

Approach Note on Hotel & Tourism

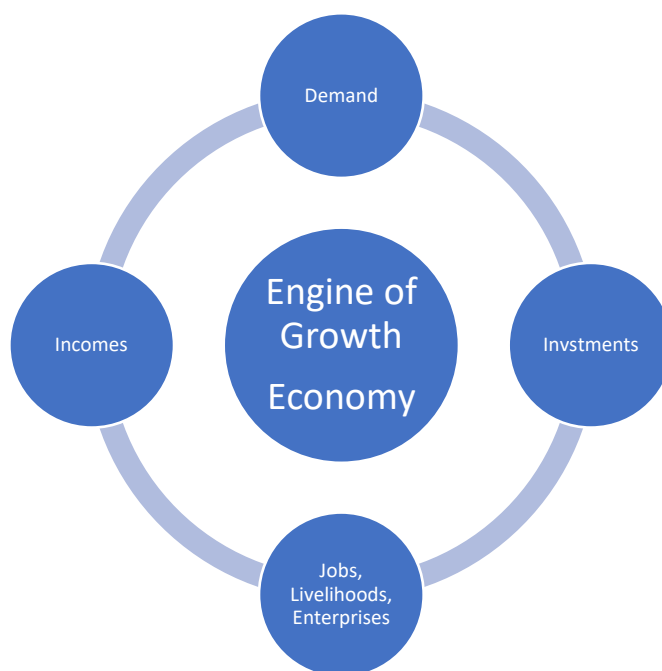
Good and Better Jobs in India: Inclusive Finance for Workers' Welfare (Grow Jobs-II)

1. About the Project

India is at the cusp of economic transformation, where it is laying the foundation for building a better and more sustainable work environment, particularly now after the downturn due to the Covid pandemic, which has had a huge impact on our jobs market. The Centre for Monitoring Indian Economy highlighted that of 403.5 million jobs, only 282.2 million survived the world's most severe lockdown. The average income of almost 97 percent of Indians has fallen during the pandemic, resulting in more inequality in the Indian economy and society. Moreover, for better sustainability of the Indian economy and our society 90 million additional jobs need to be created by 2030. This is a pre-condition for reducing inequality in India.

CUTS International, in its endeavor to assess inequality in the Indian economy, initiated a project titled '*Strengthening the Discourse on Good & Better Jobs in India*'. The ongoing project aims to examine structural issues in the economy by deep-diving into different labour and investment-intensive sectors. The idea is to bring to the fore sectorial evidence from the ground to learn how the compaction of industry, state, and community can balance productivity and competitiveness with higher wages & better social security standards for workers. It further dwells on exploring the relationship between investments and workers' welfare. Though the overall investment in productive sectors in India is rising, the distribution of the gains is skewed. The connection between investment and human capital, that is, workers' welfare and skills development is in the shadows.

The question is whether 'worker's welfare is an important determinant of investment decisions?



Source: A New Industrial Policy for India, CUTS International & Arun Maira¹

The engine of growth is driven by demand, leading to investment which results in the creation of enterprises and livelihoods and hence incomes which, in turn, generates demand. However, it appears that the factors causing inequality, when factored into the cycle of growth turn it into a vicious cycle. Therefore, it is important to identify an appropriate entry point or a lens to diagnose the problem objectively.

Good and better jobs can be the lens through which this diagnosis could be effectively undertaken. In other words, if the factors preventing the creation of good and better jobs can be understood, it may lead to a more nuanced identification of some of the sources of inequality.

2. Taking the project forwards: Selection of Upcoming Sectors

Going forward, the idea is to capture a comprehensive picture of conventional as well as emerging employment opportunities., the gig economy, which is emerging as a major employer in the informal realm, has been chosen as one of the sectors to explore the concept of Good and better Jobs in the context of the ‘Future of Work’ in India. In line with the key objective of the project, the project will aim to focus on the relationship between an enterprise (or platform, in the case of the gig economy) and the workers, to determine what factors can be enhanced for improving outcomes simultaneously for workers and enterprises through the Investment lenses.

¹ https://www.cuts-ccier.org/pdf/A_NEW_INDUSTRIAL_POLICY_FOR_INDIA.pdf

Key factors for sector determination are the number of employees and the flow of investment in a sector. The following sectors based on the above factors have been finalized for the project

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The outcomes, in this case, will be a more channelized form of Investment into the industries for the welfare of the workers. Grow Jobs-I, worked on the outcomes in terms of better incomes and enhanced social security. While keeping in mind the outcomes, Grow Jobs-II study will be also focused on capability enhancement through skill development and overall job satisfaction. Insights from enterprises and workers will be collected through this study. It will feed into the larger discourse at the industry level and the overall economy, to improve outcomes for the workers and enterprises. The focus will be on investment flows and Skill Development.

3. Hotel and Tourism: Overview and Arguments

3.1 Overview of the sector

In the financial year 2020, 39 million jobs were created in the tourism sector in India, which was around 8.0 percent of the total employment in the country. The sector has emerged as one of the key drivers of growth among the service sectors in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains, and places of natural beauty spread across the country. Tourism is an important source of foreign exchange in India similar to many other countries. The foreign exchange earnings from 2016 to 2019 grew at a CAGR of 7% but dipped in 2020 due to the COVID-19 pandemic. By 2029, it is expected to account for about 53 million jobs. According to the world travel & tourism council (WTTC), India ranked 10th among 185 countries in terms of travel & tourism's total

contribution to GDP in 2019. In 2019, the contribution of travel & tourism to GDP was 6.8% of the total economy, ~ Rs. 13,68,100 crore (US\$ 194.30 billion).²

Investments: India was globally the third largest in terms of investment in travel and tourism with an inflow of US\$ 45.7 billion in 2018, accounting for 5.9% of the total investment in the country. The hotel & tourism sector received a cumulative FDI inflow of US\$ 15.89 billion between April 2000 and June 2021.

The Indian government has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030-31. Dream Hotel Group plans to invest around US\$300 million in the next 3-5 years for the development of the cruise sector in India.

Government initiatives: Further there have been several initiatives taken by the government to boost the industry, especially post-pandemic where this sector has been marked as one of the most suffering sectors in terms of jobs and Investments. The Indian Government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub.³

One of the biggest initiatives planned by the Government of India to boost the tourism and hospitality sector of India was to allow fully vaccinated foreign tourists to visit India. This helped in Industry boost, while other countries ban international travel in its entirety, travel to India was open for others.⁴ In September 2021, the government launched the NIDHI 2.0 (National Integrated Database of Hospitality Industry) scheme which will maintain a database of hospitality sector components such as accommodation units, travel agents, tour operators, & others. NIDHI 2.0 will facilitate the digitalisation of the tourism sector by encouraging all hotels to register themselves on the platform, etc.⁵

3.2 Arguments for Uptake

The hospitality industry in India has been scoring a moderate growth number for the past few years and has a great potential to optimize its further growth. The nation which is rich in culture and diversity has been attracting a large number of tourists from all over the globe. India has also been recognized as a destination for spiritual tourism for international and domestic tourists. India is showing continuous growth in position moving from 65th in 2013 to 34th position in 2019 in the World Economic Forum's travel and tourism competitiveness index.

On the other side, the consistently growing middle class, rising levels of their disposable income, and increasing interest among millennials to travel in their home country are a few major reasons that are making the domestic travel industry a profitable one. To attract the millennials ventures like Airbnb, and Oyo rooms have changed hospitality scenarios on a

² <https://www.investindia.gov.in/sector/tourism-hospitality>

³ <https://www.ibef.org/industry/indian-tourism-and-hospitality-industry-analysis-presentation>

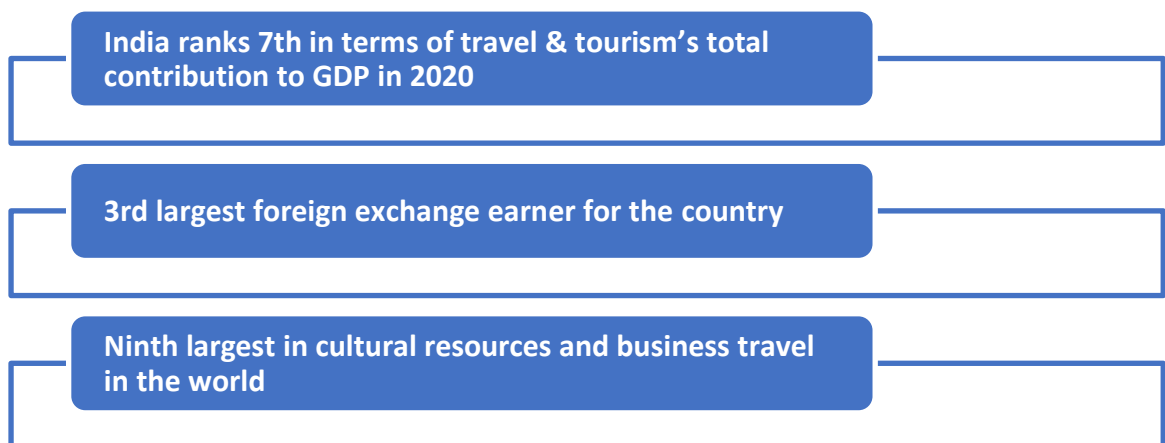
⁴ <https://www.ibef.org/industry/tourism-hospitality-india.aspx>

⁵ <https://www.ibef.org/industry/tourism-hospitality-india.aspx>

global level and are offering price-sensitive stays in most prime locations with flexible check-in and check-out options to attract the increasing number of travelers. The industry has been witnessing healthy growth in terms of investment, employment, and numbers accounting for growth in GDP.

Due to the COVID-19 pandemic, India's hotel sector is one of the worst-hit segments of the economy, contracted by 47% in April-June 2020, as per data released by the National Statistical Office (NSO) on August 31, 2020. The hotel industry, in May 2020, experienced an occupancy decline of 77% over the same time last year. With the increasing dip in 2020-2021, 2022 and forward have seen a rise in the industry potential and expansion.

It is also important to analyse skill development in the sector, as there has been seen a large skill gap in terms of practical knowledge identified in several studies.⁶



4. Proposed Research Methodology

The following approach is envisaged for the upcoming sectors:

Step 1: Secondary research and stakeholder mapping for getting an overview of the sectors.

Step 2: Simultaneous identification of hotspots for ongoing construction activities and locations with maximum and diverse coverage of the gig economy. Overlapping the two types of locations across Tier I, II, and III cities for identification of field locations

Step 3: Initial discussions (online/phone/meetings) with key stakeholders for setting the base and building networks for primary research

⁶ <https://tourism.gov.in/sites/default/files/2020-04/MOT%20Skill%20Gap%20Final%20Report%2015122019.pdf>

Step 4: Pilot field visit to one or more locations which has the coverage of all the sectors identified. A holistic approach will be adopted for covering the length and breadth of both sectors in the same location. Few parameters across sectors will be identified for causality.

- For construction, a basket of projects differing in scale, type of funding, and thrust activity will be explored
- For the gig economy, a basket of diverse platforms and ‘partners’ operating in the city will be explored. The focus will be on services such as ride-hailing, food delivery, logistics, and hospitality.
- Due to the significant impact of the Covid – 19 crisis on the economy and livelihoods of informal workers, this critical factor will also be factored in during data collection.

Step 5: Preliminary analysis of the findings of the pilot visit & using it to strengthen the approach and develop reference points using a systems approach. The reference points will act as a baseline across the locations/sub-sectors/services selected for the pilot inquiry. It will also act as a nodal point for in-depth study of other locations/sub-sectors/services.

Step 6: After the preliminary analysis an immersive pan-India field inquiry will be held, on the same lines as that of the pilot visit, with a focus on Tier I, Tier II, and Tier-II cities.

Step 7: The data collected will be analysed us a systems approach for identifying relevant challenges and interventions for workers' and enterprises' welfare. Appropriate qualitative and quantitative methods will be used for rich and comprehensive analysis.

The study of the upcoming sectors will be undertaken keeping in mind the ‘new normal’ initiated by the Covid – 19 pandemic. The tools for data collection will involve a mix of physical and virtual interviews and focus group discussions, as per the requirements of the situation. Further, given the sensitive nature of the challenges and keeping in mind the vulnerability of the stakeholders involved, an ethical approach will be adopted throughout the study.