



Employment and Earning Impacts of Tourism in a developing Country Context

Hege Lovise Lundgreen

Supervisor: Stein Kristiansen

University of Agder, 2013
Faculty of Economics and Social Sciences
Department of Development Studies

Abstract

This master thesis is based on a research project in Eastern Indonesia aimed at investigating employment and earning impacts in the tourism industry as an example of an industry, in a developing country context. International tourism grows rapidly, billions of dollars circulate in this industry worldwide every year, and it is an industry that both uses and produces resources. Developing countries often face challenges in managing development. An industry often characterized by foreign investors and dynamic structures may steer the development in an unsocial direction. Though, managed properly, tourism offers great benefits and it may be performed in a sustainable way. The findings suggest that there are good employment and earning opportunities in tourism, but economic linkages are not created and maintained. Thus, economic leakages deprive the host community of financial benefits. Lack of collaboration between local government and associations, and lack of coordination and management are factors that combined with linkages and leakages poses challenges for the tourism industry to be managed in a sustainable and prosperous way for the local community.

Acknowledgements

First of all I would like to thank all the individuals who participated in this research project and made the data collection possible. Over the course of six weeks in six different cities people sat down with me, made available their time and answered my questions. Many also engaged in nice conversations, offered additional information, a beverage or a snack and shared aspects of their life with me.

I would also like to thank all those individuals who approached me on their own initiative and offered their assistance, advice, help and friendship. I was invited to dinner in peoples' homes, meeting their families and friends. I was guided around in their communities and offered an invitation to participate in their way of life. Being far away from home I appreciated many meetings.

I am deeply thankful to my supervisor Stein Kristiansen. His has been encouraging and supportive, and have steered me in the right direction in times when I "lost track" and wondered off. He is extremely knowledgeable on Indonesia and Flores and have challenged my comments in an interesting way and driven my curiosity.

I would also like to thank all the students, tutors and professors part of the Development Management programme at University of Agder. These two years have been very rewarding, in an intense and challenging way. The highly multicultural aspect of this programme has made it particularly interesting and I am happy to say that I have met many great people.

Gadjah Mada University offered their assistance and helped me with research permits and practical aspects of the fieldwork, for that I am grateful. I would also like to thank the interpreter Melkior Asman for his assistance as translator during interviews. And I am grateful to my friends and colleagues in Yogyakarta and on Flores for their help and friendship.

Abbreviations and Acronyms

BPS	Badan Pusat Statistik (Statistics Indonesia)
NTT	Nusa Tenggara Timur (The province East Nusa Tenggara)
SMEs	Small and Medium size Enterprises
SPCC	Social, Political and Cultural Capital
TIM	Tourism Income Multiplier
UNWTO	United Nations World Tourism Organization

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Chapter 1: Introduction

The economic aspects of tourism are traditionally what have guided its development. The last few decades however, ecotourism and sustainable tourism has been increasingly more popular terms, often leading the debate. This has introduced more actors in the debate representing politics and society as well as economic interests (Pforr, 2001). On the other hand, it has not been written much about how the tourism industry is affected by economic structures, politics and social and cultural aspects. Notions of sustainable development and eco-tourism offer alternatives for tourism development that does not have to be damaging to the local environment, both human and physical. Thus, peoples' desire to travel can to a large extent be met without severe negative consequences, and tourism can contribute to socio-economic growth and increased wellbeing for people of the host communities.

Tourism as an industry is diverse and offers several good opportunities for such development. But for this to take place the tourism industry must be managed properly. As with most industries also tourism involves many different sectors and it both uses and produces resources. This environment of interdependence reveals that the tourism industry is one that both affects and is being affected by many aspects of human life and the society. The capitals – physical; natural; cultural, herein also human resources; and social capital is also part of this relationship.

Empirical outcomes from research on tourism should function as “a useful reminder for destination managers and policy makers of the importance of involving the local community before tourism actions are taken” (Brida, Chiappa, Meleddu, & Pulina, 2012, pp. 21-22). It is my aim that this research project may shed some light on the direct and indirect interactions between the tourism industry and its host destination.

1.2. Brief Contextual Overview

Indonesia is a tropical archipelago consisting of approximately 17, 500 islands and a population of approximately 250 million. It is very diverse with around 300 ethnic groups and more than 700 languages and dialects. After its independence in 1949, Indonesia was ruled first by an authoritarian nationalist leader, then by a military leader. Their mismanagement combined with strong colonial legacy and a heavy hit by the Asian financial crisis in the late

1990s have made it difficult for Indonesia to manage its development, and the country still struggles with poverty, corruption, unemployment and inadequate infrastructure. The island Flores is located in Eastern parts of Indonesia and consists of about 1.8 million people. The island has several regencies and the main economic activities on the island are agriculture and fishing, and mining and tourism are increasing.

1.3. Research Objectives

This study investigates employment and earning impacts of the tourism industry on Flores. It also investigates the industry's economic linkages and leakages, and aims to understand the environment that enables or disables utilization of opportunities for economic growth in relation to the tourism industry. This includes political structures involved in the tourism industry as well as social and cultural issues that impacts on this industry. As such it does not look very closely at the possible negative effects of tourism in itself, rather, given that tourism is implemented in line with the knowledge and means available on how to make it sustainable, what then affects its success or lack of success in the host community.

Research questions

The following research questions have guided this study:

- 1) What are the employment and earning impacts of Komodo National Park and tourism in Flores?
- 2) What social, cultural and political factors impact on this?

In identifying employment and earning impacts of the tourism industry opportunities for economic growth can be explored. Considering this topic economic linkages and leakages is expected to be relevant here. By further investigating the social, cultural and political factors that relate to the tourism industry possibilities and challenges can be revealed. This may give insight into how positive linkages can be maximized, leakages minimized and how management can contribute to overcoming challenges and utilizing opportunities. Following this, sustainable development is the focus of this research project. This can be seen as a development that maintains the resources for future generations, as well as contribute to an increased level of prosperity for the current generation.

1.4. Methodology in Brief

This master thesis is a result of data collected during fieldwork in Indonesia in January and February 2013. Prior to the fieldwork relevant literature and theories had been investigated and this guided the design of interview guides and the fieldwork plan. Some time was spent meeting with the supervisor in Yogyakarta in the beginning of January, and then six cities were visited on the island Flores over the next six weeks. Several interviews were done over those six weeks and documents were collected from the national statistical institution's local departments. For the data collection I hired an interpreter to assist with translations during interviews and parts of some documents. Interviews were conducted with owners and managers at hotels and restaurants, as well as in dive shops, small shops in addition to some tourists. After the fieldwork the data were analysed and compared with the literature and theories gathered before the fieldwork. Additional literature was collected and the process of writing up the thesis was an extensive back-and-forth analysis between fieldwork returns and selected literature and theories.

1.6. Thesis Outline

Chapter 1 starts with an introduction to the thesis and study area, and gives a brief presentation of methodology as well as research objectives, and clarifies concepts.

Chapter 2 presents information on the tourism industry. I will present an overview of the historical development and characteristics of tourism.

Chapter 3 provides contextual information on the study area. The presentation of the study area contains an historical overview of Indonesia's development and political structure, and some information more specific to Flores. Tourism in Indonesia and Flores is also part of this chapter.

Chapter 4 is a literature review and outlines the theoretical framework for this research. It explores previous research done on economic growth and tourism development. Economic theories on linkages, leakages and spillovers are presented, as well as literature on social, political and cultural capital. A framework from which the findings will be analysed is presented.

Chapter 5 discusses the methodology employed for this research. The research process is outlined, and a discussion of methodological choices such as strategy, sample, and data collection methods is provided. Ethical considerations and reflections on limitations and challenges is also part of this chapter.

Chapter 6 presents the empirical findings and discusses and analyse these according to the selected literature and theories. The chapter is organized according to the research questions. The first section presents the employment and earning impacts identified on Flores using numbers and statistics from the national statistics institute in Indonesia. Figures and charts is part of this section. The second part discusses political, social and cultural factors and their connection to and impacts on the employment and earning aspects of the tourism industry.

Chapter 7 offers a conclusion and recommendations based on an analysis of the findings in light of the theoretical framework.

Chapter 2: Tourism

2.1. Tourism

Tourism and travelling is a dynamic combination of relaxation and holidaying in comfortable locations and individual desire for adventurous exploration of faraway countries and self-realization. Part of this dynamic is also commercialized products designed to attract the masses as well as more “authentic” destinations focused on environment and culture. Changes in these tourism and travelling patterns the past decades consist of several elements that are mentioned in the different literature. Among such changes we find changes in behavioural patterns, particularly in the developed part of the world. The trend moves from consumption of goods to consumption of services. There is also a shift in consumption of materialistic items to choices concerning lifestyle and recreational activities. Mowforth and Munt (2003) summarizes shifts in contemporary tourism as moving from mass to individual, from packaged to unpackaged/flexible, from unreal to real, and from irresponsible to responsible. They characterize it as a shift from old to new, from modern to post-modern.

According to the United Nations World Tourism Organization (UNWTO) tourism as an industry is now considered to be among the most “remarkable economic and social phenomena of the past century” (UNWTO, 2013). In a global context tourism is ranked number four as an export category after fuels, chemicals and food (UNWTO, 2012), and according to its business volume it “equals or even surpasses that of oil exports, food products or automobiles” (UNWTO, n.d.).

UNWTO describes modern tourism as “as a key driver of socio-economic progress through export revenues, the creation of jobs and enterprises, and infrastructure development” (UNWTO, 2012). For developing countries however, structural characteristic of their economy can thwart this (Britton, 1982). Tourism as an industry has the potential of being a substantial growth sector, but certain “shortcomings commonly associated with Third World tourism industries” such as leakage of tourism earnings; low multiplier and spread effects; conflict over access to resources like water and electricity; and “reinforcement of patterns of socio-economic inequality and spatial unevenness” complicate matters, and makes the tourism industry a management challenge for many developing countries (Brohman, 1996, p. 53). The tourism industry and development of sustainable businesses is “believed to flourish in an

environment where the social, economic and political conditions serve as a motivational force” (Braun & Hollic, 2005, p. 3). This environment is created and maintained with active participation from both community and government stakeholders.

2.1.1. Historical Development of Tourism

As international tourism increased after the 1950s the travel industry developed to adapt to the tourists’ needs and desires. The package tours were introduced in the mid-1960s commercialising travelling and turning “individual touring into a repeatable and marketable product” (Britton, 1982). This inspired optimism in newly independent countries in search of development potential and aspirations of economic growth. However, already in the 1970s “it was acknowledged that tourism did not necessarily offer a panacea to Third World countries struggling for economic growth” (Turner, 1976; Turner and Ash, 1975, as cited in Mowforth and Munt (2003, p. 49). Much of the explanation for this may be attributed to economic leakages. Leakages will be presented in the chapter on literature, but for now we can view it as money leaking out of the local economy because of e.g. import of goods and services.

By the 1990s pro-poor tourism emerged, aiming at reducing poverty through tourism. Until then, development practitioners saw tourism more as a commercial activity. Among positive traits to the pro-poor development notion we find “the high potential of linkage, labour intensity, tourism’s potential in poor countries and the ability to build tourism on natural and cultural assets”. Critique around tourism’s pro-poor potential we find “the level of leakage, negative impacts on the poor, displacement and socio-cultural disruption” (Deloitte and Touche, IIED and ODI, 1999) as cited in Mowforth and Munt (2003, p. 268). This suggests that the challenges this industry face have remained much the same for decades.

The number of worldwide international arrivals increased from 25,3 million in 1950 to about 806,8 million in 2005 (UNWTO, 2013). The international tourism receipts have increased from US\$ 2,1 billion in 1950 to US\$ 682,7 billion in 2005 (UNWTO, 2006a). By 2011 the number of international tourism arrivals reached 983 million and the international tourism receipts is expected to reach US\$ 1,030 billion. UNWTO expects international tourist arrivals to increase by an average of 3.3% per year from 2010 to 2030. This means approximately 43 million more tourists every year; arriving at about 1.8 billion arrivals come 2030. It is also expected that the increase will be higher for emerging economies (+ 4.4% per year) than

advanced economies (+2.2% per year) indicating more travellers to developing countries. The market share for emerging economies has increased from 30% in 1980 to 47% in 2011. By 2030 it is assumed that this number has increased to 57% resulting in more than 1 billion international tourists arrivals spending their time and money in emerging economies (UNWTO, 2012).

The type of traveller has changed over the years. Barrett (1994, as cited in Mowforth and Munt (2003, pp. 91-92) writes in the UK Independent that in “the mid-Eighties, independent travellers were still considered in some quarters to be socks-and-sandals wearing, knapsack-toting, five star eccentrics”, but “by the Nineties, independent travellers were no longer considered oddballs”. Today, that is among the most popular type of travelling, referred to as the post-modern traveller by Mowforth and Munt (2003). Today we can differ between ecotourism, sustainable tourism, community-based tourism, fair trade and ethical tourism and pro-poor tourism. Mowforth and Munt characterize the change in types of tourist as shifting from “S’s (Sun, sea, sand, sex)” to “T’s (Travelling, trekking, trucking)”. They argue that this has led to a “highly polarised and simplified debate in the First World concerning the most appropriate was of holidaying” where tourism is associated with ‘mass and bad’, and traveller is associated with ‘appropriate and good’(Mowforth & Munt, 2003, p. 26). Findings indicate that though travellers constitute a smaller group and thus may cause less “damage” in terms of environmental and/or cultural impacts, they also use less money and contribute perhaps less to local development. The cost and benefits appear difficult to measure in a changing environment.

2.1.2. Economic and Political Structures in Tourism

Structures and systems that were common practise during colonial times often persist even though the colonial power has receded. “Traditional” power structures remain and certain jobs, positions and relationships continue to control the use of resources, legislation, policy and governance. Ruling classes and local political groups often become allies bargaining for results matching their interests, with little concern for the society in general. Such a development, neglecting local needs and demands is likely to lead to “structural inequality between social groups” (Britton, 1982, p. 334), and may establish patterns where some influential members of society increase their wealth or at least remain stable, while others fall behind. Thus, social inequality either persists or is increased. The economic surplus that used

to benefit a colonial power may now benefits the ruling elite within the country or region. This transformation also leads to a situation where other economic resources that could benefit other classes are not utilized, e.g. agriculture, as those in power are satisfied with their income, and the less powerful groups often lack knowledge and/or means to change this.

Britton (1982) suggests a three-tiered hierarchy to explain the organization of international tourism. At the top we find metropolitan market countries and tourism supplying companies. Branch offices, metropolitan firms and their associate commercial interests located in the developing countries' tourist destination constitutes the intermediate level. In the bottom of the hierarchy we find small and medium size enterprises (SMEs) of the host country. These are minimal to the companies of the intermediate level, yet dependent upon them (Britton, 1982, p. 343). According to the European Commission, as cited in Holloway (2006, p. 107) SMEs are micro enterprises if they have less than eleven employees, small if it is between eleven and fifty, and medium-sized if there is between fifty and 250 employees. The effect of such a hierarchical and distorted structure is an economic growth and increased welfare for local ruling classes and foreign interests, rather than economic development and improved living conditions of the society as a whole.

The uneven distribution of skills and resources and lack of political will or capacity, create an environment where these distortions are allowed to persist and accompany any development. Examples of such skills and resources held by the upper and intermediate levels in the hierarchy are tourism technology, particularly ICT; industry experience and expertise; commercial advantages of economies of scale; and network, franchise rights or trade/import connections. The bottom levels in the hierarchy often offer services that does not compete or collide with commercial interests of dominant sectors. Examples of such services are petty transport services such as motorbike taxi and rickshaws; fruit sellers; small shops (kiosk); and handicraft production.

SMEs are also small scale accommodation and restaurants, local tour guides, and village excursions. These SMEs are often characterized by entrepreneurial inexperience, limited capital, poor human resources/staff qualities, and thus provide services of lower quality and more limited appeal than their dominant counterpart. They would also be at lower cost. As suggested by Britton the SMEs are "severely limited in their capital accumulation potential given the market in which they are forced to operate" (1982, p. 345). He also claims that the

“spin-offs” and “trickledown effects” barely contribute to improved living standards and when they do it is for the local elite and/or foreign stakeholders (Britton, 1982, p. 348).

2.1.3. The Economics of Tourism

As mentioned, foreign domination and dependency are factors challenging the notion of tourism as a development strategy. Brohman (1996) also mention environmental degradation; socio-economic and spatial polarization; possible cultural alienation; and loss of social control among the local population as negative aspects of tourism for development. To overcome such challenges he suggests alternative strategies that combine increased and better coordinated state involvement with public participation. This is presented as a counterpart to the former inward vs. outward oriented development strategies in the 1950s, 60s and 70s, where import-subsidized industrialization was replaced by a specialization in primary exports to stimulate development via “comparative advantage” and “natural economic processes”. Tourism is an example of comparative advantage in that many developing countries have a pleasing climate, beautiful beaches and natural scenery, as well as plenty of cheap food, drinks, and activities. They also offer opportunities for shopping of well-established fashion brands as well as local products such as spices, clothing and decorative items at favourable prices for a traveller from an industrialized country.

These changes in strategy in the 1980s were also accompanied by the International Monetary Fund (IMF) and the World Bank (WB) intervening in policymaking and with structural adjustment lending (Mowforth & Munt, 2003). Thus, access to loans and financial resources was now dependent on the developing countries’ willingness to implement “policy reforms designed to reduce state economic intervention and generate market-oriented growth” (Brohman, 1996, p. 49). International tourism has since then been seen as a “growth sector” with the possible prospects of rapid growth from its position in developing countries as a “comparative advantage” offering the warm climate in the South during cold winters in the North. However, this is also where tourism as a development strategy starts showing its possible weaknesses as it too is vulnerable to the outward-oriented strategy’s many problems. The chapter on literature and on findings further discuss this.

2.1.4. Scale in Tourism

When discussing the tourism industry it is useful to elaborate on the size or scale of the components comprising such an industry. Rodenburg(1980) compares the tourism industry with the manufacturing industry. He further uses two meanings, still relevant, explaining the concepts of scale when describing the tourism industry; “(1) the relative size and capitalization, i.e. physical plant of an enterprise, and its correlate (2) the relative bureaucratization, i.e. degree of industrial organization”(1980, p. 179). A difference in scale would attract different categories of customers, and would also be characterized by different “relationships between management and employees, among employees, and between employees and clients” (Rodenburg, 1980, p. 179). This interpretation of scale in the tourism industry provides a categorization from which one can analyse the presence of tourism enterprises in a destination by differing between large industrial tourism, small industrial tourism and craft tourism. He classifies large industrial tourism as hotels with “international standard”, small industrial tourism as “economy class” hotels, and craft tourism as “homestays”(Rodenburg, 1980).

Hotels of international standard normally have more than 100 rooms and very high standard including most facilities such as private bathroom; air condition; swimming pool; restaurant and bar; laundry service and often some shops. For this a relatively high number of employees are also necessary, and import of both employees and supplies is common (Rodenburg, 1980).

The economy class hotels represent the rather wide box of medium-sized enterprises. They vary greatly in size and are more characterized by the standard and services they provide. Private bathrooms are quite common at the top of the price range, whereas small budget travellers can choose shared bathroom at a lower price. There is often not a restaurant or bar, but breakfast is normally provided and sometimes a selection of soft drinks is available for purchase. The average investment per room in this category is smaller than the international standard hotels, and thus makes it more possible for independent investors that do not have the amount of resources that a commercial metropolitan stakeholder has. This scale often uses more local supplies and local workforce than the larger scale. The customers of SME hotels are more often independent tourists than they are group travellers or parts of package tours (Rodenburg, 1980).

Small, independent restaurants and shops, as well as homestays, bed and breakfasts and guesthouses are the stakeholders in craft tourism. Enterprises in this scale often vary little among each other and are characterized by inexpensive prices. They are also prone to experiencing fluctuating availability of electricity and water. The entry costs to this scale of enterprises are small, and one often finds these operated as family businesses (Rodenburg, 1980). As the chapter on findings will show these stakeholders are widely present on Flores.

Chapter 3: Contextual Overview

This chapter will give a contextual overview by presenting selected aspects of Indonesian history and politics.

Indonesia is located in Southeast Asia and has the fifth largest population in the world consisting of about 251 million people. It is an archipelago and with approximately 17,508 islands, of which 6,000 are inhabited (CIA, 2013a).



Picture 1: Map of East and Southeast Asia in grey and Indonesia in brown

Source: (CIA, 2013b)

Indonesia has many ethnic groups and languages, but Bahasa Indonesia is the official language and the largest religious group is Muslims comprising 86.1 % of the population. Other religious groups are Protestants (5.7 %), Roman Catholic (3 %) and Hindu (1.8 %) (CIA, 2013a). Half the population live in urban areas and life expectancy is 71.9 years. In the rural areas only 39 % have improved sanitary systems and 74 % have improved drinking water source. The risk of infectious diseases (bacterial diarrhoea, hepatitis A and typhoid fever) is characterized as very high and 19.6 % of children under the age of 5 are considered underweight. The unemployment rate of youth from 15-24 is 22.2 % and 92.8 % of this

population can read and write. The overall unemployment rate is 6.1 % and 11.7 % of the population live below the poverty line (CIA, 2013a).



Picture 2: Map of Indonesia

Source: (CIA, 2013c)

On this map some of the larger cities and islands are named. Denpasar, in the lower centre of the map, is the popular tourist destination Bali. East of Bali there are several other tourist destinations (all islands), among them the three Gili islands, Lombok and Flores. On this map Eastern parts of Flores is indicated by the province capital Kupang. More information on Flores will be presented in the section below.

The Indonesian currency is Rupiah, hereon referred to as Rp. As of mid-December 2013 1 US\$ is approximately 12,000 Rp.

3.1. History and Politics

The past 200 years leading up to the Second World War the Indonesian state did not exist. “The sprawling archipelago between the Australian and Asian main lands was divided amongst Dutch, British and Portuguese colonialists and an array of independent indigenous states of varying size and power” (Cribb & Brown, 1995, p. 1). Until the colonization by the Europeans started, the archipelago was “divided into 200 or more distinct ethnic groups, ranging from fiercely Muslim Acehnese on the northern tip of Sumatra and the Catholic

communities of Flores and Timor to the Hindu Balinese and the animist tribes of the interior of Kalimantan (Borneo) and New Guinea” (Cribb & Brown, 1995, p. 1). The area was dominated by the Dutch under the name of the Netherlands Indies until the Japanese occupation from 1942-1945. But the Dutch did not seize all islands at once; rather the area was colonized taking region by region “as it suited their economic and strategic needs” (Cribb & Brown, 1995). This way they took north-western coast of Java and the Maluku in the early 17th century, moved on to the rest of Java in the 18th century and further to Sumatra (northwest of Java) in the 19th century.

Indonesia declared itself independent in 1945 (Cribb, 1992; Cribb & Brown, 1995), but this was not accepted by the Dutch until 1949. Those four years included both negotiations and warfare, and ended in an agreement on a union that lasted until it was abolished by Indonesia in 1956. (Cribb & Brown, 1995). Indonesia’s first president, Sukarno, declared himself as ‘President-for-Life’. However, after being president for 22 years he was stripped of power and confined to house arrest until he died three years later. The man who then entered the presidency was Suharto, commander of the military coup leading to the overthrow of Sukarno. Under this new president the New Order politics was launched and though the military was still strong and political repression continued, the country opened up to foreign investment, abandoned confrontations with neighbouring countries and encouraged economic growth aimed achieved through political stability (Cribb, 1992).

Suharto, president from 1967, was re-elected every fifth year until his last election in 1998. Internal military rivalry made public and an attitude of “get what you can while you can”, combined with how his immediate family “prospered enormously under his rule” caused his leadership to be called a junta and “figurehead for concealed and more powerful figures” (Cribb, 1992, p. 445). Still, “the economic achievements of New Order politics were spectacular” (Britannica, 2013c). Manufacturing, foreign investments, timber, coal, mining and oil had a great impact on the country’s development. However, the Suharto family’s involvement in almost all aspects of the economy “extended into all realms – international, national and provincial” left the bureaucracy without much choice other than accepting their business proposals (Britannica, 2013c). This raised discontent among the public.

Certain changes accompanied the Suharto regime. A new middle class characterized by a strong business class and ethnic Chinese cooperating with civil entrepreneurs and the military

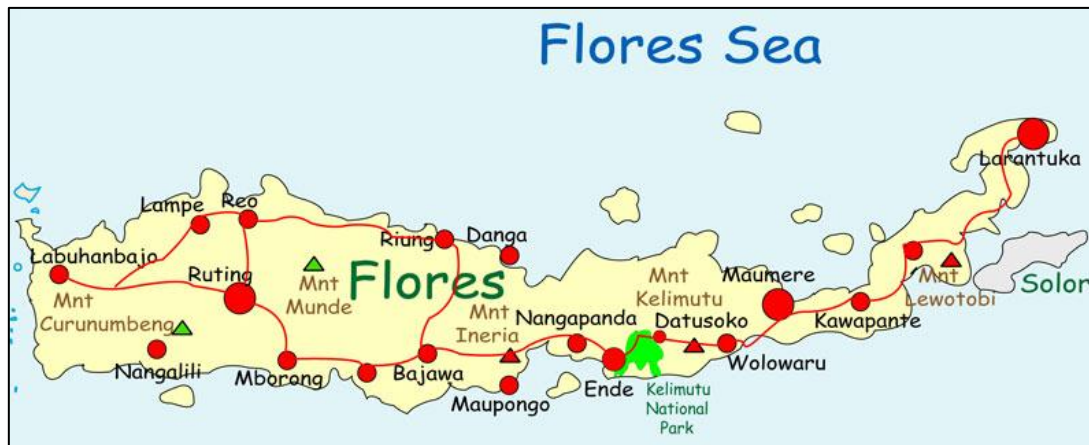
accelerated the social change in the country. Though a diverse group, this new middle class emerging was a group defined by “economic function, access to political power and a lifestyle of conspicuous consumption” (Britannica, 2013a). After the Asian financial crisis in 1998 and the riots and turmoil that followed, Suharto resigned. Over the next six years Indonesia had four presidents. Problems with collaboration between political factions, scandals and corruption led them to be replaced or dismissed (Britannica, 2013e).

Indonesia has had a large decentralization process since the turn of the millennium and “regencies and municipalities have become the key administrative units responsible for providing most government services” (CIA, 2013a). This way government is now divided into some 30 provinces, two special districts and one special capital district. These provinces are referred to as first-order political subdivisions. Second-order subdivisions are some 300 regencies, headed by a governor (*Bupati*) and having a local legislature. Third-order subdivisions are more than 5000 districts. Villages have “two levels of neighbourhood organization” and groups of villages “provides the link between people and the central government at district level” (Britannica, 2013f). Each of the regencies also has a number of departments. Relevant for this research project is the Department of Tourism (*DinasParawisata*) and, though not part of the data collection, also the Department of Agriculture will be mentioned in this research. The current president is Yudhoyono who was elected in 2004 and re-elected in 2009.

3.2. Flores (Nusa Tenggara Timur)

As other parts of Indonesia was colonized one by one from the 17th to the 19th century “some of the island in Nusa Tenggara and parts of the interior of Sulawesi, Kalimantan and New Guinea did not come under effective Dutch rule until the 20th century” (Cribb & Brown, 1995, p. 5). The province Nusa Tenggara Timur consists of several islands and Kupang is the capital (Britannica, 2013b). Contrary to the rest of Indonesia, half of the population on Flores is Roman Catholic and one third is Protestant, reflecting the Portuguese influence in the 16th century (Britannica, 2013b, 2013d). Muslims are the largest minority. The total population for the province is 4,683,827 per 2010 (BPS, n.d.; BSD, 2011). The population on the island Flores is approximately 1.8 million people (BPS, 2013a).

This fieldwork started in Western parts of the island. The travel route can be viewed in connection with the map below. Starting in Labuan Bajo we travelled by local bus/minibus to Ruteng, and onwards to Bajawa. From Bajawa we travelled to Moni (Kelimutu National Park) by car. We continued by car from Moni to Ende, and from Ende to Maumere.



Picture 3: Map of Flores

Source: (2013)

Flores has natural scenery characterised by flora and fauna and some volcanic mountains. Many of the coastal areas have beautiful coral reefs. The climate is vulnerable to drought as the rainy season only lasts from December to March. Agriculture is the main occupation and rice and corn (maize) are the chief food crops, in addition to coconut, sandalwood, cotton and coffee. Exploitation of the forest due to frequent burning of wood and deforestation and a semiarid climate threaten genuine forests and much land is scrub and savanna. Fishing is also a main occupation in coastal areas (Britannica, 2013b, 2013d; BSD, 2011).

3.3. Tourism in Indonesia

Indonesia attracts a lot of tourism both from the North – Western Europe and Northern America and from “down under” – Australia and New Zealand.

Of the increase in worldwide international tourism arrivals the increase of arrivals in Asia and the Pacific was from US\$ 0.2 million in 1950 to US\$ 155.4 million in 2005 (UNWTO, 2006c). In the case of Indonesia its international tourism arrivals increased from 2,178,000 in 1990 to 5,002,000 in 2005 (UNWTO, 2006b). The international tourism receipts to Indonesia increased from US\$ 2.1 billion in 1990 to US\$ 4.5 billion in 2005 (UNWTO, 2006d). Over a

period of 15 years this is an increase in international tourism arrivals of 129, 6 % and an increase in international tourism receipts of 114 %.

As the large and diverse country Indonesia is, its tourism is also diverse. Perhaps the most well-known tourism destination is Bali with its surfing, shopping and nightlife. However, the country is also known for its cultural diversity, temples and traditional villages, in addition to nature oriented activities such as diving and snorkelling, trekking, mountain climbing and flora and fauna expeditions. As Lonely Planet puts it: “It’s everything to everyone, a choose-your-own-adventure travel destination” (Lonely Planet, 2007, p. 22). The high season for tourism is from May to September (dry season), and the low season is December to February (wet season). In many parts of the country travel can be difficult during the wet season as boats may be cancelled and roads are in too poor a condition to drive on. However, this has not presented large obstacles for this project even though fieldwork took place in January and February. Bali on the other hand, experiences little climatic difference.

The tsunami in 2004 and bombings in Jakarta in 2002 and Bali in 2005 (Lonely Planet, 2007) have had negative effects on tourism, but they appear to be mostly short term and as numbers from UNWTO indicate tourism is increasing.

3.3.1. Tourism in Flores

The island Flores is a long stretched mountainous island with many hills and valleys, “a terrain that was near impenetrable until recent years”. It is mainly Catholic and home to the «multihued crater lakes of Kelimutu – terrific beaches around Labuan Bajo and East of Maumere, and idyllic offshore islands with fine snorkelling” (Lonely Planet, 2007, p. 544).

One of the major tourism attractions for people travelling to Flores is the Komodo dragon on Komodo and Rinca islands just outside of Labuan Bajo in. The Komodo dragon, a gargantuan reptile, is “the world’s largest lizard” and can reach over 3m in length (and) weigh up to 100kg” (Lonely Planet, 2007, p. 540). It eats animals as large as deer and buffalo, and is quite the tourist attraction. One can visit the island via boat and go for guided walks among the dragons.

In Nusa Tenggara heavy rain during the wet season may cause roads to wash out and ferries to be cancelled. The area is prone to flood during the wet season and drought during the dry season. As Flores is located in a more remote area with less competition the prices are somewhat higher there than in e.g. Jakarta or Bali (Lonely Planet, 2007).

Tourism at local level is mainly the responsibility of the Department of Tourism (*Dinas Parawisata*), which is under command and coordination of the District Regent (*Bupati*). There are also other departments at the district level, such as the Department of Labour and Department of Agriculture etc. However, as we shall see, collaboration among these or communication/feedback loops between them do not seem to give results for the tourism industry. The growth of tourism has attracted foreign investors to Flores, most of who establish hotels, restaurants and dive shops.

Chapter 4: Literature Review and Theoretical Framework

According to Britton (1982, p. 331) developing countries “becomes enmeshed in a global system over which it has little control” when trying to use tourism as a strategy for development. Much of the cause for this lack of control is suggested to be the superior skills, resources and commercial power that metropolitan companies and external actors possess. Britton (1982) also refers to a knowledge gap when listing previous priorities in literature on the subject as being mainly cost-benefit analysis, socio-cultural effects of tourism and other technical measures such as expenditures, tourist flow and hotel locations. With this he says that “discussions of tourism (are) typically divorced from the historical and political processes that determine development” (de Kadt, 1979) as cited in (Britton, 1982, p. 332). Theories of political economy that can elaborate more on issues dealing with poverty and inequality are missing from much of the debate on tourism's role in development. What he lists as important areas in need of investigation is tourism's role in and effect on “class and regional inequalities, economic problems and social tension” (1982, p. 332).

Pfarr (2001) also recognizes this as being the case prior to the 1980s. Since then, however, the concepts of ecotourism and sustainable tourism have been popular elements of more alternative approaches to the tourism industry. Unfortunately, a product-centred perspective involving e.g. job-creation has been the main focus, and not the paradigm shift characterized by “protection through usage” that would lead to more knowledge among tourists on the effects of their behaviour (Pfarr, 2001, p. 69). This chapter will present literature and theories to assist an understanding of aspects of the tourism industry relevant for development. Are there aspects of the local culture and politics which impact on this industry's potential to contribute to economic growth and development? And are there structures characterising this industry that are necessary to understand and manage, or will an approach guided by individual ambitions and market mechanisms be adequate? Research suggests collaborative structures between industry, government and civil society are necessary for development to benefit horizontally instead of vertically.

4.1. Economic Linkages

Methods of assessing economic impacts of tourism vary and many seemingly overlapping concepts create a confusing image. The use and interpretation of tourism multipliers have “often been inconsistent and confusing” (Lejárraga & Walkenhorst, 2008, p. 417). Technical

reports as well as oversimplified and misinterpreted coverage by media has left “decision makers and the general public with a sometimes distorted and incomplete understanding of tourism’s economic effects” (Stynes, n.d., p. 1). Many “empirical studies calculate multipliers according to different definitions”, this makes cross-country measurements and understandings of linkages and leakages difficult (Lejárraga & Walkenhorst, 2008, p. 417). Thus, a brief clarification of related concepts and theories is in order.

We can start with distinguishing between primary (direct) and secondary (indirect and induced) economic effects. “Multipliers capture the secondary effects” and “represent the interdependencies between sectors” (Stynes, n.d., p. 7). The following figure from Lejárraga and Walkenhorst (2008, p. 418) illustrate this relationship:

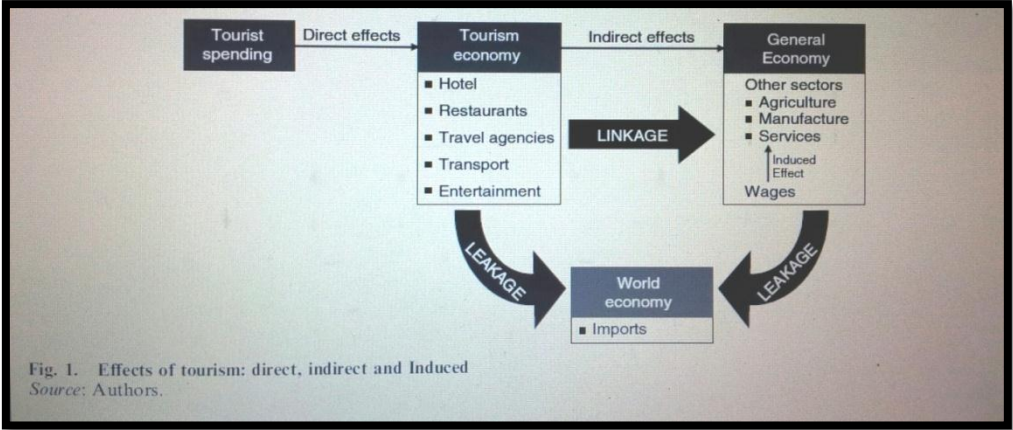


Figure 1: Effects of tourism: direct, indirect and induced

Source: Lejárraga and Walkenhorst (2008, p. 418).

As we can see linkages is represented by the relationship between the indirect effects and the induced effects. Leakages are revenue being transferred out of this relationship, from the local area to external areas.

Tourism related activities are central to tourism’s impact on local development. Examples of such activities are those with suppliers of e.g. food and services and with customers of e.g. products and services, also known as backward and forward linkages. Development of economic linkages is necessary for tourism to contribute to increased living standard in rural areas in developing countries (Trejos & Chiang, 2009). According to Brida et al.(2012), those

stakeholders supplying different goods and services are those experiencing the best economic benefits.

Leakages occur when “earnings are spent outside the local economy”, e.g. lost via import or spent by government on other projects or areas than those related to the tourism industry. To avoid leakages and to maximize the potential of tourism for development “utilization of local food products and, where feasible, agriculture” must be enhanced (Trejos & Chiang, 2009, p. 373). In this regard, local, small scale hotels and restaurants are more likely to contribute to local development than large international or large scale hotels and restaurants. The higher the standard the more likely an establishment is to import both products and employees from another area (Rodenburg, 1980; Trejos & Chiang, 2009).

Mowforth and Munt explains how such leakages are commonly seen as “to arise primarily as a result of First World ownership and control of the tourism industry in the Third World; from hotels to tours operator and airlines” (2003, p. 49). They also state the importance of Britton’s (1982) analysis of dependence theory and political economy on Fiji. However, they question the usefulness of Britton’s analysis as a basis for “critical understanding new forms of Third World tourism” (Mowforth & Munt, 2003, pp. 49-50). As mentioned in the chapter on tourism, the types of tourists have changed since the 1980s, and are now to some extent more travellers characterized by awareness (T’s) than the previous pleasure seekers (S’s). Tourism itself has also changed and package tours of perhaps “damaging mass tourism” has in many cases changed to the more “appropriate individual ecotourism”.

A distinction can be made between economic linkages in production and transaction between sectors and geographical areas, and between consumption of commodities and services. Linkages can also be “lasting economic relations between actors regulated by legal contracts or government interventions” (Kristiansen, 2006, p. 666). Such linkages may reduce transaction costs and stimulate business development. High transactions costs often accompany “lack of trust and uncertainties of information” and “tend to be higher and more devastating in smaller and peripherally located” areas (Kristiansen, 2006, p. 663). Strategies for linkages creation is often a government initiative, but bureaucracy challenges and general distrust towards politicians many places discredit linkage strategies. However, linkage creation is still considered “applicable for reducing market failures and to facilitate commercial transactions characterized by disintegration and sectoral and geographical disconnection” (Kristiansen, 2006, p. 663). Linkages can also be social relations or networks.

Brohman(1996) also lists creation of local linkages as particularly important. For the growth to be spread in society over different sectors and expand to neighbouring regions instead of contributing to polarization and repression, economic linkages are necessary. Outward-oriented strategies aimed at increasing international tourism tend to neglect the needs of the general population and what would contribute to development and increased living standards for this majority. For economic growth to consolidate in society and stimulate a balanced development between different sectors and different regions, well-managed structures are necessary to create and maintain economic linkages between the external businesses and the economy of the host community.

Brohman (1996, pp. 50-51) presents the following criteria to evaluate effects on growth by outward-oriented industries: “the extent of linkages to the domestic economy; the creation of employment and value-added; the effects on external accounts and balance of payments; the fostering of genuine and appropriate technology transfer rather than merely technology relocations; the generation of jobs for skilled labour as well as local managers, technicians, and other highly trained personnel; the establishment of favourable wages and working conditions relative to those prevailing in the country; and the rise of a relatively equitable social, sectoral, and regional distribution of costs and benefits of growth”. Clusters and networks offer benefits for SMEs that would otherwise be “unavailable or available at a higher cost” (Hollic & Braun, 2006, p. 478). Examples of such advantages is geographical location enabling stakeholders to share purchase and distribution channels, and also “complementary or symbiotic activities, whereby each firm adds value to the other, thus creating a value chain” (Hollic & Braun, 2006, p. 478). This is further discussed in the next section on tourism spillovers.

Being a rural area on a remote island in a developing country, it is expected that backward and forward linkages are not strong on Flores, and that leakages are widely present. Is local food and agriculture utilized in serving the tourists or do hotels and restaurants relying mostly on import? Tourism spillovers are suggested to be widely present in the tourism industry. However, the opportunities on Flores are not utilized as suggested possible by the literature. Neighbouring cities or regions of tourism attractions does not experience as much spillovers as one could imagine. Flores as an island consisting of several regencies seems more concerned with competition than collaboration. Lack of linkages may be a trust issue and a

trait of poor governance, still, linkage creation is considered useful to reduce market failures and facilitate market mechanisms in business creation. Lack of collaboration and poor governance on Flores is suggested to be a main challenge in benefitting from the tourism industry.

4.2. Tourism and Spillover Effects

Several economic growth theories points to the indispensable effect of spillovers in sustainable economic growth and its significance for general growth of multiregional economy (Kristiansen, 2006; Li et al., 2011). Another word for spillover effects is externalities. The Oxford Dictionary of Economics defines externality as “a cost or benefit arising from any activity which does not accrue to the person or organization carrying on the activity”(Black, 2002, p. 167).As this chapter discuss, spillover effects, or externalities, is widely present in the tourism industry.

Tourism spillovers are often summarized and presented as effects that are economic, environmental or socio-cultural. Stakeholders’ actions are guided by “trade-offs between positive and negative externalities”, and by learning a “combination that maximizes positive externalities and minimizes negative externalities” the local population of a tourism destination may “maximize their profit (as producers)” and “maximize their utility (as consumers)” (Brida et al., 2012, p.5).

Externalities in the tourism industry are, according to Li et al.(2011, p. 185), “usually presented in terms of how the variation in one region’s tourist numbers or income influences the variations of its neighbours”. They also suggest that two cities within proximity to one another are likely to feel motivated to cooperate for positive externalities, whereas negative externalities would cause them to compete.

In their study, Li et al. (2011) analyse externalities of tourism activity in the Yangtze River Delta in China and identifies certain methods to measure the expansion of tourism revenue.In their case study they found that tourism externalities are negatively correlated with grade difference and geographical distance, and are positively correlated with type difference among destinations, learning ability of externality receiving destination and the tourism scale of the externality generating destination. Their results reflect two classic tourist routes in the

Yangtze River area; one three-city tour, and one five-city tour. In terms of far-reaching effects of externalities their research shows that in tourism collaboration, as that between certain cities in the Yangtze River Delta, is beneficial to the first participating cities. The subsequent cities however, experienced all “more cost than benefit” by being part of such a cooperation (Li et al., 2011, p. 204).

Li et al. (2011, p. 185) refer to a study by Chen and Bao (1988) revealing that “positive spill over is more easily generated between regions with tourism products of similar quality”. This study was investigating long-haul travellers visiting more than one region in a single trip. This study however, failed to take into account geographical distance, type of tourism products and the quality of the tourism product. These elements are believed to relate to positive and negative externalities of tourism activity. For example, uniform tourism products within close range of each other can cause negative externalities more easily than with diversified products. This leads to the gap model.

The gap model uses four explanatory variables to illustrate factors that impact on tourism externalities. These are the tourism grade scale gap; the tourism type difference gap; the geographical distance gap; and learning ability gap (Li et al., 2011, p. 186). The tourism grade scale gap indicates the scale – tourism revenue or number of visitors – of a destination. It is useful to measure grade and scale separately, as two regions may have different destinations of different scale (e.g. Komodo Island and Kelimutu volcanic lakes). The tourism type indicates difference in tourism type between two regions. Large difference in tourism type between two regions indicates greater benefit to each other in terms of externalities. The geographical distance gap refers to the assumption that the distance between two destinations impacts on the externalities in that they decline along with increasing distance. The learning capacity gap indicates three elements. First; a region with a higher learning capacity is likely to lessen the subdued effect of the scale gap. Second; such regions would also intensify the magnitude of the effect from the tourism difference gap. Third; the greater the learning capacity of one region, the more externalities it would receive (Li et al., 2011, pp. 186-187).

It is argued that a destination’s competitiveness is much dependent on its businesses’ competitiveness, and in terms of low entry barriers or small entry costs, this poses a possibly great impediment. Braun and Hollic (2005) cites a large study on international destination competitiveness;

“The relatively low entry barriers, few skills required, and few restrictions and regulations imposed in the tourism industry encourage the proliferation of small firms. Many display lack of appreciation of the importance of staff training. Owner managers make bad investment decisions. Many have little understanding of how to finance their business decisions. Many fail to recognise their dependency on the competitiveness of the destination as a whole” (Australia-Korea Foundation, 2001) as cited in Braun and Hollic (2005, p. 4).

Research on rural tourism points to the relevance of culture combined with skills when addressing factors for success in that “the strength of the local culture opens up possibilities for future innovation and development”. As such it is “human (social) activity and individual entrepreneurship which brings change and development to destinations” (Braun & Hollic, 2005, p. 4). This way, a destination may be characterized by SME entrepreneurship, often atomistic in that they “do not consider themselves part of a destination” and “do not have particular interest in developing collaborative strategies that focus on geographical destination building” (Braun & Hollic, 2005, p. 5). Among challenges faced by SMEs in the tourism industry, research from a range of international studies indicates four causes involved in under-performance. These are: “poor or non-existent management skills; inability to manage adverse external impacts in the business environment such as rising inflation and interest rates; insufficient capital; and resistance to accepting advice from others” (Braun & Hollic, 2005, p. 6). More theories on this will be presented below, and as the chapter on findings and analysis will show, many interviewees pointed to exactly issues like these when talking about their challenges and what they perceived as hindrance for utilization of the tourism potential and for it to contribute to socio-economic growth and development on Flores.

Relating to the geographical distance gap as presented by Li et al. (2011), also Brida et al. (2012) discuss distance as an element for investments in the tourism industry. Their research revealed that residents living far from the port were less likely to be positive to investments in the cruise tourism industry. On the other hand, their research shows that residents who had a previous experience with cruise tourism were much more likely to be positive to investments in the industry, even though they lived rather far from the destination area. Managing the learning gap ability may as such, contribute to overcome negative effects from geographical distance.

4.3. Income, Employment and Investments

When investigating tourism and its economic impact Li et al. (2011) suggests it is useful to differ between generating areas, or destinations, and receiving areas. With this divide we can examine tourism's effect on income; employment; and on investment and development, in its area of origin and on surrounding towns or districts.

4.3.1. Income

Income of tourism is mostly wages and salaries paid to those working directly to serve the needs of tourists and those benefiting indirectly from the tourism activities. Examples of this are staff at hotels and accommodation, and at bars and restaurants; supply chain; transporters; small-shop owners; and people selling handicraft. But it also involves interests, rent and profits. In developing countries tourism is the main income generator for one-third, and it becomes particularly important in areas with little or no industry. Taxation is also part of the income aspect of the tourism industry. This can be different forms of value added taxes on tourism activities such as hotel bills; duty; and taxation on petrol and departure tax. However, in many developing countries taxation is in many cases a result of random collection and fixed numbers, rather than a reliable and steady income for the government (Holloway, 2006).

4.3.2. Tourism Income Multiplier (TIM)

Income to an area generated through tourism is increased by a phenomenon known as the tourism income multiplier (TIM) (Holloway, 2006). Some of the money spent by tourists goes to renew the stock of imported items, but much is spent in local shops, local suppliers and local workforce for maintenance etc., creating externalities and stimulating linkages. The TIM measures the flow of money spent by tourists as they become re-spent by the recipients such as employees in tourism industry and supporting structures, and their families. Employees may pay tax, perhaps save some, and then spend most of their money in the area.

This way we can see that one sum of money spent by a tourist circulates several rounds in the area. Apart from what is considered lost from the area, also referred to as leakages such as e.g. tax (if it is not re-invested into the destination area) or import, the TIM suggests that money spent by a tourist will have a 1st, 2nd, 3rd circulation in the area. Unless hotel owners are foreign or a lot of savings are transported abroad, it is suggested by Holloway that the multiplying effect of income from tourism is twice its original sum. Thus, a sum of money

spent by a tourist may double by circulating in the area; being re-spent for food, products or services (Holloway, 2006, pp. 101-104).

4.3.3. Employment

The tourism industry generates about 235 million jobs around the world (UNWTO, n.d.), thus its importance as a generator of employment is clear. Travel agencies; tour operators; and other stakeholders offering tourist services, transport companies, hotel managers, excursion-booking clerks, cleaners, maintenance, souvenir shops, retail stores; and service of food and beverages are among the many different occupations connected to the tourism industry. Many of the jobs are part-time or seasonal. Even though that might pose challenge of obtaining income apart from designated working time, many of the jobs exist in areas without alternatives. Thus, they offer a great chance of income for that time, which can then be saved. As the chapter on findings will show, many local workers in tourism destinations are seasonal workers and save earned income for low-season(Holloway, 2006).

The multiplier which affects income in a region affects employment in that region too. If tourists stay at a destination this creates jobs directly connected to the tourism industry. As mentioned with the TIM, people in these jobs have families. They will spend their money in the area buying goods and services, and are likely to need medical care at some point and take education. This in turn nurtures a need for schools, hospitals, shops and service establishments. An employment multiplier is, according to Holloway (2006)likely to be broadly similar to that of the TIM, assuming there are average wages. In line with Braun and Hollic (2005) also Holloway (2006) point to the necessity of adequate supply of skilled labour as part of any successful tourism destination. Skilled labour is e.g. proper trained staff with the right motivation towards employment. Echoing Rodenburg (1980), Holloway (2006) characterizes a large proportion of tourism related jobs as SMEs. He also points out that businesses in the lower end of this scale tend to have fewer qualified staff, fewer training facilities, poorer management, and paying poorer salaries (Holloway, 2006).

4.3.4. Investment and Development

One factor relevant for success in tourism is investment, whether private or public. Unfortunately, tourism is seen as high-risk investments and both banks and developers are reluctant to take such risks. Thus, it often becomes the initiative of the public sector; to

encourage the tourism industry and attract capital the public sector must arrange a kick-start to the economy. Holloway (2006, p. 109) refers to it as a “chicken and egg”-situation. There is an unwillingness to invest until a steady flow of tourists are evident, on the other hand, this flow of tourists will not appear until the facilities, infrastructure, activities, services etc. meet their needs and demands. It is often so that once a certain level of success has been established investors, both private and public, is drawn to it – what economists call the accelerator concept. In the case of developing countries, the public sector is often not capable or has sufficient resources to arrange such a kick-start, or to manage the development orchestrated by other actors. This may result in a more or less open and unregulated market. Such conditions may open up for random investments by foreign stakeholders with funds and experience, and/or a few local elites leading, creating a situation where they lead the development.

Economies that develop increase in their complexity and this complexity is not dealt with in solitude, rather it requires the collaboration of support industries providing inputs and services, as well as knowledge and innovation. Challenges in co-ordinating such collaboration may result in related problems such as information asymmetries, moral hazard and opportunism (Helmsing, 2001). This makes governance a critical issue. Scott and Storper (1992, p. 22) as cited in Helmsing (2001, p. 295) states that regions with poorly developed cooperation and prevailed unregulated competition face many difficulties and their sustainability is highly challenged. Systems that manage these problems are better conditioned for timely adaptation which in turn grants them a better growth curve. According to Helmsing (2001) new forms of governance are necessary, between businesses, but also between businesses and territorial or public agencies.

Distinguishing between generating and receiving areas on Flores is not expected to have much effect on employment and earning impacts. This is due to the rather low level of development preventing receiving areas from utilizing the potential offered by a generating area. The actual size of the minimum wage in this industry is smaller than the national minimum wage standard, and few interviewees mentioned saving money, investing or even having a financial surplus. The chapter on findings elaborate more on how the effects of the also TIM are questionable. What seems to be rooted in cultural traits as short term thinking and a strong collectivism, leave little room for financial ambitions and investment projects. The part-time aspect of the tourism industry as being seasonal also affects how earnings are spent, as it has

to be spread around the year. An employment multiplier effect is perhaps likely to be higher than the TIM. Low entry barriers and low wages makes it less challenging to start small businesses and easier to hire people as the seasonal aspect of the tourism industry is characterised by many part-time jobs. Unfortunately there are also uncertainties regarding visitor numbers, indicating reluctance towards investments.

4.4. SPCC and Systems of Innovation

Regional tourism development has focused a lot on number of jobs and increasing in land value, as well as investments and foreign exchange (Macbeth et al., 2004; Rodenburg, 1980). Such 'pure' economic perspectives tend to ignore social and community aspects of development. Macbeth et al. (2004) argues an alternative view in that the community has to be factored into the planning and development strategies, in order to balance the traditional economic perspective and its methods. Social, political and cultural capital (SPCC) in a community and systems of innovation is gathering more support as important aspects of development (Macbeth et a. 2004).

SPCC offers a way of understanding the role of social characteristics in a community and how this contributes to successful innovation and sustainable development (Macbeth et al., 2004, p. 502). It is argued that SPCC will enhance tourism development's capacity to contribute to sustainable development, and that tourism development in itself will contribute to an increase in SPCC. By using SPCC one can evaluate the role, or potential role of tourism in a region, and seek to reveal to which degree a community is 'ready' for tourism development in a way that makes it sustainable. If it is not ready, whatever makes it not ready will be presented as hinders for utilization of the invested resources, and as such, a hinder for development. Macbeth et al. (2004, p. 504) argues that SPCC "offers regional communities, industry and government a powerful tool for planning regional tourism in a mutually beneficial way". Other researchers also mention how empirical outcomes from research on tourism should function as "a useful reminder for destination managers and policy makers of the importance of involving the local community before tourism actions are taken" (Brida et al., 2012, pp. 21-22).

There are different approaches to the terms social, political and cultural capital, but as a definition for this research project we can rely on the following example explaining social

capital as “social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam, 2000, p. 19) as cited in Macbeth et al. (2004a, p. 505).

Woolcock and Narayam (2000) as cited in Macbeth et al. (2004a, pp. 505-506) divide social capital into four categories: communitarian, network, institutional and synergy. The communitarian approach links social capital with local organisations, e.g. civic groups and associations (such as the West Flores Website Association and Hotel and Restaurant Associations across Flores). The network approach relates to relationships between individuals, for example the low level of trust to share investments that is suggested via interviews to exist on Flores. The institutional approach put social capital as institutionally generated, thus makes it the role of the state or local government. The synergy approach combines the network and the institutional perspectives to include involvement by both community and government.

According to Harwood & Lay (2001) as cited in Macbeth et al. (2004, p. 514) political capital can be definition as:

...“a stock of attitudinal resources [...] made up of the attitudes of trust in government, political efficiency, and interest in politics. Like social capital it both facilitates and is reinforced by it.”

Macbeth et al. (2004, p. 514) also adds the “economic dimension important to a system of innovation approach to regional tourism development”, and a group or community’s control or influence over resources and policy-making. With this, they refer to what constitutes ‘power’ for a community or a group, and that inherent in this is also the ability to make use of the capitals available. That is, physical; financial; human (knowledge and skills) and social capital. “The ‘political’, then, is about the use and control of these resources as a function of power” (Macbeth et al., 2004, p. 514). Further they emphasize the importance of local communities to exercise such control for tourism development to be sustainable.

Cultural capital is often not part of economic models and Macbeth et al. (2004) claims also development theorists neglect to include this aspect. In tourism development it becomes particularly relevant as culture is often a tourist attraction, and with the number of people involved their cultural heritage is also widely present. They offer the following definition of

cultural capital from Bourdieu (1986) “the general cultural background, knowledge, disposition, and skills that are passed from one generation to the next” as cited in (Macbeth et al., 2004a, p. 516). They also add their own explanation: “part of social capital is the cultural interaction and variety available to a community”, including symbols; material artefacts such as books, CD’s and art works; ideas and ideology, herein also religion; and sports. With this they claim that “engaging in cultural (capital) activities strenghtens social capital”, and thus makes it a central element for tourism planners (Macbeth et al., 2004, p. 516).

4.4.1. Governance

In line with literature on public participation, systems of innovation emphasizes a method where “groups of organizations and institutional arrangements [...] work together to facilitate the development of new initiatives” (Macbeth et al., 2004, p. 509). In terms of input and output Evans (1996, p. 1120) writes that “putting the two kinds of input together results in greater output than either public or private sectors could deliver on their own”. He suggests that such a network would stimulate social capital stronger than corruption and rent-seeking, and cites Nugent (1993) on how good governed states ‘deliver rule-governed environments which “strengthen and increases efficiency” of local organizations and institutions’ (Evans, 1996, p. 1120).

4.5. Theoretical Framework

This section will present selected theories from the literature review to be applied in the analysis of the empirical findings. The following model illustrates how the different elements of the tourism industry function and how they may contribute to economic growth

The tourism industry represented by hotels, restaurants and transport (but also includes bars, activities such as diving, and entrance fees at tourism attractions) creates jobs, which in turn provide income. As such, opportunities for increased tax income for the government and for spillover effects on other industries and private businesses are also created, as well as linkages to the domestic economy. This again, if managed properly, contributes to economic growth, a possibility for sustainable development and may increase living standard for the population at large. Interaction with tourists, the new working environment and development in general all in turn creates a potential for strengthening social, cultural and political capital.

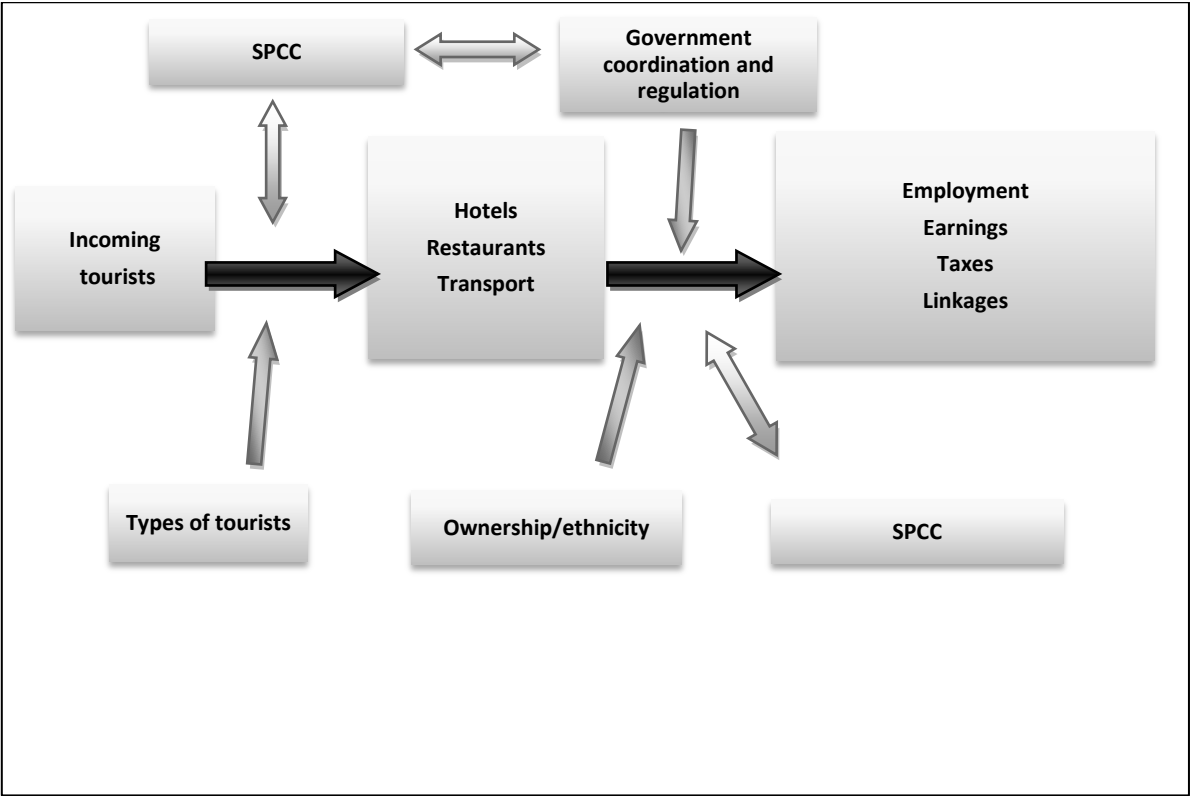


Figure 2: Framework Model

Source: Author and Kristiansen (2013).

Holloway (2006) discuss income, employment and investments, similar to **Lejárraga and Walkenhorst (2008)**'sand Trejos and Chiang (2009)'s theories on linkages. They explain

them as being the relationship between the money spent in e.g. restaurants and shops and money reaching e.g. producers of food and services. As such, they are stimulating local production and agriculture. This point of departure will guide an understanding of employment and earning impacts, as well as of linkages and leakages.

Low entry barriers, as discussed by Braun and Hollic (2005) may explain a large presence of SMEs as characterized by Rodenburg (1980) and Britton (1982). The skills, planning and organization in such SMEs (Braun and Hollic, 2005) may serve to explain the degree of linkage creation and utilization of spillovers or externalities that are suggested possible by Li et al. (2011).

Warnings of opportunism and moral hazard by Helmsing (2001) following challenges in coordinating collaboration, combined with Macbeth et al. (2004)'s discussion of the importance of SPCC will guide an investigation of the political and social structures to better understand which factors have an impact on the employment and earnings of the tourism industry. Evans (1996) supports a system of innovations-like approach to bridging a possible gap between public and private sector and the local population that will also assist this understanding.

Chapter 5: Methodology

5.1. Research Strategy and Design

The aim of the study is to learn more about what financial possibilities the tourism industry offers. In order to achieve this employment and earnings are investigated. The aim of the study is also to explore and better understand the complex relationship between stakeholders and structures in an industry. For this purpose the *interpretivist* approach is adopted in terms of epistemology. Interpretivism has as its point of departure that “social reality has a meaning to human beings and therefore human action is meaningful” (Bryman, 2008, p. 16). It is this mindset that I want to learn more about in order to interpret human actions in relation to their own understanding of their surroundings, in this case how they relate to the tourism industry. Some theories were clear from the beginning guiding the research. Other theories were explored more deeply after the data collection, when it was clearer what the findings revealed. Literature may function as an impetus in that it as background material stimulate an enquiry and the theory is tested, this way following the *deductive approach*. Literature may also be part of the process after data collection, analysing the findings with the aim of arriving at new theories as an addition to the existing theories, this way following an *inductive approach* (Bryman, 2008, p. 9).

In terms of ontology, a *constructivist approach* is employed. This approach view social phenomena as produced and revised through social interaction. *Objectivism* on the other hand, views social phenomena as external facts independent of social interaction (Bryman, 2008, pp. 18-19). In terms of research design, this study identifies with *case study*. A case study “is concerned with the complexity and particular nature of the case in question” (Bryman, 2008, p. 52). This case study investigates the tourism industry on Flores, which is then divided into the different destinations/cities and the different sectors within the industry. The findings are analysed applying different theories for each of the factors viewed relevant for the elements in this case. The research questions aim to reflect this complexity starting with a descriptive research question and continuing with a research question that is both explanatory and opens up for some interpretation.

5.2. Qualitative and Quantitative Research Methods

This research project mostly falls under the category of *qualitative* research where the emphasis is on words, dialogues and peoples’ explanations and stories. However, there is

some measurement of *quantities* in order to present the employment and earning impacts, and to paint a picture from which to understand the human behaviour in relation to an industry. As such, ‘*mixed methods research*’ is used for this project as it “combines the use of both quantitative and qualitative research” (Bryman, 2008, p. 695). Some arguments exist against mixed methods research. These are mostly centred on ontology and paradigms, and the arguments are difficult to sustain (Bryman, 2008). Among approaches in favour of mixed methods research we find triangulation where qualitative and quantitative research methods corroborate each other; *facilitation* where “one research strategy is employed in order to aid research using the other strategy”; and *complementarity* where “two research strategies are employed in order that different aspects of an investigation can be dovetailed” (Bryman, 2008, p. 607).

For this research *triangulation* is used, and what is similar to *facilitation*, in that the numerical values of the employment and earnings of tourism is investigated through document analysis and statistics, and people’s employment and financial situation is investigated through interviews. In this way it is also similar to *complementarity* as both the quantitative and qualitative data provides information about the economic potential in the tourism industry and the utilization of these. The section on data collection will inform more about this.

5.3. Sampling

A *sample* is “the segment of a population that is selected for research” (Bryman, 2008, p. 698). As this research project is investigating the tourism industry the aim was to interview stakeholders within or in connection to this industry. Thus, a *non-probability sample* was used as it “implies that some units in the population are more likely to be selected than others”, “not using a random sampling method” (Bryman, 2008, p. 696). In line with this stakeholders in the tourism industry were chosen. Examples of such stakeholders are owners or managers of restaurants; owners or managers of hotels/homestays; owners or managers of dive shops, tourism info/activity shops; department of tourism at local government level per region and district regent at local government level per region. Tourists were also part of the sampling. Transport was left out of the sampling; this will be further elaborated in the section on limitations and challenges.

To assist this selection process additional literature was consulted. The British think tank *nef* (the new economics foundation) have a set of tools for measuring social return on investments (SROI). Following their SROI Guide different tasks was performed. Examples of such tasks are 1) a stakeholder analysis was conducted to identify important stakeholders, 2) a key stakeholder engagement plan was written to suggest a way of organizing the researcher's engagement with each of the stakeholders, 3) a stakeholder objective map was created to identify the main objectives related to each stakeholder's involvement in the tourism industry, and 4) a stakeholder input-output-impact map was created to learn more about the cause and effect of each stakeholder's involvement.

5.3.1. Snowball Sampling

With *snowball* sampling “the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others” (Bryman, 2008, p. 184). This method was not widely used, but one interviewee, a hotel owner, suggested a foreign investor who is also a professor in agriculture be included in the data collection based on the interviewee's perception of this foreign investors relevance for the questions asked. A challenge with the snowball effect is that it might not lead to a representative sample of the population. However, in qualitative research “sampling is more likely to be guided by a preference for theoretical sampling”, which has “a much better ‘fit’” than for example snowball sampling in quantitative research (Bryman, 2008, p. 185). Apart from limitations due to time and resources as well as the size of this research project, it is quite similar to the process of *theoretical sampling*. Theoretical sampling “is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them” (Bryman, 2008, p. 415).

An overview of stakeholders in the tourism industry on Flores was attempted during the process of planning and preparing this research project. However, some things turned out to be different than what one was able to prepare for, and some information is just not available online or through tourism guides and other relevant literature. Examples of this are organization or lack of such, which will be further discussed below. The snowball effect also appeared as useful as the selected stakeholders kept referring me to other stakeholders on my

list of respondents. This, to some degree confirmed the relevance in my preparations and the ability to get an overview of the area and its stakeholders.

5.3.2. Data Triangulation

In an attempt to increase the *validity* of the findings and conclusions of this research, when feasible, *data triangulation* was used. Validity concerns the integrity of research and particularly the conclusions that are drawn. Data triangulation is “the use of more than one method or source of data in the study of a social phenomenon so that findings may be cross-checked” (Bryman, 2008, p. 700). Data triangulation can “operate within and across research strategies” (Bryman, 2008, p. 379). That is, between qualitative and quantitative research, or within them. In this case two different data collection methods concerned the same information, e.g. document analysis (quantitative) and semi-structured interviews (qualitative). And also, different respondents in semi-structured interviews were asked the same questions about certain activities to compare the answers. Examples of such questions are function of associations or task performance by local government, and questions relating to documents are number of guests, average price etc.

5.4. Data Collection

As mentioned this research project have used both qualitative and quantitative research methods. This section will present the different data collection methods employed.

5.4.1. Semi-Structured Interviews

A large part of the data collection was conducted using *semi-structured interviews*. Semi-structured interviews cover “a wide range” and are typically “a series of questions that are in the form of an interview guide but (one) is able to vary the sequence of questions” (Bryman, 2008, p. 699). What separates them from structured interviews is that they “are frequently somewhat more general in their frame” and the interviewer is often more free to ask follow-up questions if something particularly significant occurs or change the order of questions, perhaps leaving some out if the situation indicates it might be useful or without negative consequences (Bryman, 2008, p. 699). The questions were *open* in that they did not have a “set of fixed alternatives from which they (the respondent) have to choose an appropriate answer” (Bryman, 2008, p. 231). This was chosen as the best approach considering the aim of

“exploring new areas or ones in which the researcher has limited knowledge” and they “allow unusual responses [...] that the researcher may not have contemplated” (Bryman, 2008, p. 232). A possible disadvantage is that they may be time consuming and difficult to code, however, these did not outweigh the considered benefits.

For most of the interviews an interpreter assisted with the translation. The interpreter was hired for a period of five weeks with a one week pause approximately midway. The interpreter also assisted with some translation of words in statistical documents, review of notes from interviews and some discussion and interpretation of these.

Some of the interviews were more structured than others as some of the questions did not apply to all interviewees and were thus in some cases not included. For example did not all establishments have collaboration with any other stakeholders and the questions regarding the nature of and satisfaction with such a collaboration were not relevant. Some interviewees offered a lot of information and spoke quite freely on the topic in question and on neighbouring topics, thus a lot of additional information was received. This interrupted the structure in the interview, but the total number of questions in the interview guide was always included were applicable.

Sometimes the information received during such interviews where the interviewee spoke freely was outside the scope of this research project and in those times recognition of the interviewee and acknowledgement of their story became important, at the same time as they were informed about the scope of the project. This will be further discussed in the section on ethical considerations. On occasion the questions were not understood. This will be further elaborated in the section on limitations and challenges.

5.4.2. Focus Group Interviews

Without it being part of the plan *focus group* interviews occurred as interviewees encouraged it. In focus-group interviews there are several participants being asked questions at the same time. The “emphasis is upon interaction within the group and the joint construction of meaning” (Bryman, 2008, p. 694). Such an “investigation” of the participants’ interaction or shared or adverse perceptions was not the aim of this research project and thus not part of the research design. To some extent it could have been, for example to get an impression of the collaboration between different employees at e.g. the department of tourism, but that would

be outside the scope of this research project. Interaction between a couple running a homestay or a restaurant is not applicable to this research project either.

Focus-group interviews occurred when the participants encouraged it as they expressed that the questions were likely to be best answered if more participants were present. For example did this happen at a homestay where both the husband and wife ran the place, and at two departments of tourism where the head of office was not available or the vice head of office wanted some of the sub-unit leaders to join. At one time the head of office expressed that he did not think he would know all the answers and thus wanted a second person to join us. One time the department of tourism also had their own interpreter join us, in addition to mine.

5.4.3. Participant Observation

Participant observation is considered “research in which the researcher immerses him- or herself in a social setting for an extended period of time, observing behaviour, listening to what is said in conversations both between others and with the fieldworker, and asking questions” (Bryman, 2008, p. 697). In this regard participant observation was conducted to some extent. The obvious is participating in a social setting and observing peoples’ behaviour. Spending six weeks on an island, travelling from West to East visiting six cities, one participates in many different settings and observes a great deal. Listening to conversations however, had the limitation of language barriers, but when the interpreter was present questions were asked and dialogues initiated apart from the more formal interview situation. On some very few occasions, local people who spoke English made contact and engaged in conversations.

5.4.4. Document Analysis

Examples of *document analysis* in a research project are “secondary analysis of data that have been collected by other researchers” or data collected by different government departments or other institutions or organizations (Bryman, 2008, p. 295). As part of this research project several documents have been analysed. Books and articles have been used for the contextual description on both tourism and Indonesia, as well as when writing the literature review. The quantitative research on statistics relating to number of hotels, number of rooms and beds in hotels, number of visitors etc. have been collected at the local departments of Statistic Indonesia (BPS) and on their webpage.

5.5. Data Analysis

As the most frequently used method for analysing qualitative data we find *grounded theory*. The following definition serves to explain this process: “theory that was derived from data, systematically gathered and analysed through the research process” (Strauss and Corbin, 1998, p. 12) as cited in Bryman (2008, p. 541). As this fieldwork was rather extensive visiting six cities over six weeks most of the analysis started after the fieldwork was finished. However, during the fieldwork all interviews and observations of relevance to the research questions were hand written in note books. At the end of every day hand written notes were typed on a laptop and a backup was made on an external hard drive every two-three days.

Tables and figures was made from the statistical data gathered using Excel. The tables and figures illustrate different kinds of information in the time period from 2008-2012. Examples of such information are increase number of visitors to a tourist attraction or number of guests in hotels. The notes from the interviews were grouped into categories and then analysed according to the selected literature and theories. According to Charmaz (1983, p. 186) as cited in Bryman (2008, p. 542) “Codes [...] serve as shorthand devices to label, separate, compile and organize data”. Examples of such codes are ‘average salary’, ‘number of employees’, ‘membership in association’, ‘impression of trust among community members in terms of lending/borrowing money and/or investing in a business together’. Through the process of *open coding* the researcher is “breaking down, examining, comparing, conceptualizing and categorizing data” (Strauss and Corbin, 1990, p. 61) as cited in Bryman (2008, p. 543), yielding concepts which in turn are “grouped and turned into categories”. A useful difference here is between *concepts* and *categories*, where the former refers to “labels given to discrete phenomena” and the latter to “a concept that has been elaborated so that it is regarded as representing real-world phenomena” (Bryman, 2008, p. 544).

5.6. Ethical Considerations

Ethical considerations in research relates to the researchers' awareness of the project, its circumstances and relevant issues so "that they can make informed decisions about the implications of certain choices" (Bryman, 2008, p. 115). There are four main issues that usually appear in research ethics. They are: harm to participants; lack of informed consent; invasion of privacy; and deception (Diener and Crandall 1978) as cited in Bryman (2008, p. 118). In this research project almost all respondents were approached where they work asked to be interviewed about their job and related topics concerning tourism and their impression of the tourism industry. Unless the respondent had time and wanted to do the interview right away they were asked if we could make an appointment for an interview. This approach was followed to respect their privacy and time management as they were at work.

The interpreter presented a general presentation of me and the project to mitigate the 'informed consent' and 'deception' issues. Participants were explained that the research project was by a Norwegian student writing a master thesis, and not for example part of a local government initiative or NGO to be used in creation of certain results. Participants were also encouraged to ask questions or bring forth any comment they would have. Depending on their personal interests and level of involvement in societal issues some engaged in interesting and informative discussions based on their own reflections on the topic.

Regarding *anonymity* Bryman (2008, p. 124) cites the British Sociological Association "the anonymity and privacy of those who participate in the research process should be respected". During the data collection for this research project only one participant asked for a confirmation of anonymity. No other respondents seemed to be bothered by or interested in this, on the contrary, quite many wanted to be part of the data collection. This relates back to the issue of informed consent that the research must be aware of. In many places, but perhaps particularly in rural areas in developing countries one must consider the possibility that the respondents are not perhaps aware of the ramifications of a research project. They may perhaps think that the answers will be used in Norway and thus not lead to a direct connection back to them and a possible implication for them in their local community. For example if the master thesis was to be printed and made available to local government and/or local NGO's. For this purpose, though it is not a specific plan, interviews are to the extent possible made anonymous. However, high level local civil servants, interviewed representing local

government are expected to provide general information about the tasks and conduct of their office at a relative transparent level.

There was never, under any circumstances a situation in relation to this project or the data collection itself that could cause harm to the participants. In any case, some sort of personal exposure, embarrassment or similar integrity issue may occur if the thesis were to be made available in the local community and issues relating to for example lack of informed consent causing individuals to engage in unintended self-exposure. However, the content of the answers does not concern sensitive issues or information subject to secrecy.

5.7. Limitations and Challenges

Limitations and challenges vary and include aspects such as objectivity, time and resources, organization and structure in research area and availability of respondents.

Among the first challenges encountered that represented limitations for the data collection and the research were peoples' relationship to time management and appointments. This was an issue throughout the fieldwork. On several occasions interviewees showed up late with no apparent cause or excuse, or did not show up at all. Some also made appointments, and upon arrival it was as if an interview then was the most obvious thing not possible to conduct. This caused some delay and challenges considering the number of interviews planned to accomplish a representative sample, and in some cases the interview was never conducted. This does, to some extent affect the data collection negatively and results in possible shortcomings in the analysis and discussion of findings. However, it should not affect the overall understanding of the tourism industry on Flores.

Culture barriers and what some refer to as culture chock did not occur in any significant way. This may be because I have visited the area on a previous research project and was familiar with the culture and surroundings. Still, culture differences were widely present, but did not always offer a challenge. On the contrary, culture differences are part of what makes this kind of research interesting.

On the other hand, culture differences present possible challenges for understanding and interpreting social interaction, peoples' culture and human behaviour. There is a general agreement in social research "that what we 'see' when we conduct research is conditioned by

many factors, one is what we already know about the social world being studied” (Bryman, 2008, p. 549). To accommodate this challenge a distinction was always made between a) the researcher’s perception and experience of an interview and information shared; b) the interpreter’s reflections of the interview and information received; and c) the direct notes from the interviewees/respondents. With this point of departure the findings are analysed according to the chosen literature and theory distinguishing between direct quotes and interpretations of these.

Another challenge in this sense was the variety of respondents’ attitudes. Of those representing stakeholders in the tourism industry both foreign investors and members of the local population participated, in addition to some locals that had lived abroad for several years, either studying or as part of a relationship status. Among the foreign investors many had lived there for several years (up to 15 years), and some were also married to and had children with someone from the local community. Between the locals on the one side, and the foreign investors and the locals who had lived abroad on the other, there was a clear distinction in what was referred to as ‘mindset’ and perception of cultural aspects. This distinction is made clear throughout the data analysis and discussion of findings, were applicable. In some cases the respondents did not understand the terminology used. After some interviews, when the interpreter made me aware of this, we rephrased some sentences in the interview guide.

As mentioned there was some reduction in respondents due to people not showing up for appointments made. The transport sector was left out of the sampling as a decision made upon arrival. The sector seemed too unorganized to make any relevant sample. This impression was also shared by the interpreter and an interviewee in that transport during low season is very random. Many local people who owned a motorbike functioned as transport for tourists simply by being available and taking as many customers as they wanted, when they wanted. There is not organized public transport within most of the cities, though something equal to a taxi/cab can be arranged via some hotels. Much of the transport is either private people offering transport with their motorbikes or so-called ‘overland trips’ offering a car and driver for hire. There are some companies for bus transport between cities. They have somewhat standardized prices. They were used during the research project, and are also reflected in the interviews of tourists using them for travel. With a slightly different research design, or more time and resources, transport most certainly would have offered useful insight; however, they

were not included as part of the sample in this data collection. Rather, the employment and earnings in transport industry was reflected by other respondents' answers. For example tourist who explained their travel plans and usage of bus, motorbikes and cars, and a few overland trip drivers informing about their business.

As with many research projects, time and resources offer limitations and challenges. All financial costs are covered by me. This includes salary and food and accommodation for the interpreter, as well as for me, in addition to my air tickets, vaccines, insurance etc. This also affects the length of the stay, so even though the time spent in the field may have been longer, the costs would not make this possible. However, all projects have limits, and that is also part of the learning outcome – functioning within the boundaries that exist.

Chapter 6: Findings and Analysis

This chapter will present the empirical findings gathered during the fieldwork, and analyse and discuss them according to the chosen literature and theory. The chapter is organized in accordance with the research questions and will start by presenting the findings aimed at identifying employment and earning impacts of the Komodo National Park and tourism on Flores. The next section will present the findings relating to social, political and cultural factors that are part of the tourism industry, aiming to explain how these factors relate to employment and earning impacts.

The following section will present some numbers and statistics of the tourism industry. The aim is to highlight some trends in this industry the past few years and paint a picture of the employment and earning impacts for Flores related to its tourism activity. Numbers for all of Flores will be presented first and then numbers for each of the regencies. The numbers for Flores, collected through document analysis (BPS) are for the whole province Nusa Tenggara Timur (NTT). However, this should not have negative implications as Flores is the dominating tourist destination in the province. To answer research question one I will present several figures and tables to provide an overview of development trends in these selected sectors in connection to tourism from 2008-2012. In some cases the data was not available for the entire period, that is then made clear by indicating year(s).

6.1. Statistics for Flores/NTT

The first figure is a presentation of increase in number of hotel rooms and beds. Then we proceed with average numbers on employees, guests, occupancy rate, length of stay and spending during stay.

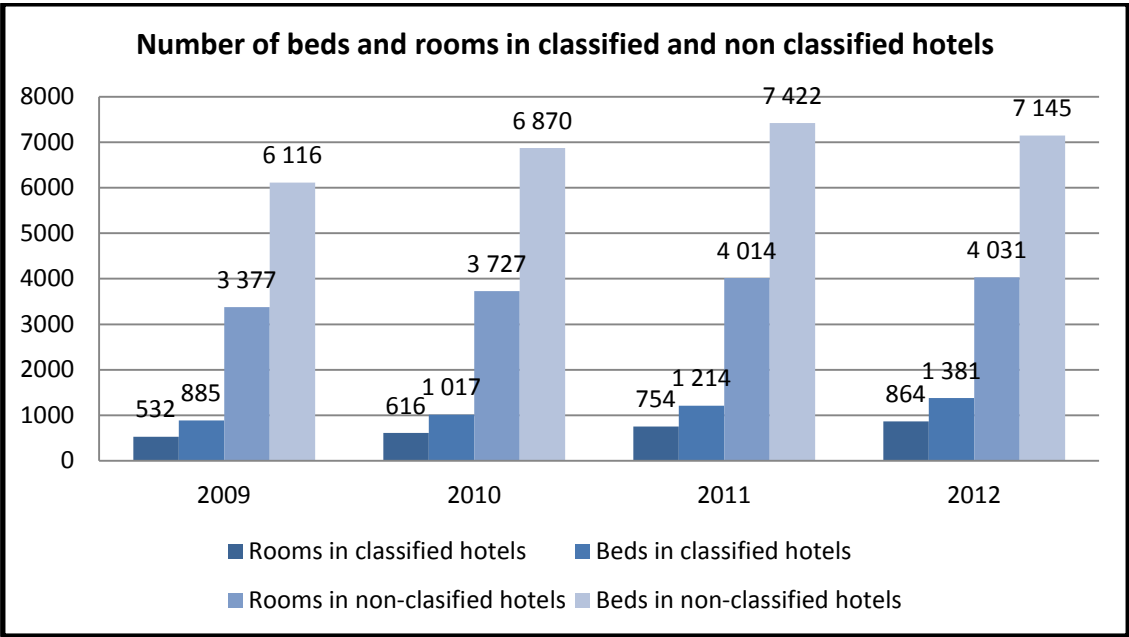


Figure 3: Number of beds and rooms in classified and non-classified hotels in NTT

Source: BPS (2013c)

These numbers from BPS show an increase in total number of rooms from 3909 in 2009 to 4895 in 2012. This is an increase of 25, 2 % over these three years. They also show that the number of rooms has increased with 62 % in classified hotels, and with 19, 36 % in non-classified hotels. The total increase in number of beds from 2009-2012 is 21, 8 %. That is an increase of 56 % in classified hotels, and 16, 8 % in non-classified hotels. This is consistent with responses from most of the interviews.

The following table shows the average number of employees in classified and non-classified hotels in NTT in the same time period. From this table we can see that the average number of employees in classified hotels have increased by 32, 75 %, whereas the number of employees in non-classified hotels have increased by only 8, 95 %. The increase in number of rooms in classified hotels is approximately two times higher than that of non-classified hotels, and the increase in number of employees shows the same trend.

Average number of employees in classified and non-classified accommodation (Acc.) in NTT (2009-2012)				
Year	Classified		Non-classified	
	Acc.	Per room	Acc.	Per room
2012	53.90	0,90	7.30	0,50
2011	42.50	0,90	6.90	0,40
2010	45.30	1.00	6.90	0,40
2009	40.60	1.00	6.70	0,40

Table 1: Average number of employees in classified and non-classified accommodation in NTT (2009-2012)

Source: BPS (2013b).

The statistics from BPS show that the number of guests in hotels on Flores has been increasing, though some more than others.

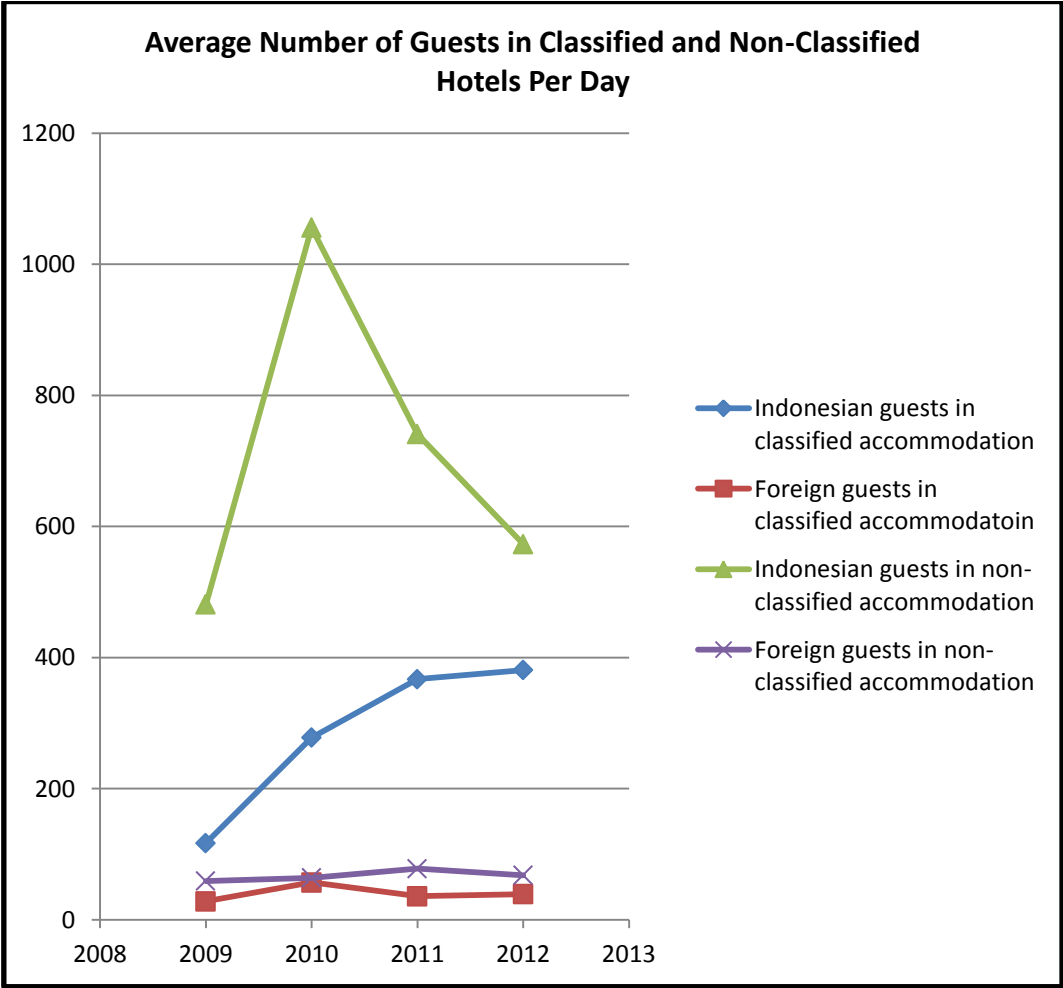


Figure 4: Average number of guests per day in classified and non-classified accommodation on Flores

Source: BPS (2013b).

This figure shows that 2010 was a year with particularly many Indonesian guests. Apart from that the numbers show a discernible increase in Indonesian guests in classified hotels of 115, 2 %. The increase in total number of guests per day is 42, 4 % from 2009-2012. The increase for only foreign guests were 23 %.

The following figure show the number of foreign and Indonesian guests in classified and non-classified hotels per year.

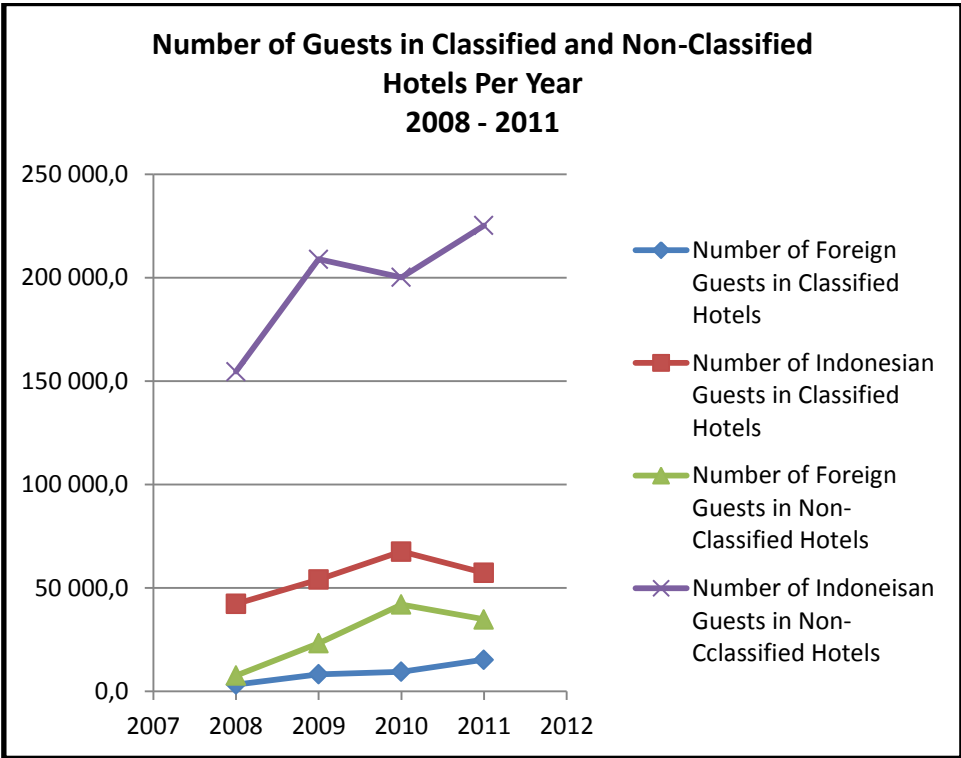


Figure 5: Number of guests in classified and non-classified hotels
Source: BPS (2013b).

From this we can see that the number of Indonesian guests are higher than foreign guests. The number of Indonesian guests has also increased more than the number of foreign guests.

The degree to which the number of guests in accommodation was higher for Indonesian guests than foreign ones came was not familiar to me until analysing the data after the fieldwork, as none of the interviewees mentioned anything about this or about domestic tourists in general. This may be due to them viewing this research project as centred around foreign tourists and international tourism as I am foreign, though this is not certain.

The following figure show the occupancy rate at classified and non-classified hotels in NTT from 2008-2011. From this we can see that he occupancy rate for classified hotels have decreased, whereas the occupancy rate for non-classified hotels have remained much the same.

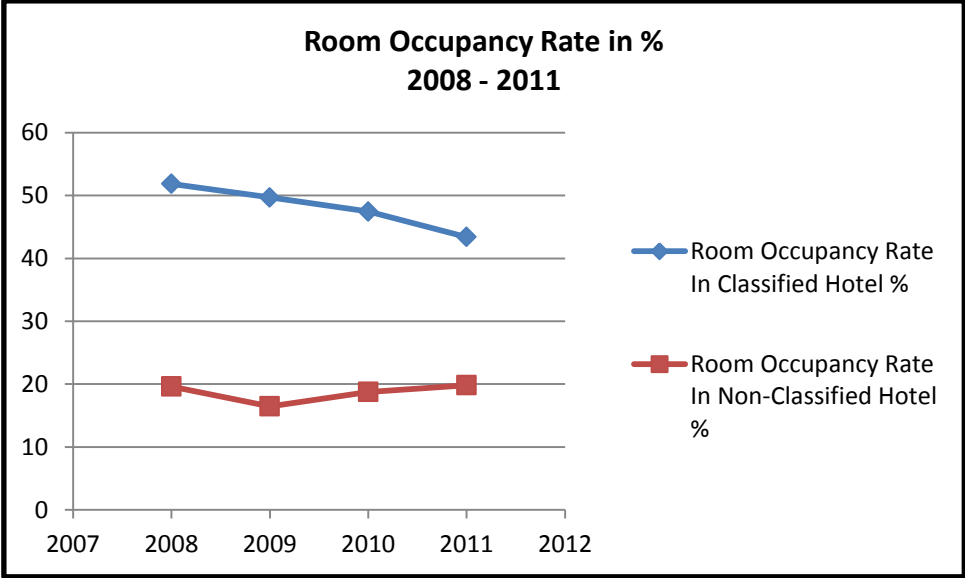


Figure 6: Room occupancy rate in percent from 2008-2011

Source: BPS (2013b).

The following figure shows the average length of stay for both foreign and Indonesian guests at both classified and non-classified hotels. The only category that has increased in their length of stay is Indonesian guests in classified hotels; however, this is a rather small increase.

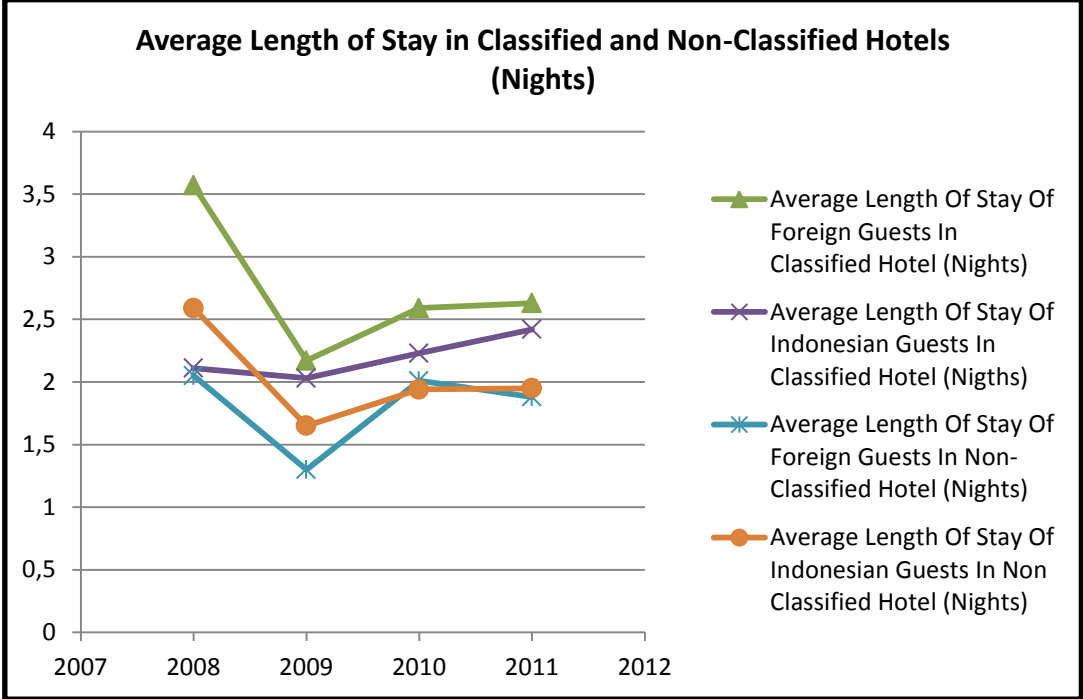


Figure 7: Average length of stay in classified and non-classified hotels from 2008-2011

Source: BPS (2013b).

Foreign guests in non-classified hotels have remained much the same apart from a low period in 2009, and foreign guests in classified hotels have decreased the length of their stay.

6.1.1. Summary

The statistics for the entire province Nusa Tenggara Timur show a total increase in number of hotel room of 25, 2 % and an increase in number of beds in hotel rooms of 21, 8 % from 2009 to 2012. The increase in number of rooms and beds in classified hotels is higher than that in non-classified hotels. The increase in number of employees is also higher in classified hotels. The statistics also show an increase in guests in classified and non-classified hotels. This increase is larger among Indonesian guests. Particularly the increase for Indonesian guests in classified hotels at 115, 2 %. The total increase in guests per year from 2008 to 2012 is 42, 4 %, and for only foreign guests it is 23 %.

The occupancy rate from 2008 to 2011 has decreased for classified hotels. These are also the hotels with the largest growth in number of rooms (62 %) and beds (56 %), and in number of employees (32, 75 %), compared to non-classified hotels with a smaller increase in number rooms (19, 36%) and beds (16, 8%), and in number of employees (8, 95 %). For non-classified hotels the employment rate has remained much the same.

Apart from a low period in 2009 the average length of stay has not changed much. Indonesian guests in classified hotels have increased their length of stay a little, and foreign guests in the same hotel category have decreased their stay almost the same amount.

6.2. Statistics for Regencies on Flores

Many tourists travel the island from West towards East, arriving in Labuan Bajo and departing in Maumere. This is evident also in the numbers from the local statistical offices (BPS) and it matches the information gathered during interviews. Labuan Bajo with Komodo National Park and Rinca Island close by receives the highest number of visitors. Bajawa with its traditional villages and Moni with the volcanic lakes are next in line. Smaller cities along this route such as Ruteng, Ende and Maumere with few attractions to offer have less growth. An exception is Kelimutu (Ende regency) with an increase in number of visitors, but most of them do not stay long.

The following overview of number of hotels, tourists and revenue will be presented according to regency, going from West to East. Of the five regencies visited statistical numbers were collected from four of them. The last regency, Sikka, rejected the research permit and papers from University Gadjah Mada. This, combined with the interpreter getting sick prevented the researcher from obtaining certain data.

6.2.1. Manggarai Barat Regency

This table shows the increase in number of hotels rooms and beds in Manggarai Barat (Western Manggarai). At the time of the visit in February 2013, the numbers for 2012 was not yet available.

Number of hotel rooms and beds in Komodo and Labuan Bajo area, Manggarai Barat (2008-2011)				
	2008	2011	Increase Nr	Increase %
Rooms	396	550	154	38,8 %
Beds	623	894	271	43,5 %

Table 2: Number of hotel rooms and beds in Komodo and Labuan Bajo area, Manggarai Barat

Source: Fieldwork returns, BPS, Manggarai Barat (2013)

These documents from BPS also show an increase in number of hotels in Manggarai Barat from 28 in 2008 to 38 in 2011. On the other hand, documents received at the Department of

Tourism(*DinasParawisata*) in Manggarai Barat have 49 hotels, home stays and losmen in their records for 2011. Limited time and resources prevented further cross-checking.

The number of guests staying at the hotels found in the statistics from BPS shows an increase in both foreign and Indonesian travellers.

Number of foreign and Indonesian guests in hotels in Komodo and Labuan Bajo area, West Manggarai (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Foreign	8634	12864	4230	49 %
Indonesian	10511	17629	7118	67,7 %
Total	19145	30493	11348	59,3 %

Table 3: Number of foreign and Indonesian guests in hotels in Komodo and Labuan Bajo area, West Manggarai (2008-2011)

Source: Fieldwork returns, BPS, Manggarai Barat (2013)

From 2008 to 2011 the total number of guests in hotels in Western Manggarai increased by 59,3 %. There was a 49 % increase in foreign guests and a 67,7 % increase in Indonesian guests. Compared to the increase in number of hotel rooms and beds one can see that there is a somewhat coherent development. As we shall see further on, this is not the case in other regencies.

However, accommodation on boats is not part of the statistics from neither BPS nor the DinasParawisata. This indicates potentially large dark figures. Diving and the Komodo dragon are popular tourist attractions and several of the tourists interviewed during this fieldwork said they were spending one or two nights on a boat, some even more.

The following table shows that the number of paying visitors to the Komodo National Park has increased by 120, 6 % over three years, from 21,766 in 2008 to 48 010 in 2011.

Number of paying guests visiting Komodo National Park (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Paying guests	21 766	48 010	26 244	120,6 %

Table 4: Number of paying guests visiting Komodo National Park (2008-2011)

Source: Fieldwork returns, BPS, Manggarai Barat (2013)

As we see from these numbers 17, 517 more people visited Komodo National Park in 2011 than the number of guests who stayed in hotels. These people most likely lived on boats coming from Bali, Lombok or from Flores, and arrived on daily visit via cruise ship that is here during the high season. It is also uncertain whether all the small island resorts around Komodo National Park are included among the registered hotels, though those which are familiar to the researcher were on the registered list from the statistical office.

Many interviewees in Manggarai Barat mentioned an increase in the number of tourists, but none mentioned that the number of Indonesian travellers was higher than the number of foreign travellers. As mentioned, perhaps interviewees expected a research project about foreigners as the interviewer is foreign, or perhaps the foreign tourists spend more money and thus are considered by locals to be “more” tourist than domestic travellers. The statistics from the paying visitors to the Komodo National Park also shows that the high season lasts from June to October, and the highest numbers of visitors occur in this period.

6.2.2. Manggarai Regency

This table shows the number of hotel rooms and beds in Manggarai (Central Manggarai). According to the data from BPS there were 12 registered hotels in 2008 and 13 in 2011.

Number of hotel rooms and beds in Ruteng area, Central Manggarai (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Rooms	161	268	107	66,5 %
Beds	322	572	250	77,6 %

Table 5: Number of hotel rooms and beds in Ruteng area,

Source: Fieldwork returns, BPS, Manggarai (2013)

Several of the hotels changed both their number of rooms and number of beds during those four years. As the numbers below show there has been an increase in number of guests in hotels by 219, 7 % and only an increase in number of beds by 77, 6 % (above). The following table shows the increase in number of guests staying in hotels, both foreign and Indonesian guests.

Number of foreign and Indonesian guests in hotels in Ruteng area, Manggarai (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Foreign	691	3433	2742	396,8 %
Indonesian	3642	10421	6779	186 %
Total	4333	13854	9521	219,7 %

Table 6: Number of foreign and Indonesian guests in hotels in Ruteng area,

Source: Fieldwork returns, BPS, Manggarai (2013)

6.2.3. Ngada Regency

In Ngada regency the number of hotels decreased from 25 to 24 from 2008 to 2011 according to the numbers from BPS. Still there was a small increase in number of rooms and beds. A closer look at the data from BPS shows that this increase is due to changes within the hotels. In interviews hotel managers also say they are doing maintenance, reconstruction and

improvements to grow, either to be able to entertain more guests or to provide a higher standard and thus take a higher price. These numbers also indicate that there have been at least two hotels ending their business the past three years, which was partly confirmed by interviews revealing that one hotel, owned by foreign investors, opened new business less than two years ago.

Number of hotel rooms and beds In Bajawa area, Ngada (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Rooms	248	264	16	6,5 %
Beds	415	438	23	5,5 %

Table 7: Number of hotel rooms and beds In Bajawa area, Ngada (2008-2011)

Source: Fieldwork returns, BPS, Ngada (2013)

The following table show the number of guests staying in hotels in Ngada, and one can see that the number of Indonesian guests has increased more than foreign guests. There is also a total increase in guests staying in hotels of 137, 2 %, and only a 5, 5 % increase in number of beds. It is difficult to know whether these differences in numbers is due to lack of sufficient data from the statistical institute, or that prior to 2011 hotels had a lot of empty beds and perhaps made their living off another source of income, and that now they are able to manage with the earnings from their hotel business. Interviews revealed that many have a small farm or accommodation in connection with a small restaurants and this may make a full understanding of the numbers difficult.

Number of foreign and Indonesian guests in hotels in Bajawa area, Ngada (2008-2011)				
	2008	2011	Increase Nr.	Increase %
Foreign	1295	2916	1621	125,8 %
Indonesian	2017	4941	2924	145 %
Total	3312	7857	4545	137,2 %

Table 8: Number of foreign and Indonesian guests in hotels in Bajawa area

Source: Fieldwork returns, BPS, Ngada (2013)

In Ngada, as in Manggarai Barat, we find statistics on number of visitors to tourist attractions. BPS in Ngada has 11 attractions in its data collection. The following table show the number of visitors registered at these attractions.

Number of visitors at 11 tourist attractions in Ngada (2008-2011)				
	2008	2011	Change Nr.	Change %
Foreign	13 479	10 702	-2777	-20,6 %
Indonesian	27 999	27 507	-492	-1,7%
Total	41 478	38 209	-3268	-7,9 %

Table 9: Number of visitors at 11 tourist attractions in Ngada (2008-2011)

Source: Fieldwork returns, BPS, Ngada (2013)

These tables show that whereas the number of guests in hotels has increased, the number of visitors to the tourist attractions has decreased. The only tourist attraction with a noticeable increase in visitors is the 17 Island Marine Park in Riung, increasing from 2723 in 2008 to 4766 in 2011, an increase of 75 %. Most of the other tourist attractions have been decreasing (Fieldwork returns, BPS, Ngada, 2008, 2012). Interviews indicate the tourism attractions in this area – mostly traditional villages – are not that attractive to tourists anymore. Many of the tourists interviewed say they visit Bajawa as a stopover between Labuan Bajo and Komodo Island in the West and Moni and Kelimutu volcanic lakes East of Bajawa.

6.2.4. Ende Regency

In Ende regency statistics from 2008 was not available, so these tables provide an overview of the years from 2009 to 2011. The number of rooms and beds in hotels however, were only available for 2010 and 2011, thus a table is not made.

There were 28 hotels in Ende regency in both 2010 and 2011. The number of rooms increased from 346 in 2010 to 400 in 2011. That is 54 more rooms in just one year, an increase of 15, 6 %. The number of beds increased by 55 beds, from 587 in 2008 to 642 in 2011, an increase of 9, 4 %.

The following table show the number of foreign and Indonesian guests in hotels in Ende regency.

Foreign and Indonesian guests in Ende regency (2009-2011)				
	2009	2011	Increase Nr.	Increase %
Foreign	502	1266	764	152,2 %
Indonesian	10870	22070	11200	103 %
Total	11374	23336	11962	105,2 %

Table 10: Foreign and Indonesian guests in Ende regency (2009-2011)

Source: Fieldwork returns, BPS, Ende Regency (2013)

Some confusion arises as the number of guests in hotels in Kelimutu are, the volcanic lake area in a district within Ende regency are different from those for Ende regency as a whole. This is because local government has decided to count the hotel guests in one area close to the tourism attraction separate from the rest of the regency. Thus, these numbers can be added to the table above when considering the total number of guests in hotels in the regency.

Number of guests in hotels in Kelimutu area, Ende (2009-2011)				
	2009	2011	Increase Nr.	Increase %
Foreign	2450	4511	2061	84,2 %
Indonesian	960	1068	108	11,25 %
Total	3410	5579	2169	63,6 %

Table 11: Number of guests in hotels in Kelimutu area, Ende (2009-2011)

Source: Fieldwork returns, BPS, Ende (2013)

In this area interviews revealed that many stakeholders in the tourism industry experience varying income throughout the year, making their financial situation unstable and unpredictable. Many have additional jobs in the low season. One interviewee explains how their homestay of seven rooms does not give them enough earnings to live off. The price per room is Rp 150,000 for a double room. It is a family business and they pay no salary to anyone. They are two family members considering themselves as staff, and they also work in a farm in addition to running the homestay to make ends meet.

6.2.5. Summary

Flores' experience with increased number of tourists over the past years has led to an increase in number of hotels and restaurants, as well as certain tourist activities in some areas. The areas or locations with the most popular and well known tourist attractions receive the highest number of visitors, leading to the largest growth. Labuan Bajo with Komodo Island and Moni with Kelimutu volcanic lakes stand out as the main beneficiaries. This was expected. Further, it was interesting to investigate the level of linkages and development potential created and maintained, and the degree to which the other destinations and stopover locations utilized possible spillovers.

More remote areas and destinations serving as "stop over" on long trips and as transit destinations remain small scale with little financial activities or other income generating sources to offer the tourists. There are also areas with attractions that are popular, but with so little other facilities and activities, that tourists choose to stay only a few hours to see the attraction or just one night and then move on.

There seems to be some deviations in the numbers and statistics collected from for example the Department of Tourism and from the national statistics institute (BPS). This indication of challenges in collecting and processing realistic data may further indicate issues of poor governance and influence the different industries and their ability to produce sufficient to keep up with, and facilitate further growth. The next section presenting findings from interview will include this in the analysis and discussion.

6.3. Employment and earning impacts of tourism

In terms of economic linkages there are some differences between regencies, but they are mostly due to differences in resources and location, for example fishing if located by the sea. Sectors in connection to the tourism industry providing possibilities for economic linkages seem to be equally disintegrated all over Flores.

When investigating the employment and earning impacts of the tourism industry to better understand the industry's contribution to socio-economic growth this research project aimed at following the money. Thus hotels, restaurant and transport were the obvious ones, in addition to tourism activities and attractions such as diving and promoted attractions. This also being the places expected to create economic linkages. However, interviews reveal that stimulating or maintaining economic linkages and avoiding leakages is not an area of focus for the Department of Tourism or any of the interviewed associations or organizations. At the different Departments of Tourism the only answer that somehow touched upon any responsibility on their part for facilitating or regulating tourism related activities was concentrated around culture and so-called empowerment of local people. This will be further discussed in section on governance and SPCC. Before this, a discussion of salaries and prices is appropriate, followed by a presentation of findings related to restaurants and shops.

6.3.1. Salaries and Prices

The minimum wage in Flores is according to most interviewees Rp. 950,000. This matches to some extent with the online source *wageindicator.org* depicting the minimum wage for 2012 at Rp. 925,000 and Rp. 1,010,000 for 2013. According to BPS the 'real wage' per December 2012 (preliminary figures) was Rp. 1,016,830 (BPS, 2013b). These sources point to an increase in the minimum wages over the past years. However, most interviewees said there was little or no increase in salaries, or they said that there was an increase, but could not or would not say how much. There was not much difference based on regency on Flores. The factor that made the most difference in terms of salary was whether the owner was a European investor or an Indonesian.

The salaries vary substantially between the different hotels and restaurants, and can range from Rp. 300,000 to Rp. 1, 1 million per month. In one local *Padang* restaurant it was even as high as Rp. 2 million. Almost always the employees have food and accommodation in

addition to the salary, as many hotels and restaurants have accommodation arrangements in connection with their business. Even when there is food and accommodation in addition to the salary, the salary vary from an average of Rp. 300,000 to Rp. 1, 1 million for similar, if not same jobs. One can argue that a receptionist/waiter job is perhaps lighter work than a housekeeper/cleaner at a hotel or a cook/kitchen cleaner in a restaurant. However, this, or the degree to which an employee speaks English is most often not reflected in the person's salary.

As mentioned, the difference in salary was quite clear between local entrepreneurs and foreign investors. The foreign investors kept the salary at the level of the minimum wage or mostly right above, and most of them provided food and accommodation in addition to that. Among the local entrepreneurs, most paid Rp. 300,000 – 800,000 per month, with food and accommodation in addition to that. In dive shops the salary varies based on level of dive courses and experience, ranging from an average of 1 or 2 million up to 5 million for dive instructors.

Some of the hotels and restaurants also said it was common to hire a few extra workers for 2-3 months during the high season, and a few also receive trainees from one of the tourism schools. Several entrepreneurs said that income earned in the high season was also their livelihood during the low season, and some expressed that in the low season it was sometimes quite difficult to get by.

The average prices of the rooms have not increased much, compared to the increase in number of tourists and number of beds. This may indicate competition, but also lack of business management skills and knowledge of the tourism industry and how to meet its needs and demands. The standard and service in many of the hotels is quite low, which makes it hard to defend higher prices. These are examples of elements that an association would deal with, ideally in cooperation with local government departments in relevant areas. This will be further discussed in the following sections.

The official minimum wage of around Rp. 950,000 is also the lowest level in public offices. One interviewee mentioned that “workers have legal rights and can complain if this minimum wage is not met, but they are afraid for their jobs. Others gladly take them without complaining about salary, and then it is not much use in the legal rights...” (interview, hotel, foreign owner, Labuan Bajo, 2013). The interviewee continues to explain how the foreign

investors and some more professional companies “contribute to a slow change in this, they give proper salary”. But;

“It is difficult to organize things here. There is one office for licenses, one for work/labor, other offices for other things, and none of them cooperate or inform each other of what is going on in each of these departments/units – nothing is coordinated” (interview, hotel, foreign owner, Labuan Bajo, 2013).

These issues on government coordination and regulation will be further discussed in a section below.

6.3.2. Restaurants and Shops

The tourism industry with its hotels, restaurants and tourism oriented shops and activities appear completely unorganized on Flores and this serves to explain parts of the lack of economic linkages. Interviews indicate an increase in new establishments in general (dive shops, small shops etc.) in some of the areas on Flores, but it does not seem to be guided by any plan or purpose or understanding of implications. It all appears quite random. There are some organizations and associations that exist, but most people agree that they exist more on paper and that there is not much function to them. The number of restaurants did not seem to be registered with anyone. Neither the BPS, nor the Department of Tourism, any restaurant owners or members of the restaurant association had any comments on this. They all said it was now more restaurants than before, but did not have concrete numbers or any record of this.

The same seems to be the case for the dive shops. Two of the members in an association established the past few years had completely different information about the number of dive shops in one city; Labuan Bajo. According to one interviewee, the number of dive shops has increased from five in 2005 to 22 in 2012. The other interviewee says there are now 10 dive shops in Labuan Bajo. Both of those shops had a rather large number of employees (15-19), practically the same location, and in both cases the owner was in a relationship status consisting of a European person and a local Indonesian. The salary, however, differed quite a lot. One of the shops offered an average salary of Rp. 2 million, while the other had an average salary of Rp. 1 million. On question whether the salary had increased the past few

years, in line with the increased tourism, one of the shop managers answered just “yes” and had no further comment. The other shop manager said “the average salary has increased the past few years, but not due to increased tourism, - due to inflation” (interview, dive shop owner, Labuan Bajo, 2013).

The dive shops have lots of business during the high season, but during the low season it is often difficult to get by, and the competition is challenging. Similar to the hotels and restaurants, also many in this sector live in the low season of money earned in the high season.

The owner of a local *Padang* restaurant, serving mostly chicken dishes with rice and vegetables, were interviewed. He has had the restaurant for 5 years and the customers are 50/50 tourists and locals. This is the case in Labuan Bajo. In similar restaurants all over Flores the customers was almost only locals. This was also experienced by the researcher as every time I entered one of these restaurants it was perceived as something close to entertainment. In the restaurant in Labuan Bajo there are two employees at the most, during the high season. In the low season there is mostly just one employee, the other one is told to leave when business decreases. The average salary is Rp 400,000. This is an increase from about Rp. 200,000 the past few years. The employees also get food and accommodation in addition to the salary.

When this man started his business in 2008 there was only eight restaurants like this in the area, now there are 24. The association for these restaurants – Sumatra Padang, has a meeting every 15 days. According to this restaurant owner “they offer to help each other, reducing the negative effects of competition” (interview, Padang restaurant, Labuan Bajo, 2013). He says they support each other, and make some requests to the government for support. He also thinks the government is quite effective, but that the people take it for granted. This example will be discussed further in connection with additional data and relevant theories in the next section. This was the only association in the data collection that seemed to be functioning.

6.4. Linkages and Leakages

During interviews some restaurant owners mentioned how they tried to establish some collaboration with farmers on supply of food, particularly vegetables, but the collaboration

did not last. That is a problem they say; “there is no continuity” (interview, foreign restaurant owner, Labuan Bajo, 2013). Most of the hotels and restaurants interviewed say they buy their supplies of food at the local market. Only one hotel manager said they had an own garden that the employees took shifts managing, and one restaurant owned by a man from Bali, educated abroad, said he used local farmers to get the supplies to avoid economic leakages. This was the only person using these words and the only one mentioning this as relevant. It is not certain how the local markets are organized, but it is probable to assume it is comprised of local farmers selling their products as well as what interviewees referred to as traders, importing eggs, canned goods, drinks and other goods not available on Flores.

As the supplies are not sufficient most hotels and restaurants interviewed import from surrounding islands, e.g. Bali, Sumbawa, Surabaya and Java. A typical answer from a restaurant or hotel manager is that there is no collaboration with anyone. In terms of supplies they would get items such as e.g. frozen chicken and potatoes from Bali. In one town an interviewee bought eggs at a big store that imports from Java. On questions whether it was really necessary to import groceries such as these the answer was that “it is possible to have egg farm here, but it is difficult; need experience and big capital” (interview, restaurant owner, ethnic Chinese, 2013).

It was also only this restaurant owner, an ethnic Chinese, who said anything about planning and organizing the business and supplies. On question about challenges connected to import and inflation the answer was that the owner learns the weather; that rainy season is from December to March, and so she plans ahead and stocks up before rainy season to avoid lack of supply and price inflation.

The different regencies do not appear to have any collaboration with each other. When interviewing the Department of Tourism, associations and organizations, and hotel and restaurant owners, they all answer “no” to this. For example; “inflation is higher here because Bajawa is in the centre of the island and needs to import from other regencies and islands” and “each of the regencies only promote themselves, they don’t collaborate [...] persons still think only about themselves” (interview, Department of Tourism, Ngada, 2013). In another interview, the Department of Tourism claimed to have collaboration with a Department of Tourism in another regency, about sharing supplies, e.g. trade fish for vegetables. This Department of Tourism said that if hotel or restaurant owners import from other islands it is

because they do not have a licence to run, and also because tourists have a different taste and that is why some import. In other words they answered nothing about any collaboration, and also implied that businesses who import are not licensed to run.

Their answer to the question on collaboration was that the department of tourism's "main programs concern arts, crafts and music" and "it is the department of agriculture that deals with farmers and that kind of supply chain" (interview, Department of Tourism, Labuan Bajo, 2013).

The only governor (*Bupati*) that participated in an interview acknowledged this issue of lack of linkage creation and the leakages resulting from it: "the main problem is a need to improve vegetables and fruit, - it is imported because of lack of awareness of the people on how to plant this, be farmers" (interview, Bupati, Labuan Bajo, 2013). He also said that they "have noticed the increase in terms of visitors, but it is hard for the local people to keep up. This regency is only 9 years [old], they work on coordinating fish, agriculture and tourism – they have plans to be self-sufficient" (interview, Bupati, Labuan Bajo, 2013).

On question regarding the inflation mentioned by restaurant and hotel owners the governors answer is that:

"The main problem is the environment; waves, rain etc. It is difficult for the government to make rules and regulations because of the free market economy. We only check that the prices are ok enough so that people can get food. On special events like Christmas or Muslim events the government pays special attention/supervises the market prices. But it's the market" (interview, Bupati, Labuan Bajo, 2013).

6.5. Social, Cultural and Political Factors

This section presents findings aimed at answering research question two environmental factors impacting the tourism industry.

6.5.1. Political Factors

Several interview objects mentioned the lack of government regulations as a challenge for the tourism industry and local development. Lack of collaboration across sectors and between

stakeholders with mutual economic market, competition regulation, and infrastructure and maintenance of e.g. streets and water pipes are examples mentioned by interviewees.

The number of hotel rooms compared to the number of visitors in Manggarai Barat creates a price war in the low season. Even though there is a big difference in number of tourists in the low season and the high season, employees at a Destination Management Office supported by a Swiss organization called Swisscontact in Labuan Bajo explains that when:

“500 rooms are available daily and there’s only an average of 200 visitors per day, this creates a price war. Thus it should be regulated by the government. In the low season the five star hotels drop the prices to attract guests and this offers negative competition for the low standard hotels, often run by locals. This can create jealousy and hostility between small scale and large scale hotels. The Hotel and Restaurant Association does not function, - because of the mindset” (interview, DMO Labuan Bajo, 2013).

This is echoed by a local hotel owner. He says that there is “always competition, especially with the luxury hotels” (interview, hotel owner, local, 2013). His hotel has eight rooms with prices ranging from Rp. 80,000 to Rp. 150,000 in the low season, and Rp. 100,000 to Rp. 250,000 in the high season, main difference among these rooms is air condition. As a traveler one often have a clear idea whether one is thinking of staying at a locally owned economy room of approximately Rp. 80,000 to Rp. 150,000, or at an international luxury hotel paying Rp. 500,000 or more. None of those interviewed, private stakeholders or government officials mentioned any regulation of this; it seemed to not be on the agenda at all. Minimum and maximum prices existed somewhere, but only on paper.

At another local business in a town further east, a different perspective on government regulations were told during interviews. One of many family run homestays had bad experience with tourists bargaining on prices as they have seen a particular price in travel books (e.g. Lonely Planet). The books are often one or two years old, sometimes more, and thus, prices have changed. This, combined with competition among homestays, hotels and lodges created what was referred to as unfair business:

“Tourists check prices with the different homestays and if they say that one offered Rp.150,000, the next will regulate its price lower to get them to stay there” (interview, local homestay owner, Moni, 2013).

On question whether government regulations would be a good idea, they say that:

“Government regulations would make it more difficult. Economy room prices are always changing, but if the government set the price at e.g. Rp.100,000 they could not take Rp.125,000 or Rp.150,000 because the tourists would know. Wesometimes need to change the price if something gets broken and needs to be fixed. Tourists also want to stay where it is clean, so government regulations would make it difficult. If there is no water, because sometimes we run out of water, the tourists only pay half price” (interview, local homestay owner, Moni, 2013).

General collaboration from government officials towards the industry is minimal, organisation and plans exist on paper, but are not being practised, reports are inadequate and other information is inconsistent. Thus, results of government involvement are not visible to the public and many people feel that the local government is not doing what is their job. The general dissatisfaction towards government officials indicates lack of trust in their capabilities and in their motives.

Some of the government officials interviewed, e.g. at the Department of Tourism or the governor, mention lack of qualified staff as part of the explanation for the lack of results. At the Department of Tourism, they say that finding the right, qualified person for the right job is a challenge. On question if this could be regarded as colonial legacy, it was confirmed that yes; there is a culture in public offices that one works for one self or one’s superior, not for the community or benefit of local population.

As mentioned, there seems to be little, if any collaboration between government offices and tourism industry stakeholders. The few associations that exist have no or very few meetings, and nothing tangible comes out of them. There are no, if any plans, projects, programmes, or results of any such when asking interviewees about the work and function of any collaboration structures. The ones that do exist have no function. And when asked about the associations most people say that they don’t know what the purpose of them is, or what

benefits it could produce. There is a reluctance to participate in any kind of meetings or job that does not pay, - short term thinking.

The Department of Tourism and the governor referred to something they called ‘socialization’. However, the effect of this is not very clear. They explained that socialization is when staff at local government offices sometimes per year visit villages to “teach” the people there about rather vague things such as moral and norms, and how some government rules function or practises is carried out. The local people that were interviewed never mentioned anything about this.

When asking interviewees about their impression of people’s attitudes towards local government and whether or not there were any demonstrations the past few years most answers were vague and appeared passive. One local homestay owner said that:

“Demonstration or strike to make the government fix the water may be a good idea, but the people would not listen. They think that if they strike, the government would make problems, e.g. stop/cancel their licence. People worry that the government would do something bad to them. The government would not actually do this, but people think so or are afraid they might” (interview, local homestay owner, Moni, 2013).

6.5.2. Cultural Factors and Human Capital

During the interviews one restaurant owner said that since they started the restaurant about two years earlier they have had about 50 employee shifts. Some were “too lazy” – after 2 days they quit because it was too much work to do. The first month they operated they explained to all their new employees that everyone get their salary once a month – all work 30 days and then get paid, work another 30 days and then get paid again, and so on. After the first month, the day after salary only half the staff showed up at work.

The restaurant owners were not informed about this, and did not hear anything from any of the employees who disappeared. After about two weeks most of these employees came back to the restaurant ready to work more, because now they had spent all their money. They now expected to get to work more. The restaurant owners explained that it does not work like this.

Another entrepreneur, an owner of an internet shop says his employees only sits on Facebook and have no interest in business/working. “They are not serious and don’t want to learn about business and working” (interview, shop owner, ethnic Chinese, 2013). He thought them IT programs and offered to teach them useful ICT skills, but they said “no, we don’t want to know such things”. When discussing other businesses in the area he mentioned other examples to illustrate his point about the mindset of the local people: “90 % of boat owners don’t have an office, - they don’t manage their business. They don’t care or think about improvements”(interview, shop owner, ethnic Chinese, 2013).

6.7. Analysis and Discussion

To understand the economic and political structures of a country one can look at who benefits from tourism and how the tourism industry manifests itself. Trading patterns in the tourism industry on Flores are characterized by import, small production and high vulnerability to inflation. Local needs and desires does not seem to be the driving force for the development of Flores and findings indicate that the local population does not stand out as the main beneficiaries, and that a lot of potential and possibilities are passing them by. This has a negative effect on how the costs and benefits are divided in the society. It appears some dominant firms, social groups or stakeholders have more beneficial arrangements than others, and many local entrepreneurs are often left to fend for themselves.

6.7.1. Employment and Earnings

The superior skills held by e.g. international stakeholders or certain ethnic groups, and also resources and commercial power held by such actors, are suggested by Britton (1982) to be a hindrance for tourism to contribute to economic growth for the local population. An example of challenges in entrepreneurship and economic development can be illustrated by one of the hotels that were part of the data collection as it reflects several answers from respondents across the island. The hotel has decreased its size substantially, and also done some repairs and maintenance to upgrade the standard.

The size of the hotel was reduced from 23 rooms and 46 beds in 2008 to 13 rooms and 26 beds in 2009. It remained at this size in 2010, and in 2011 it reduced further to 8 rooms and 16 beds. So far it makes sense; if you need to spend money on maintenance and repair,

reducing the number of rooms and beds may be a good strategic move. What is strange is that the prices for the rooms have remained almost the same from 2008 to 2011, even also now in 2013, as the researcher paid similar price when staying there during fieldwork. It is worth mentioning that in 2011 the owner received money for a rental contract on a connecting building. Some European investors started a restaurant there.

In 2008 the maximum price was Rp. 200,000, and the minimum price was Rp. 50,000. This minimum price increased to Rp. 80,000 in 2009, *before* the upgrade in standard. The increase in 2011, after the upgrade, is from Rp. 200,000 to Rp. 250,000 as the maximum, and from Rp. 80,000 to Rp. 100,000 as the minimum.

So with a decrease from 23 to 8 rooms, and from 46 to 16 beds, plus an upgrade in standard through repairs and maintenance, the average increase in price per room, and thus income for the owner, have only been from Rp. 200,000 to Rp. 250,000 as the maximum, and from Rp. 50,000 to Rp. 100,000 as the minimum, over five years (2008-2013). When the researcher was there for fieldwork the price for economy room was Rp. 90,000 and for air condition it was Rp. 150,000. If the stay was increased from 1 week to 2 weeks, the price would have been reduced to Rp. 80,000 for the economy room. This was during low season.

Compared to the standard in other hotels visited and interviewed there is only rather small adjustments that would enable the owner to take a higher price. Examples of such adjustments would be to have toilet seats on the toilets, which cost only Rp. 25,000 rupees and is approximately the same as the price for a chicken and rice meal in a local restaurant. Mattresses free of 'bed bugs', and more than a cup cake and a banana for breakfast are also things that could rather easily increase income for the hotel.

When asked about the future plans for the hotel, the owner answered that he was thinking of increasing it to 20 rooms. When asked about how the occupancy rate was, he said that during low season it was approximately 40% full and during high season it was approximately 75% full. This can be partly confirmed by the researcher as during the nine day stay there it seemed to be about 40% full. Again, what is interesting is that even though the hotel is only 75% full during high season the owner still wants to increase the number of rooms, instead of e.g. increasing the standard and be able to take a higher price for the once that are occupied and increase the possibility of entertaining more guests. When asked about future prospects the

hope is that the increase in tourism will continue, and on competition the answer was “there is always competition, especially with the luxury hotels that have good facilities” (interview, local hotel owner, Labuan Bajo, 2013).

This presents a curious situation, as this hotel owner has the capital to increase the standard and provide better facilities instead of increasing the number of rooms. This introduces the lack of knowledge, skills and training relating to human resources and cultural capital. The owner says he wants to develop his skills and knowledge but does not know how. However, he has been here since 1971. If you want to develop your skills and knowledge of tourism and you have a hotel for several decades, the opportunity is there; one of the best sources is the tourists themselves. But as he said, he does not know how. Several interview objects, mostly Europeans but also locals, mention the mindset of the local population as a hindrance for their utilization of the possibilities available in tourism, - possibilities that are utilized by foreign investors, ethnic Chinese and investors from Java, Bali or other Indonesian islands.

On question about his impression of government plans and whether they are effective and respond to the needs of the community/region, he answers that there is a need to develop this, e.g. businesses and develop the lack of opportunities. However, the empirical findings collected during fieldwork indicates that the increase in tourism is creating just that; opportunities. And that the challenge is lack of human resources to utilize these, in addition to lack of government structures and poor governance that further hampers the development potential available in the tourism industry.

6.7.2. Linkages and Leakages

In line with Styne's (n.d.) and Lejarraga and Walkenhorst's (2008) categorization of linkages and multiplier effects there are some identified on Flores. However, the lack of such linkages and multiplier effects seems larger. Some of the reason for the leakages and lack of linkages can be explained with Trejos and Chaing's (2009) and Rodenburg's (1980) theories on local food products and agriculture. The large number of local, small scale accommodation should contribute to linkages in this sector; however, the findings suggest that this is not being utilized according to its potential. Kristiansen (2006) mention government regulation and control of transaction costs to mitigate this, as does Brohman (1996) referring to well-managed structures as necessary for economic growth to consolidate in society.

When interviewing the Department of Tourism in Labuan Bajo on supply of food for the hotels and restaurants, the answer was that it was not the Department of Tourism's responsibility to deal with farming; this was the responsibility of the Department of Agriculture. The Department of Agriculture on the other hand is not dealing with tourism, and thus seems not to be informed of the tourism industry's need of supplies. Almost all hotels and restaurants, as well as a local small shop stated that supplies are a big challenge. In the rainy season the weather makes it difficult for boats to reach the island. This creates inflation and a pack of eggs can increase in price from Rp. 30,000 one week to Rp. 60,000 the next (mentioned in two separate interviews, 2013). Several interview objects also say that sometimes certain goods and particularly vegetables are not available at all, and prices were said to increase every 3-5 months the past year or so. This can also be confirmed to some extent by the researcher as hotel breakfasts sometimes had no banana or other fruit/vegetable announced on the menu, because there just were not any at the market. And at restaurants one was quite often one told that something one ordered was "finished", meaning they did not have any.

One interviewee, a foreign investor owning a hotel, and having lived there for 13 years, expressed that it is difficult to understand how an average local family is able to live considering the inflation and increase in prices. The salary at this hotel has increased in accordance with inflation and not necessarily in accordance with increased tourism. This was also confirmed by another interview object owning a dive shop, also a foreign investor; that salaries have increased due to the inflation and not due to increased tourism. As the tourism has increased so has the competition and this affects the revenue of each stakeholder. It is worth mentioning that only those two foreign investors said they had increased salary in accordance with inflation.

Backward linkages are a possibility not taken advantage of in Labuan Bajo. Several interviewees mention the difficulty in obtaining supplies as something affecting their business in a negative way, particularly vegetables. By the foreign investors it is also mentioned how it is sad that the community miss out on increased money flow in their district and a lot of potential economic growth in self supply, rather than the economic leakages that results from extensive import. During the rainy season it is difficult to get supplies by boat and this stimulates further inflation. The governor in Labuan Bajo answers to this that:

“this regency is only nine years old, [we] are working to coordinating fish, agriculture and tourism, [we] have plans to be self-sufficient”, “but it is difficult for the local people to keep up, vegetables and fruit are imported because of lack of awareness of the people on how to plant this, how to be [large scale] farmers”(interview, Bupati, Labuan Bajo, 2013).

This is echoed by a foreign investor and professor in Agriculture that was interviewed,

“For 100 years people here lived almost only for themselves, only supplying themselves. Not for a market or for selling/business. Some NGOs have introduced cash-crops like palm oil, coconut etc. But they [the local people] still only think about themselves – their own supply only, they don’t think big” (interview, 2013).

According to him it is quite easy to do farming with greenhouses during the rainy season, as opposed to the dry season when they will have to rely more on supplies. However, in the dry season the weather does not threaten transport, thus, lack of supplies and inflation is not such a big problem. But, as he also said,

“There is a lack of knowledge, people here do not know about fertilizers; natural or pesticides. Even agricultural consultants here need agricultural consultancy!”(Interview, foreign investor, 2013).

Li et al. (2011) suggest that tourism externalities are negatively correlated with grade difference and geographical distance, and are positively correlated with type difference among destinations, learning ability of externality receiving destination, and the tourism scale of the externality generating destination. The findings reveal accommodation, food, and services as generators of employment and earnings follow the flow of tourists. There is a grade difference between Komodo Island and traditional villages, and between Komodo Island and Kelimutu volcanic lakes. The geographical distance between these tourist attractions, combined with the poor quality on the travel routes, this has a negative effect on externality generation.

What is suggested by Li et al. (2011) to be positive for generating externalities is type difference. Considering this, most of Flores compared to e.g. Bali offers an interesting distinction. And this is evident in Labuan Bajo where many of the tourists come from Bali to do “something else”. Within Flores the attractions are quite similar, except for the diving. Those tourists that are into diving do almost only that. Those who are into trekking, flora and fauna and culture, see more of the island and visit traditional villages. Most of those tourists visiting Kelimutu volcanic lakes said they were on an all island tour. Those who were there mainly for diving or to see the Komodo dragon did not go all the way to Kelimutu.

The learning ability gap (Li et al., 2011) between a receiving destination and scale of an externality generating destination can be illustrated by Bali as the externality generating destination of rather huge scale, and the lack of learning ability on Flores as a potentially receiving destination. Considering the amount of tourists visiting Bali every year, being only one flight from Flores, one must acknowledge a rather small utilization of potential.

Mowforth and Munt (2003) argue a shift in type of tourism from old to new and from modern to post-modern. Such a shift also indicates changes in financial output from the tourism activity. UNWTO describes the present tourism as modern, encompassing all travelling activity. Though, there are distinctions to be made here. What Britton (1982) suggested would be benefits hard to utilize because of colonial heritage and associated shortcomings, exemplified by Brohman (1996) as leakages and poor resources management, are present in the developing country context of this research project too. However, the type of traveller is low-budget backpacker type. Still, there are plenty of potential to develop which could increase the employment and earning impacts. As Braun and Hollic (2005) suggest, a motivational social, economic and political environment created and maintained by participation of both local government and local community is necessary to facilitate such a development.

6.7.3. Summary

Many, if not most, tourism stakeholders rely on other income to survive. They often have own land which gives them some income and/or food.

In general the local government and Department of Tourism do not seem very capable to support or be involved in the development of the tourism industry. They say themselves that

most of their work is about “empowerment” and socialization, but project descriptions are vague and results are not mentioned by any other interviewees. As they seem to focus on culture and empowerment the industry part of tourism seems neglected and development moving slowly.

The lack of collaboration, networks and feedback loops is an evidence of and a reason for this. This can be directed to the lack of knowledge, management skills and human resources in local government and in entrepreneurs. This is also reflected in tourists’ experiences. In interviews several answered that they “feel accepted, but not welcome”. They portray locals as friendly, but that they do not seem to care about or care for, the tourists. They show only interest in what gains them directly; money and conversations leading to income, and not what makes the tourists feel good and want to stay longer or spend more. There is a difference between “authentic homestay” in local style and low standard. Only rather small adjustments are necessary. Lack of knowledge combined with a lack of willingness or desire to pursue “more” seems to be the issue here. Several hotel managers that were interviewed had not considered a small questionnaire to their guests even though they expressed that they wish they knew how to improve or what to do to make guests want to stay longer or spend more, or engage the association in this.

This refers to the “chicken and egg” situation in terms of investment and development. Instead of caring for those who are there to attract more, a “take what you can” as if nothing more will come is more present. This again results in just that, lack of growth and slow development. Most times my questions on collaboration, systems of innovation and networks needed explanation, and answers were vague and reports and projects seemed incomplete.

Chapter 7: Conclusion

From the statistics for NTT we can see an increase employment and earning generating businesses, particularly in classified hotels. We also see that there is a larger increase of domestic guests than foreign, and that the domestic guests are increasing their length of stay whereas foreign guests are decreasing theirs.

The increase in size, occupancy rate and employment in classified hotels over non-classified hotels, may indicate a gradual shift from locally owned SMEs to large scale businesses, often owned by foreign investors or other capital strong stakeholders. However, the low entry barriers and “homestay standard” of many of the SMEs suggest that even though they do not increase in size of either business or employees, they increase in number, meaning more people may get involved in the tourism industry, get jobs and share in on the earnings.

Salaries in the tourism industry do not follow the national minimum wage standard and there is a rather large difference between foreign investors and local entrepreneurs. In areas with a lot of tourism there are many small restaurants with low salaries providing a job and income for many people. For example in Labuan Bajo, there 50 % of the guests in a local restaurant that produces only Indonesian food, are foreign tourists. For many of the employees in these restaurants it is likely that there are not many other employment alternatives.

Lack of continuity and collaborative structures between stakeholders in the tourism industry and stakeholders in the supply chain is a hinder for linkage creation and cause economic leakages. Local government is to some extent aware of this, but thee different departments does not seem to be aware of their potential role in managing this.

Lack of collaboration between the Department of Tourism and the Department of Agriculture, enables money to leak out of the local economy, and as such deprives the local communities of many of the benefits associated with tourism development. More so, it endangers them of being powerless witnesses to a rapid increase in activity that may, if not managed, have negative consequences for the future tourism and for the local environment. It may also create jealousy and hostility among those who do benefit and those less fortunate. If not managed it is likely it will contribute to, sustain, or further increase, social inequality between some ethnic groups and foreign investors on the one hand, and local population on the other.

Development is a process in need of attention from all involved parties. The implications on local development in terms of generating employment and earnings in this case comes from both poor management in the receiving area, but also less externalities produced by the travellers as they are more T's than S's. Perhaps it cost more than they benefit.

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