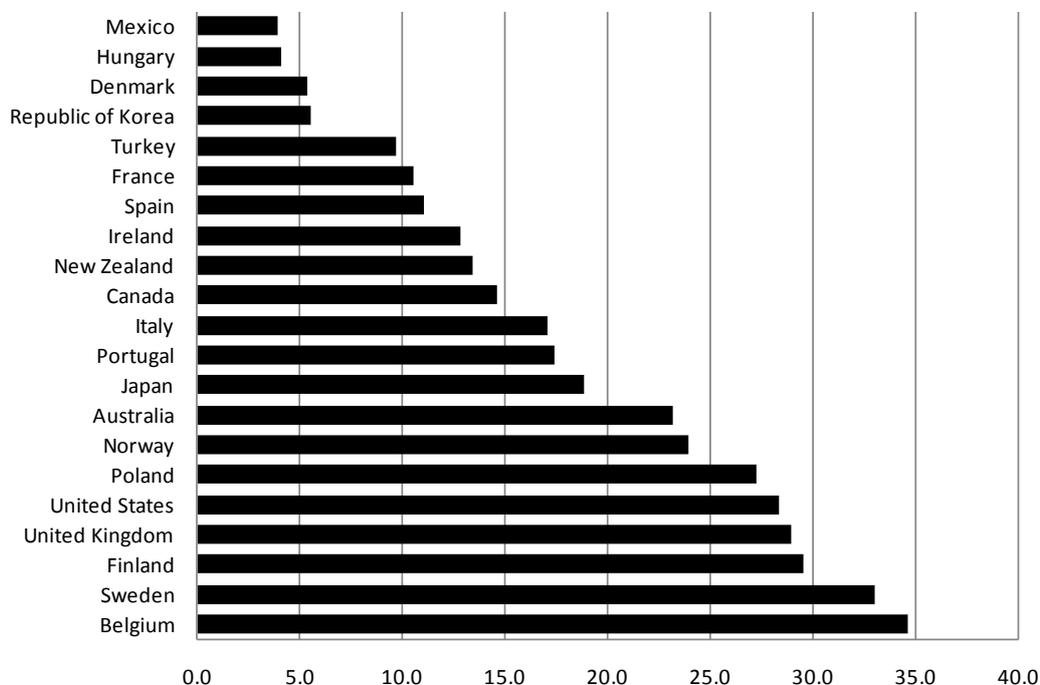
<sup>5</sup> OECD: "Tourism trends in the OECD area and beyond" in *Tourism Trends and Policies 2010*, 2010, p. 7.

<sup>6</sup> WTO: *Tourism Services*, Background note by the secretariat, Geneva, 2009, p. 6; UNWTO: *Tourism Highlights*, UNWTO, Madrid, 2009, p. 3.

<sup>7</sup> Travel by residents within their country is called domestic travel. Inbound travel is travel to a country by non-residents, while outbound tourism refers to travel outside a country by residents.

Although differences do appear between countries, this trend whereby leisure and vacation travel dominate arrivals is relevant in OECD and non-OECD countries, e.g. business travel accounts for one third of arrivals in Belgium and Sweden, but only 4 per cent in Mexico and Hungary<sup>8</sup> (see figure 3).

**Figure 3. Business travel shares, OECD countries, in percentage, 2007**



Source: Figure prepared by the ILO, based on OECD: "Tourism trends in the OECD area and beyond", in *Tourism Policies and Trends 2010*, OECD, 2010, p. 37; Measured in terms of arrivals.

In 2009, the Airplus "Travel management study 2009" noted that business travel declined by 17 per cent. It was reported that more business customers chose to fly economy class: in 2009, 8 per cent of all business journeys by air were in business class compared to 43 per cent in 2001.<sup>9</sup> Further research will be required to ascertain whether this decrease in business travel is a short-term trend of the global economic crisis or if it characterizes a long-term tendency linked to the use of alternative forms of communication including ICT, media/phone conferences or other facilities. It may also reflect wide restructuring within the airline industry which has seen the removal of first and business class by some airlines (or a reduction in capacity) and the growth of the one class, low-cost model for short and medium-haul travel.

### 1.3. A fragmented industry

The tourism industry and particularly the hotel and restaurant subsector is highly diversified in the types of businesses that operate under its auspices. The largest companies include portfolios that contain more than 6,000 hotels each and employ more than 150,000

<sup>8</sup> OECD: "Tourism trends in the OECD area and beyond," in *Tourism Trends and Policies 2010*, 2010, p. 37.

<sup>9</sup> "Hat die Businessclass ausgedient?", in *Neue Züricher Zeitung*, 26 Mar. 2010.

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employees in up to 100 countries. Globally the industry is highly fragmented, with around 20 per cent of the workforce located within multinational enterprises compared to 80 per cent in SMEs.<sup>10</sup>

More than 2.5 million SMEs are estimated to be involved in the European industry.<sup>11</sup> They account for at least 60 per cent of the workforce in the OECD, where 99 per cent of the companies employ fewer than 250 workers. However, the sector in Spain for example is composed of 43.4 per cent of hotel chains with more than 50 employees compared to 56.6 per cent with one to 50 employees.<sup>12</sup>

Unlike the more general European picture, businesses in North America, emerging Asian destinations, Australia, the United Kingdom and some Nordic countries are more strongly influenced by large chains that employ more than 250 people.<sup>13</sup> Large enterprises are active product and service innovators and frequently set trends for the sector. As a result of “branding”, which aims to build brand popularity so that consumers identify with the brand and its particular values, hotels have found that they can avoid risks of ownership while securing a constant stream of revenue by entering into long-term management agreements. They influence the activity of many SMEs, businesses which remain legally independent particularly when workers’ representation is concerned, through franchises or similar arrangements (see also Chapter 3). Branding within the chain sector helps achieve harmony between countries in respect to hotel grading criteria.

The fragmented situation leads to differences in performance and competence. Larger hotel chains have HRD resources including in-house and on-the-job-training whereas SMEs lack the capacity to do so and rely more on the VCT system to meet their training requirements. However, because of the political structure and size of such organizations, it can be a challenge for hotel chains that have adopted broad HR management views to maintain a consistent approach to HR practice and industrial relations including dialogue across regions.

Table 1 shows the ten largest hotel groups in the world, the number of rooms, and their percentage change from 2008 to 2009.

<sup>10</sup> See: *Hotels; catering; tourism and employment*, ILO, *Hotels, Catering and Tourism Sector*. [www.ilo.org/public/english/dialogue/sector/sectors/tourism/emp-hotel.htm](http://www.ilo.org/public/english/dialogue/sector/sectors/tourism/emp-hotel.htm) (accessed 20 Apr. 2010).

<sup>11</sup> See: “Facts and figures about European tourism”, [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm) (accessed 20 Apr. 2010).

<sup>12</sup> Federación Estatal De Hostelería, Comercio y Turismo de Comisiones Obreras: *Relaciones laborales en los establecimientos hoteleros: Los trabajadores y las trabajadoras ante la crisis del modelo laboral y económico hotelero*, Madrid, Mar. 2010, p. 117.

<sup>13</sup> United States, Bureau of Labor Statistics. See: [www.bls.gov/emp/ep\\_table\\_109.htm](http://www.bls.gov/emp/ep_table_109.htm), (accessed 24 Mar. 2010); OECD: “Tourism trends in the OECD area and beyond”, in *Tourism Trends and Policies 2010*, 2010, p. 39.

**Table 1. Top ten hotel groups in the world**

2009	2008	Hotel group	Country	Hotels		Rooms	
				2009	2008	2009	2008
1	1	IHG	GB	4 186	3 949	619 851	585 094
2	2	Wyndham Hotel Group	US	7 043	6 544	592 880	550 576
3	3	Marriott International	US	3 088	2 921	545 705	521 201
4	4	Hilton Hotels	US	3 259	2 967	544 361	498 174
5	5	Accor	FRA	3 984	3 871	479 069	461 698
6	6	Choice	US	5 827	5 570	472 526	452 027
7	7	Best Western	US	4 032	4 035	305 387	308 636
8	8	Starwood Hotels and Resorts	US	942	896	284 800	274 535
9	9	Carlson Hospitality Worldwide/Rezidor	US	1 013	971	151 487	148 551
10	10	Hyatt Hotels Corp.	US	373	720	114 343	138 503

Source: Table prepared by the ILO, based on the top ten hotel groups in the world, MKG Hospitality, 2010, [http://hotel-online.com/News/PR2009\\_2nd/May09\\_HotelRanking.html](http://hotel-online.com/News/PR2009_2nd/May09_HotelRanking.html), [www.hotel-online.com/News/PR2010\\_3rd/Jul10\\_HotelRanking.html](http://www.hotel-online.com/News/PR2010_3rd/Jul10_HotelRanking.html).

For three consecutive years, the world's ten largest hotel companies within the top 300 worldwide have remained consistent. Growth within chains is continuing. InterContinental Hotels Group (IHG) was the largest hotel chain, and in 2009 was managing more than 600,000 rooms and aimed to add 250,000 rooms in the next five years. Wyndham Hotel Group acquired two brands of Global Hyatt – the economy brand Microtel Inns & Suites as well as Hawthorn Suites – which increased the number of managed hotels of the chain by 500 units. Hilton, the fourth largest world hotel chain, added 300 new hotels to the group in 2008. Accor had 17,000 additional rooms.<sup>14</sup> The top 20 hotel brands (see table 2) expect to reach 1.1 million rooms in 8,500 hotels by 2015, accounting for a supply increase of 20 per cent.

**Table 2. Top 20 hotel brands in the world at 1 January 2008**

2008	2007	Hotel brand	Hotel group	Hotels		Rooms change		
				2008	2007	2008	2007	In %
1	1	Best Western	Best Western	4 035	4 164	308 636	315 401	-2.1
2	2	Holiday Inn	IHG	1 382	1 395	256 775	260 470	-1.4
3	4	Comfort Inns & Comfort Suites	Choice International	2 467	2 439	188 596	184 716	2.1
4	3	Marriott Hotels and Resorts	Marriott International	520	537	188 544	190 431	-1
5	5	Hilton Hotels and Resorts	Hilton Hotels	511	498	176 523	172 605	2.3

<sup>14</sup> [www.mkg-group.com/Portals/0/FILES/CP\\_EN/2010/MKG\\_PR\\_Worldwide\\_Hotel\\_Group\\_Ranking.pdf](http://www.mkg-group.com/Portals/0/FILES/CP_EN/2010/MKG_PR_Worldwide_Hotel_Group_Ranking.pdf).

2008	2007	Hotel brand	Hotel group	Hotels		Rooms change		In %
				2008	2007	2008	2007	
6	7	Express by Holiday Inn	IHG	1 808	1 686	156 531	143 582	9
7	6	Days Inn of America	Wyndham Hotel Group	1 883	1 859	153 333	151 438	1.3
8	8	Hampton Inn	Hilton Hotels	1 490	1 392	147 326	138 487	6.4
9	9	Sheraton Hotels & Resorts	Starwood Hotels & Resorts	399	396	138 878	135 859	2.2
10	10	Super 8 Motels	Wyndham Hotel Group	2 081	2 054	128 587	16 175	1.9
11	11	Quality Inns & Hotels	Choice International	1 210	1 128	118 386	112 173	5.5
12	13	Courtyard	Marriott International	767	733	110 780	105 526	5
13	12	Ramada Worldwide	Wyndham Hotel Group	874	871	106 978	105 986	0.9
14	14	Motel 6	Accor	956	928	98 038	95 628	2.5
15	16	Mercure	Accor	756	732	93 827	89 624	4.7
16	15	Hyatt Hotels	Global Hyatt	213	214	92 755	94 224	-1.6
17	17	Radisson Hotels	Carlson Hospitality/Rezidor	397	400	87 410	89 365	-2.2
18	18	Ibis	Accor	769	745	86 486	82 546	4.8
19	19	Crowne Plaza Hotels & Resorts	IHG	300	275	83 661	75 632	10.6
20	20	Novotel	Accor	387	397	69 234	70 373	-1.6

Source: Table prepared by the ILO, based on the top ten hotel groups in the world, MKG Hospitality, 2008, [www.hotel-online.com/News/PR2008\\_2nd/Apr08\\_ChainRanking.html](http://www.hotel-online.com/News/PR2008_2nd/Apr08_ChainRanking.html).

During the global economic crisis, renewed enthusiasm was evident in 2009 compared to 2008 with 170,000 new rooms in North America, 138,000 in Europe and Asia-Pacific managing 98,000 rooms corresponding to an increase of 3.1 per cent, 2.2 per cent and 1.9 per cent, respectively. Both Latin America and the Middle East show a significant growth of 4.8 per cent with 63,600 new rooms in Latin America and of 4.2 per cent with 52,700 new rooms in the Middle East.

The hotel sector is not alone when it comes to growth and the importance of their role as chain operators. Restaurants, particularly coffee shops and the fast food sector have seen major growth in multiple operations worldwide, generally through the franchise format. Chain operations in the restaurant sector are dominated by iconic names in fast food, the majority of which are American in origin (McDonalds, Pizza Hut, Subway, Burger King, Starbucks and KFC among others) which all operate over 10,000 units worldwide. Smaller in number of locations but of equal importance in terms of globalization of food culture are key iconic themed restaurants such as Hard Rock Café (established in the UK), Nando's (South Africa), Planet Hollywood (US) and TGI Friday's (US). All fast food and themed restaurants offer highly standardized products and services with limited variation from location to location across countries and continents. They all use a simplification of the work process so that training requirements are limited and so work can be undertaken by young, part-time, casual employees. In these work environments, workplace organization and processes of social dialogue beyond minimum requirements are quite unusual.

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## 1.4. Employment

Tourism is extremely labour intensive and a significant source of employment. It is among the world's top creators of jobs requiring varying degrees of skills and allows for quick entry into the workforce for youth, women and migrant workers. It accounts for 30 per cent of the world's export services.<sup>15</sup> With regard to the supply chain in the sector, one job in the core HCT industry indirectly generates roughly 1.5 additional jobs in the related economy.<sup>16</sup> In 2010, the sector's global economy will account for more than 235 million jobs, equivalent to about 8 per cent of the overall number of jobs (direct and indirect), or one in every 12.3 jobs.<sup>17</sup> The UNWTO is expecting the sector's global economy to provide 296 million jobs in 2019.

In 2010, the sector as a whole is expected to generate about 9 per cent of the total GDP and directly account for 3.2 per cent of total GDP. Its investment is estimated to be 9.2 per cent of total investments.<sup>18</sup> The industry in the EU itself creates more than 5 per cent of the EU's GDP, with 9.7 million jobs (5.2 per cent of the total workforce). If related services like manufacturing and agriculture that depend on travel demand are also considered, tourism indirectly generates around 10 per cent of the EU's GDP and employs 12 per cent of the workforce. In OECD countries, tourism's share of GDP ranges between 1.9 per cent in Denmark and 10.7 per cent in Spain. With respect to their share in total employment, the variance is between 2 per cent in Denmark and 12.7 per cent in Spain (see figure 4).<sup>19</sup>

<sup>15</sup> See: <http://data.worldbank.org/data-catalog/world-development-indicators/> (accessed 9 July 2010).

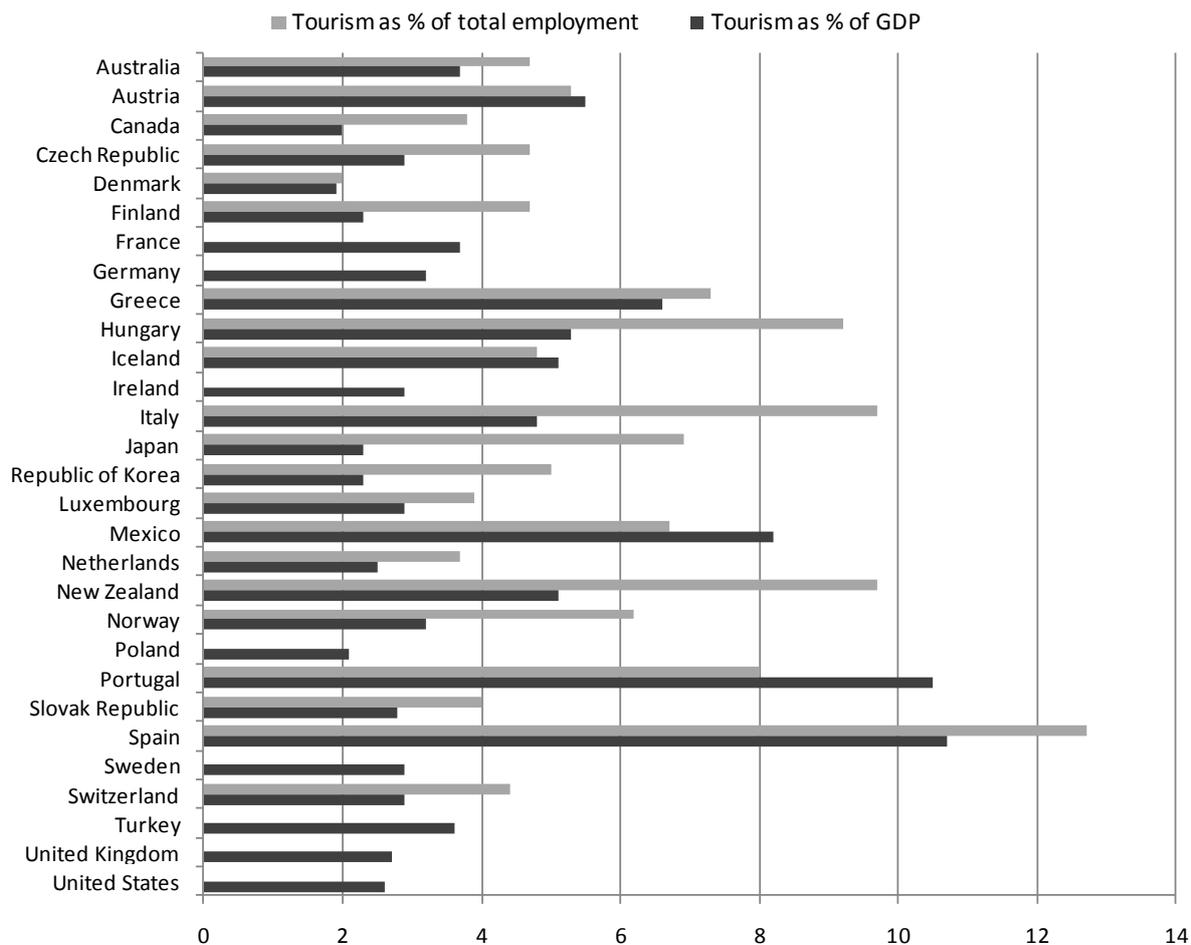
<sup>16</sup> I. Goldin: "The economic case for tourism", UNWTO/South Africa International Summit on Tourism, Sport and Mega-events, 25 February 2010; D. Bolwell, W. Weinz: *Reducing poverty through tourism* (Geneva, ILO, Working Paper No. 266, 2008); [www.ilo.org/public/english/dialogue/sector/sectors/tourism/emp.htm](http://www.ilo.org/public/english/dialogue/sector/sectors/tourism/emp.htm).

<sup>17</sup> See: *Economic impact data ANI forecasts, WTTC, Tourism Research, 2010*. [www.wttc.org/eng/Tourism\\_Research/Tourism\\_Economic\\_Research/](http://www.wttc.org/eng/Tourism_Research/Tourism_Economic_Research/).

<sup>18</sup> *ibid.*

<sup>19</sup> See: [http://ec.europa.eu/enterprise/sectors/tourism/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/tourism/index_en.htm) (accessed 23 Apr. 2010); OECD: "Tourism trends in the OECD area and beyond", in *Tourism Trends and Policies 2010*, 2010, p. 8.

**Figure 4. Tourism in the OECD countries, in percentage, 2009**



Source: Figure prepared by the ILO, based on OECD: "Tourism trends in the OECD area and beyond", in *Tourism Trends and Policies 2010*, 2010, p. 8.

In addition, several non-OECD member countries showed strong growth in international tourism terms in both destinations and originating markets (particularly Brazil, China and India), with rapidly growing tourism economies accounting for a significant share of GDP and total employment (see section 4.3). In the Pacific, tourism contributes greatly to GDP. In Fiji, the sector offered to over 40,000 people and contributed significantly to foreign exchange reserves. In 2005, US\$1 million created about 63 jobs in Fiji.<sup>20</sup> In Egypt, each million dollars invested in hotels creates 18 direct and 12 indirect jobs.<sup>21</sup>

<sup>20</sup> P.K. Narayan et al.: "Tourism and economic growth: A panel data analysis for Pacific Island countries", in *Tourism Economics* 2010, 16(1), pp. 169–183. In 2006, the sector provided 2.1 per cent of GDP in the Solomon Islands; in 2007 it was 6 per cent in Vanuatu and in 2008 it was 3.6 per cent in Samoa and 4.4 per cent in Fiji (ILO: *Green Jobs in the South Pacific: A Preliminary Study*, ILO, 2010).

<sup>21</sup> Egyptian National Competitiveness Council: "Towards a competitive Egypt: Where everybody wins", in *The Egyptian Competitiveness Report*, Cairo, May 2008, p. 85.

In the United States, the accommodation and food service industry employs around 12.5 million people (7.61 per cent of the total workforce). Table 3 offers a recent profile of employment in the industry in the United States and includes estimates for growth from 2008 to 2018. The United States Bureau of Labor Statistics expects the industry to account for 7.42 per cent of employment in 2018 and to grow by 7.3 per cent between 2008 and 2018.

**Table 3. Employment in the accommodation and food services industry, by occupation, and per cent distribution, 2008 and projected change, 2008–18**<sup>22</sup>

Industry	Employment 2008		Employment 2018		Percentage change, 2008–18	Employment change, 2008–18
	Number (thousands)	% occupations	Number (thousands)	% occupations		
<b>Accommodation and food services</b>	<b>11 489.2</b>	<b>7.61</b>	<b>12 327.4</b>	<b>7.42</b>	<b>7.30</b>	<b>838.2</b>
<b><i>Accommodation including hotels and motels</i></b>	<b>1 857.3</b>	<b>1.23</b>	<b>1 956.7</b>	<b>1.18</b>	<b>5.35</b>	<b>99.4</b>
Casino hotels	271.7	0.18	304.9	0.18	12.22	33.2
Hotels (except casino), motels, and all other traveller accommodation	1 531.8	1.01	1 589.6	0.96	3.77	57.8
Recreational vehicle (RV) parks and recreational camps	53.8	0.04	62.2	0.04	15.61	8.4
<b><i>Food services and drinking places</i></b>	<b>9 631.9</b>	<b>6.38</b>	<b>10 370.7</b>	<b>6.24</b>	<b>7.67</b>	<b>738.8</b>
Full-service restaurants	4 598.1	3.05	4 941.5	2.97	7.47	343.4
Limited-service eating places	4 137.3	2.74	4 477.9	2.69	8.23	340.6
Special food services	544.2	0.36	595.2	0.36	9.37	51.0
Drinking places (alcoholic beverages)	352.3	0.23	356.1	0.21	1.08	3.8

Source: Table prepared by the ILO based on: United States, Bureau of Labor Statistics, [www.bls.gov/emp/ep\\_table\\_109.htm](http://www.bls.gov/emp/ep_table_109.htm).

The sector is characterized by diversity, complexity, interlinkage and fragmentation in terms of employment relations. Direct occupations are not the only jobs linked to the sector's activities (e.g. hotels and restaurants employees); there are also many jobs that have indirect relationships with the sector (e.g. taxi drivers, other means of transport, tourist guides, gift shops). These relationships influence the many types of workplace contracts that include full-time, part-time, temporary, casual and seasonal employment and have significant implications for HRD within the sector. The sector often crosses the fluid boundaries between the informal economy and the formal economy, with a number of formal establishments offering black market jobs. Opportunities for street vending in high-traffic areas for tourists generate livelihoods predominantly for women and children in developing countries, in such activities as food stalls, sales of trinkets and artisan crafts.

In contrast to other industries, employment tends to be oriented towards people under 35 years of age, half of which are 25 or under, and a large number of this percentage are

<sup>22</sup> Industries with fewer than 50 jobs, confidential data, or poor quality data are not displayed.

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women. In Spain 43.4 per cent of workers in the sector are aged 25–34.<sup>23</sup> The United States Bureau of Labor Statistics reported a higher number of workers aged between 16 and 20 than those aged 20 and over working in food preparation and service-related occupations.<sup>24</sup> However, this traditional characteristic will face future challenges as the presence of an ageing workforce in regions such as Europe, Japan and North America means that the sector in the future will depend on an older profile of employees – and a higher percentage of migrant workers – with potential impacts on workplace conditions, productivity and brand image (see sections 4.1 and 4.2).

## 1.5. Working conditions

Consumer demand patterns in hotels and restaurants require working conditions that are frequently characterized as unsocial and irregular working hours in the form of split shifts, weekend shifts, nightshifts, or work during holiday periods.<sup>25</sup> These working conditions heighten stress on workers with family responsibilities, particularly women who carry the majority of the care burden for children and the elderly as well as for household chores. Reliance on family members – or private or public services – for childcare becomes crucial for these workers.

The predominance of on-call, casual, temporary, seasonal and part-time employment is related to insecurity, comparatively low pay (frequently below the national average), job instability, limited career opportunity, a high level of subcontracting and outsourcing, and a high turnover rate. All of these vary from country to country. Within the EU, while the overall tendency leans toward more part-time employment in general, there is a broad variation between Portugal with 5 per cent part-time employment, the United Kingdom where 50 per cent are part time and the Netherlands where there are 68 per cent.<sup>26</sup> In Spain only 64 per cent of the workforce is employed throughout the whole year, which is a result of changing seasons at resorts which rely mainly on beach tourism. Subcontracting and outsourcing account for 4.6 per cent of employees in Spain.<sup>27</sup>

It is important to highlight that the sector and its informal components provide a significant number of jobs to workers with little or no formal training and who do not want to enter long-term employment commitments (e.g. students). In addition, the sector provides opportunities for migrants to find jobs (see section 4.2.) as well as for workers who have family responsibilities. Tourism can provide opportunity for those facing significant social and capability disadvantages in a way that is not always offered by other environments.

<sup>23</sup> Federación Estatal de Hostelería, Comercio y Turismo de Comisiones Obreras, 2010, op. cit., p. 187.

<sup>24</sup> See: United States, Bureau of Labor Statistics, [www.bls.gov/emp/ep\\_table\\_109.htm](http://www.bls.gov/emp/ep_table_109.htm) (accessed 24 Mar. 2010).

<sup>25</sup> J. Busquets: *Accommodations and consumption diversification in the sector of tourist accommodations and restaurant industries, and its effects on labour relations*, study commissioned by the ILO, Apr. 2010, pp 19 ff.

<sup>26</sup> See [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Tourism\\_employment](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Tourism_employment).

<sup>27</sup> Federación Estatal de Hostelería, Comercio y Turismo de Comisiones Obreras, 2010, op. cit., pp. 139, 187.

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However, informal employment – especially in small enterprises – can also facilitate negative components such as child labour and gender inequality. For instance, in Fiji informality involves a lack of social protection and safety networks, and may be linked to the growth of its prostitution activity and commercial sexual exploitation of children.<sup>28</sup>

Around the world, between 13 and 19 million people aged under 18 work in an occupation linked to tourism. They represent some 10–15 per cent of the tourism workforce. Both girls and boys work behind the scenes in tourist accommodation, providing food and beverages (especially in informal street settings), supporting recreational activities (caddying, carrying purchases), or producing and selling trinkets and souvenirs. Many work long hours in poor or dangerous working conditions. It is estimated that 2 million children in the world are victims of commercial sexual exploitation, much of it linked to entertainment and tourism. Much has been done to highlight the practices of sex tourism, particularly in regard to violation of the rights of girls. In India, for instance, the Schedule of the Child Labour (Prohibition and Regulation) Act, 1986, prohibits the employment of children in roadside restaurants, hotels and tea shops.<sup>29</sup>

A divergence between qualifications and workplace reality is observable for women, who make up between 60 and 70 per cent of the labour force. Unskilled or semi-skilled women tend to work in the most vulnerable jobs, where they are more likely to experience poor working conditions, inequality of opportunity and treatment, violence, exploitation, stress and sexual harassment. They also suffer segregation in terms of access to education and training. Women are on average paid 25 per cent less in the sector than male workers for comparable skills.<sup>30</sup> In Spain, female workers earn 76.52 per cent of the average monthly salary of male workers. Also, workers under 35 years of age earn 75.1 per cent of the average monthly salary of those 35 years of age and over.<sup>31</sup> In some countries measures are being taken to combat discriminatory practices based on sex. For example, in 2005 to 2008, the ILO Office in Portugal provided support to an EQUAL project called Revalorize Work to Promote Gender Equality in Portugal.<sup>32</sup>

One benefit of part-time or of informal work is the flexibility it can give to women who may be required to spend more time working in the home (with family or care responsibilities). This is particularly beneficial in some developed countries where part-time work is voluntary. There are other circumstances in which part-time work in the sector is involuntary and provides the only jobs available, whether workers wish to work full time or not. Figure 5 shows the sectoral distribution of employment in the EU27, in which it is noticeable that part-time work in hotels and restaurants is more prevalent than in any other sector.

<sup>28</sup> ILO: *Green jobs in the South Pacific: A preliminary study*, ILO, 2010.

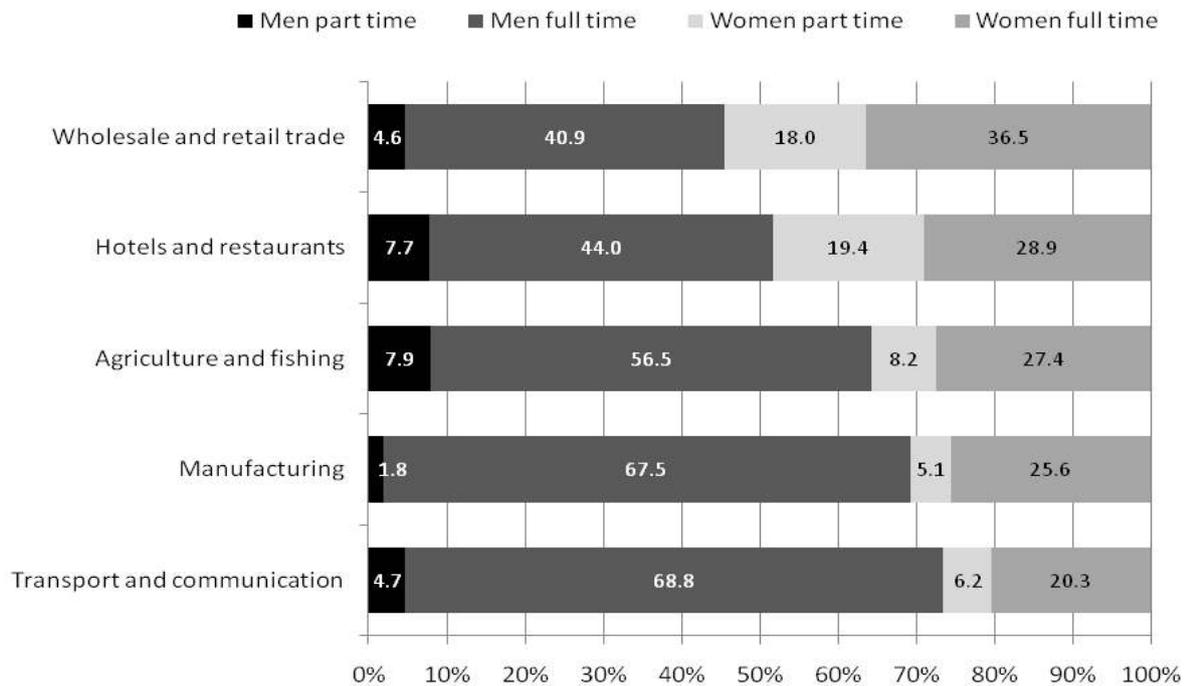
<sup>29</sup> ILO: *Gender equality at the heart of decent work*, 98th Session of the International Labour Conference, 2009, Report VI, pp. 67–68.

<sup>30</sup> ILO Sectoral Activities Department: *Issues Brief: Gender* (Geneva) [www.ilo.org/public/english/dialogue/sector/papers/tourism/gender.pdf](http://www.ilo.org/public/english/dialogue/sector/papers/tourism/gender.pdf) (accessed 24 Mar. 2010).

<sup>31</sup> Federación Estatal de Hostelería, Comercio y Turismo de Comisiones Obreras, 2010, op. cit., p. 155.

<sup>32</sup> See: [www.ilo.org/public/portugue/region/eurpro/lisbon/html/portugal\\_equal\\_pt.htm](http://www.ilo.org/public/portugue/region/eurpro/lisbon/html/portugal_equal_pt.htm), (accessed 24 Mar. 2010).

**Figure 5. Sectoral distribution of employment, by sex and part-time/full-time status, EU27**



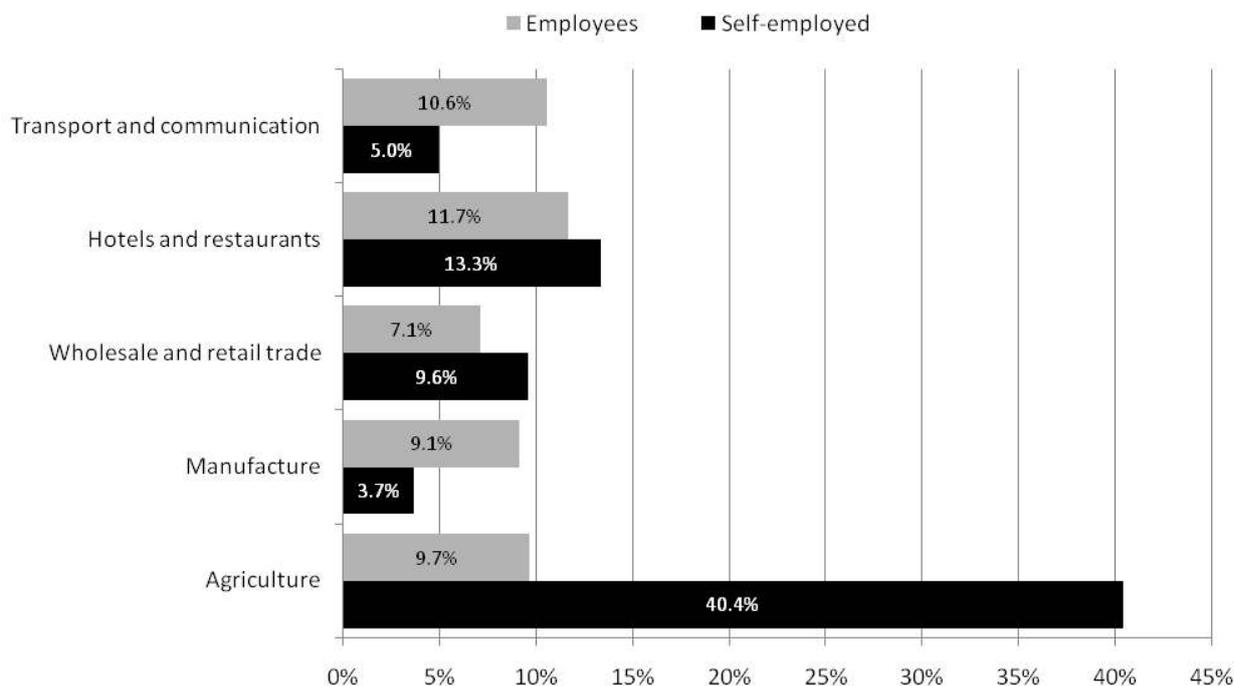
Source: Figure prepared by the ILO, based on Eurofound: *Fourth European Working Conditions Survey*, p. 12.

Ethnic and cultural minority groups also tend to be numerically overrepresented in the tourism workforce, particularly in developed regions like Australasia, Europe and North America. Such minority groups are able to gain employment in occupations that require low skills level or can obtain jobs within the informal sector; something that may not be possible in other sectors of the economy. On a negative note, there are instances of institutionalized discrimination within the tourism sector that tend to work against ethnic minority groups reaching advanced positions within the industry. This is clearly illustrated in the case of the hotel sector in Hawaii<sup>33</sup> but is also evident in countries which depend heavily on unskilled, temporarily expatriate workers in the sector.

Working hours are generally high for a sector with atypical working hours. Figure 6 shows that in the EU27, more than 10 per cent of people work as self-employees or as employees over 48 hours per week.

<sup>33</sup> P.A. Adler and P. Adler (2004): *Paradise labourers. Hotel work in the global economy*, Ithaca, Cornell University Press.

**Figure 6. Long working hours, by sector, EU27** <sup>34</sup>



Source: Figure prepared by the ILO, based on: Eurofound, *Fourth European Working Conditions Survey*, p. 19.

A study in the Netherlands reports that about 70 per cent of all hospitality graduates leave the industry within six years of graduation. <sup>35</sup> While the sector has a turnover rate of 60 per cent for line-level workers in the Netherlands, it is reported that 25 per cent are for managerial positions. Labour turnover varies greatly from country to country, but in developed economies it tends to be significantly higher in relation to other sectors. In developing countries, workplace turnover is strikingly low and the industry is characterized by greater employment stability. <sup>36</sup>

Turnover can lead to a number of negative outcomes including decline in the quality of work and worker loyalty as well as in generating considerable costs to employers in terms of loss of skills and sunk costs in training. The costs that contribute to the expense of replacing a worker mainly emerge from pre-departures, recruitment, selection, orientation and training as well as lost productivity which represents the largest share of total costs (up to 70 per cent) and is caused by the inexperience of new employees. Based on data from 33 properties located in the United States from comparatively low-complexity jobs, turnover costs were about US\$5,700 compared to US\$10,000 for high-complexity jobs. <sup>37</sup>

<sup>34</sup> The reference for long working hours is more than 48 hours per week.

<sup>35</sup> B. Blomme, A. Van Rheede, D. Tromp: “The hospitality industry: An attractive employer? An exploration of students’ and industry workers’ perceptions of the hospitality as a career field”, in *Journal of hospitality and tourism education* (Washington, DC, Council on Hotel, Restaurant and Institutional Education), Vol. 21, No. 2, 2009, p. 6.

<sup>36</sup> B. Tracey, T.R. Hinkin: “The costs of employee turnover: When the devil is in the details”, in *The Center for Hospitality Research*, Cornell University, Dec. 2006.

<sup>37</sup> *ibid.*

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The Marriott Corporation reported that a 1 per cent increase in employee turnover would cost the company between US\$5 and 15 million per annum.<sup>38</sup>

It is widely accepted that high labour fluctuation, business expenses, and lack of skilled workers are avoidable consequences that affect the tourism sector's competitiveness, productivity and service quality and make recruiting and retaining employees more expensive. Successful engagement with employees enhances their level of trust and motivation. It can encourage training and skills development and reduce turnover. By implementing fair policies and procedures that are aimed to attract, develop and retain quality employees, turnover may decrease.

## 1.6. Social dialogue

The sector thrives in an environment where management–labour relations in the workplace are essential to providing quality service. These relationships can be developed through the effective use of social dialogue which is fundamental for decent and productive work through the preservation of equality, freedom of association, security and human dignity. Social dialogue plays a key role in helping low-skilled workers with limited industrial experience adapt to their new workplace. It also helps hotels and restaurants face sector-linked challenges such as: shift work regulation, OSH, job classification, payment and wages including tips and service charges, skills development, gender equality, youth employment, migrant labour and child labour.

Workers have expressed concern that the sector's enterprises are not sufficiently engaged in social dialogue and instead have limited communication between management and the workforce, weak representation of workers and low union density. This may be due to the fragmented structure within the sector as well as a high proportion of ever-changing young and otherwise marginalized workers who are unaware of their rights. The low level of women's participation in workers' organizations, with even fewer women at higher levels of representation, often puts them in a weaker bargaining position. Gender issues, such as workplace safety, including workplace violence, are often insufficiently addressed. The sector's predominance of SMEs in some regions, the use of short-term or seasonal employment, and the subcontracting of activities to other sectors hinders unionization and the ability to develop management–employee relations.

One regional level example of strengthening social dialogue is the EU Directive 94/45/EC establishing the European Works Council (EWC). These councils aim to bring worker representatives from EU multinational companies together to discuss and respond to information provided by management about the main issues in their respective companies. The directive applies to companies that have at least 150 employees per establishment in each of at least two countries and have at least 1,000 employees total within the EU. As of April 2010, there were 15 EWCs established in hotel, restaurant and catering establishments including: Accor, Aramark, Autogrill, Club Méditerranée, Compass Group, Elior, Hilton, InterContinental, LSG SkyChefs, McDonald's, Rezidor, Scandic Hotels AB, Sodexo, SSP and Starwood/Sheraton.<sup>39</sup>

<sup>38</sup> J. Boardman and C. Barbato: *Review of socially responsible HR and labour relations practice in international hotel chains*, Sectoral Activities Department, (Working Paper No. 267, 2008, Geneva, ILO).

<sup>39</sup> EFFAT: [www.effat.eu/files/e201403909e45c3841f4c906e1aa0fd4\\_1212665926.pdf](http://www.effat.eu/files/e201403909e45c3841f4c906e1aa0fd4_1212665926.pdf).

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## 1.7. Economic development, poverty reduction and foreign direct investment (FDI)

Hotels and restaurants provide numerous opportunities to reduce poverty in many parts of the world. In 2007 alone, hotels and restaurants within developing countries generated profits of more than US\$260 billion.<sup>40</sup> In 46 of the 49 least developed countries (LDCs), the HCT sector was one of the leading sources of foreign exports and, in 2006, their share of travel exports totalled 53 per cent of service exports.<sup>41</sup>

Even though tourism creates jobs and contributes significantly to economic growth, it is not automatically a solution for poverty reduction. Therefore, it is important for local investors to actively participate in tourism and its related activities. The local workforce can also help by engaging in and encouraging the use of local companies for the provision of transport, services and food in order to assist in alleviating local poverty. While many small-scale projects have been developed to combine tourism with poverty reduction, on a large scale this requires the implementation of effective national poverty reduction strategy plans (PRSPs).

As illustrated in the T20 joint communiqué<sup>42</sup> (Appendix II), the importance for the sector to alleviate poverty and facilitate development in less developed and emerging economies has been recognized. An increasing number of countries have acknowledged the MDGs and have made tourism a priority in their national development policies and measures. In addition to poverty reduction, the creation of employment opportunities in the tourism sector for ethnic minorities has also become a major focus (see the emphasis placed on this by the Lao People's Democratic Republic in their HRD strategy for tourism).<sup>43</sup>

Tourism accounts for about 1 per cent of the total outward FDI received by larger recipient countries and have an even lower percentage of inward FDI from larger host countries. This figure however does not include other tourism-related sectors like construction, transport and business activities. Thus, tourism-related FDI is mostly concentrated in developed countries. However, the United Nations reported that FDI has been growing in developing countries providing one third of tourism FDI inflow.<sup>44</sup>

<sup>40</sup> UNWTO: Preliminary estimates for 2007, Madrid, 2008.

<sup>41</sup> WTO: *Market Access for Products and Services of Export Interest to Least Developed Countries*, 21 February 2008, p. 17; Bolwell and Weinz, 2008, op. cit; International tourism is crucial for small developing countries like Samoa, where it accounts for about 80 per cent of total goods and services exports, 70 per cent for the Maldives, 56 per cent for Sao Tome and Principe, and 43 per cent for Vanuatu: UNWTO: *Tourism and Least Developed Countries: A Sustainable Opportunity to Reduce Poverty*, UNWTO, Madrid, 2006, p. 7.

<sup>42</sup> The T20 Ministers' Meeting is a member driven initiative, acting as a forum for the growth and development of sustainable tourism by promoting dialogue and the exchange of knowledge and best practices amongst the T20 economies. T20 Ministers' Meeting, Johannesburg, South Africa, February 2010, [www.unwto.org/pdf/T20\\_official.pdf](http://www.unwto.org/pdf/T20_official.pdf).

<sup>43</sup> Government of Lao People's Democratic Republic: *A Human Resource Development Strategy for Tourism in Lao People's Democratic Republic, 2010–2020*, Vientiane: Government of the Lao People's Democratic Republic. 2009.

<sup>44</sup> UNCTAD: *FDI in Tourism: The Development Dimension*, UNCTAD current studies on FDI and development No. 4, New York and Geneva, 2007, p. 42. Apart from long-standing investors from Arab countries, new potential sources of outward tourism FDI have been identified in China, India,

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Between 2002 and 2005, 21 per cent of mergers and acquisitions related to world tourism took place in developing countries, which account for around 70 per cent of all tourism-related “greenfield” investments. But in order to obtain the benefits of FDI, an enhanced legislative framework is essential to obtain higher net value from tourism host locations and to increase local product distribution.

A further benefit can arise from the potential “dual nature” of most infrastructure investments. Mega events such as the FIFA Football World Cup, the European Football Championships, the Olympic Games, tennis, golf, etc.; film and music festivals, and international expos may lead to the expansion of tourism infrastructure.<sup>45</sup> Airports can be built or upgraded to accommodate visitor arrivals due to these mega events, and they can also provide opportunities to export products via air freight. Other examples of “dual-nature” infrastructure include: transport, ports, water supply, power generation, medical care and telecommunication. Made in rural areas to support tourism development, these investments could benefit local communities. Careful consideration of the benefits provided by dual-use infrastructure is essential when planning development under national development policies and creating new policies. The meetings, incentives, conferences, exhibitions (MICE) industry also facilitates tourism and generates millions of dollars in revenue for cities, countries and the sector.<sup>46</sup>

Jamaica, Malaysia, Mauritius, Singapore and South Africa (WTO: *Tourism Services*, Background note by the secretariat, 2009).

<sup>45</sup> G. Clark, OECD: *Local Development Benefits from Staging Global Events*, OECD 2008.

<sup>46</sup> *Travel Daily News*, Special Feature: “MICE Industry Trends&Markets”, 16 Oct. 2006, see: [www.traveldailynews.com/makeof.asp?central\\_id=1272&permanent\\_id=17](http://www.traveldailynews.com/makeof.asp?central_id=1272&permanent_id=17) (accessed 24 May 2010).