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**OWNERSHIP AND EMPLOYMENT IN THE TOURIST
INDUSTRY IN RAROTONGA**

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requirements for the degree
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ABSTRACT

The small island states of the Pacific are faced with enormous development problems. Their small size, lack of resources and isolation give them few options to provide the high standard of living that their citizens increasingly demand. Many small island states have embraced tourism as a potential panacea for the development impasse. It appears to offer an ideal way for a country with few resources to generate jobs and foreign exchange. Yet the optimistic expectations are rarely realized. Developing nations have found the benefits of their tourist industries accruing largely to metropolitan countries. The very nature of the global tourist industry seems to require foreign ownership and management of the industry, resulting in repatriation of profits and leakages of foreign exchange. There are ways that a developing country can avoid this fate. The key is good management and planning, and to be prepared to eschew mass tourism in favour of an industry built around smaller, locally owned facilities. A small scale industry reduces the need for foreign investment, and foreign employment. While in absolute terms it may not generate as many tourist dollars as mass tourism, it allows the industry to be more integrated into the local economy and society. Increased linkages with the rest of the economy reduce the need for imports and reduce leakages of foreign exchange.

The Rarotongan tourist industry is substantially owned and run by foreigners. Good management and planning by the Cook Islands Government can rectify this situation. Increased local management requires better education and training for local people. It requires that Government and tourism operations improve the image of the industry as an employer. Greater attention must be given to the collection of labour market data, to enforcing policies on localization and to

encouraging Cook Islanders to return to their country. To increase Cook Islands' ownership of the industry government must make finance, advice, and well constructed and publicised incentives available to local entrepreneurs.

Development strategies should encourage provision of a range of tourist facilities, including opportunities for development of budget accommodation, so that local entrepreneurs can invest in the industry.

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GLOSSARY

<i>Ariki</i>	a holder of a chiefly title
<i>Papa'a</i>	Cook Islands term for a foreigner

Chapter One

PURPOSE AND OVERVIEW

1.1 The Problem

The problem that this study attempts to address is that of under-representation of Cook Islands Maori in management and supervisory positions, and ownership of the tourist industry in Rarotonga. Previous research in Rarotonga has shown that Cook Islanders tend to fill unskilled and semiskilled positions in the tourist industry while expatriates dominate management positions, and ownership of the industry. Milne (1987a) found that despite totalling 95 percent of the population Cook Islands Maori filled only 53 percent of the managerial or supervisory positions in the accommodation sector. By comparison, Europeans (expatriates and Cook Island residents) comprised five percent of the population and filled 47 percent of managerial positions. This condition suggests that potential benefits for the local population from tourism development have not yet been maximized.

1.2 Research Objectives

The study seeks to assess to what extent the condition observed by Milne still exists by identifying levels of indigenous, expatriate, and permanent resident (*Papa'a*) employment and ownership in the tourist industry. It then attempts to identify and analyze the possible barriers that restrict the opportunities for Cook Islanders to own, and be employed in, their tourist industry. The possible barriers have been identified from a review of the literature and from fieldwork in Rarotonga. For example, in terms of employment Ankomah (1991) identified a major problem in Sub-Saharan Africa where, because of a shortage of skilled local labour, the hotel sector in particular is dominated by foreign skilled labour.

Macnaught (1982) has identified racial discrimination and poor management practices as a problem, which is backed up by Samy's (1973) case study of a Fijian hotel. An issue raised by Vaughan and Long (1982) is whether jobs created by the tourist industry are considered desirable by potential employees. In many countries employment in other sectors of the economy, or emigration, may be more attractive options when considering future careers. Government departments have long played a role in providing employment for Cook Islanders, but what are the consequences of this when government employment is competing with the tourism sector? Migration is an extremely important consideration for the Cook Islands. The country has suffered a heavy loss of population due to emigration. Government's role in creating strategic policy for the industry is important. Government policy in the form of immigration laws and localization policy also has a bearing on participation in the tourism industry.

In terms of ownership of the industry we must consider the Cook Islands entrepreneur. What problems and/or advantages do their unique socioeconomic circumstances give them? Milne (1987a) considers that large New Zealand firms have been able to extend into and dominate the tourist industry with relative ease. Furthermore, the organization of international tourism and the lack of domestic finance hinder Cook Islanders ability to own their industry. We must also consider the role Government plays in fostering local entrepreneurs, and how much help is available to assist them in business.

The objectives of this thesis can be summarized as follows:

1. To evaluate the development prospects of small island states and the possibility of tourism as a development option for these states.
2. To identify patterns of employment and ownership in the Rarotongan tourist industry.
3. To suggest and analyze reasons for the observed patterns.
4. To provide policy recommendations for the Cook Islands Government to improve indigenous participation in the tourist industry.

The study aims to assess how the following factors influence employment in the tourist industry in Rarotonga:

- education and training;
- Government's localization policy;
- the role of expatriates;
- employment in the public service;
- local perceptions and attitudes to tourism employment;
- labour market planning and information.

In terms of ownership of the tourist industry the study aims to assess the influence of the following factors in Rarotonga:

- local entrepreneurship;
- Government's investment and financial policy;
- advisory services.

The study aims to test the following assumptions:

- that given the small Cook Islands Maori population, the propensity to migrate, problems with education and training, and lack of clear career path guidance, the level of expatriate employment in the tourist industry is generally appropriate.
- that lack of local ownership in the tourist industry is predominantly caused by the unavailability of finance from domestic sources.

While focusing primarily on issues of practical policy, the thesis also considers some theoretical issues of international tourism. As a socioeconomic study this thesis sits mainly within the disciplines of sociology and development economics. The consideration of the spatial organization of both developing societies and tourism also brings in perspectives from geography.

1.3 Background

Tourism appears at first to be the ideal solution to the development problems of small, resource scarce, island states. It offers the opportunity to generate foreign exchange and jobs. Moreover, Pacific states have many of the attributes that tourists want in a destination, like sun, sea and sand. However, tourism has come under increasing criticism for its effects on fragile developing country economies and social systems. For example, developing countries are increasingly questioning the employment generation properties of tourism. Tourist development is often not as labour intensive as hoped for and its indirect employment effects can be small, particularly when enterprises are foreign owned. Tourism provides mainly unskilled and semiskilled jobs, part-time work and seasonal work. In developing countries tourism occupations, particularly in large hotels, have been distributed on racial grounds, with expatriate Europeans occupying the top management positions.

The question of the consequences of tourism development for local ownership and control of the economy has also been raised. Foreign ownership is often unavoidable for a small country establishing a tourist industry. Development of international standard tourism facilities requires large amounts of capital and expertise. In a small developing country these resources are unlikely to be available locally, therefore foreign capital and expertise must be used. Foreign owned enterprises increase leakages of foreign exchange out of the economy by importing more goods and services direct from overseas than locally owned enterprises. The problem is particularly severe in Pacific microstates where very few of the goods and services required by international hotels can be provided by the local economy. Moreover, foreign ownership tends to weaken local control over industry development. It also appears likely that locals will fill mainly lower level positions in foreign owned operations.

For small island states with severely limited domestic markets, few resources, and growing populations, tourism may be the only significant option for development. The challenge for Pacific Island governments is to make tourism benefit the local

community, and to preserve in their societies what is socially and culturally desirable. With good planning and government commitment, tourism can be made to work for the island states of the Pacific.

The Cook Islands is a South Pacific country struggling to gain the potential benefits from its tourist industry. As a country with a MIRAB economic structure¹ (Bertram and Watters, 1985), it has traditionally relied on aid and remittances for its most of its national income. New Zealand has provided the bulk of this aid, including an annual cash grant to support the budget. Budgetary constraints and a reduction in government spending in New Zealand are putting pressure on the aid budget to the Cook Islands. New Zealand Government policy is to phase out budgetary support by 2008. Consequently, pressure is falling on the tourism industry to provide much of the income necessary to both maintain the standard of living and to improve it. Tourism is responding to the challenge with rapid growth. The industry is now the major foreign exchange earner and the principal engine for economic growth in the economy. The question now is how can the benefits of this growth be maximized for local people?

1.4 Methodology

My research entailed two main components. The first component was a review of the literature available in New Zealand libraries on the topic. The questions that the study seeks to address and the survey questionnaires used to gather primary data were designed from the information gained in this phase. The second component was six weeks of fieldwork in Rarotonga. The fieldwork involved interviews with owners and managers of tourism businesses to generate the primary data on participation patterns. Relevant government officials, and other key players in the tourist industry were also interviewed. Statistical data was

¹A MIRAB economy is characterized by outward migration, dependence on high levels of remittances and overseas aid payments to cover trade deficits, and reliance on the bureaucracy for job creation.

gathered from government departments and further library research was undertaken in the Cook Islands National Library.

(a) Questionnaires

During preparatory work for the fieldwork I prepared a questionnaire which was to be given to owners and managers of businesses directly involved in the tourism industry, including hotels and motels, restaurants, travel/tour operators and airlines (Appendix I). The questionnaire was designed to gather information on numbers, occupation, race and sex of staff employed in the industry. Questions were included to obtain information on management attitudes to availability of local skilled labour, the availability and quality of training, reasons for present employment patterns, general quality of staff, recruitment, ownership of the industry, and reasons for employing expatriates. I intended to distribute the questionnaire using the drop-off and pick-up method. On arrival in Rarotonga I discussed the questionnaire with staff of the Cook Islands Tourist Authority. The outcome of the discussion was that the questionnaire lacked the flexibility necessary to cover the wide variation in size and type of business on the island. The use of this format risked poor quality information, and the drop-off and pick-up method risked a low response rate. As an alternative, a set of questions were prepared which would serve as a guide for face-to-face interviews.

A second questionnaire (Appendix II) was used to gather information on attitudes of sixth formers to employment in the tourism industry. The questionnaire sought to determine whether students wished to work in the tourism industry and what job they would like. A second section was designed to gather information on opinions about tourism employment.

(b) Survey Method

The survey of owners and managers was undertaken during June and July 1993. The survey was self administered. The Director of Tourism in the Cook Islands Tourist Authority (CITA) prepared a letter of introduction that outlined the purpose of the research, and requested the cooperation of respondents (Appendix III). The letter was subsequently faxed to those businesses with a fax machine. I distributed

the remainder of the letters by hand. Each respondent was then telephoned to arrange an interview time. With travelling time and inevitable delays, such as interviewees postponing interviews, arriving late, or sometimes not at all, it was possible to complete an average of three to four interviews per day. Interviews varied in duration from thirty minutes to one and a half hours. The interviews were conducted with managers or owner/managers. The exceptions were at the *Pacific Resort* where the assistant manager was interviewed, and at the *Rarotongan* where the personnel manager was interviewed. During the interviews respondents were first asked to provide statistical details of their staffing, and to provide information on the ownership of the business. Respondents were then encouraged to talk about employment and ownership issues. This part of the interview was guided by prepared questions, which respondents were encouraged to 'talk around'.

The interview situation can have a substantial influence on the type and quality of information gathered. The interviewee could dictate where and when the interview was held. Interview situations ranged from informal 'chats' over a coffee or a beer in the bar of a hotel, to a more formal situation in which the respondent was seated behind a desk in his or her office. Interviews of an informal nature tended to encourage the respondent to be open and to talk freely. In the more formal setting the desk stamped a different air on the interview, and respondents tended to be more diffident. Normally the interviews were conducted in private. Occasionally staff were in the same office, or were working at the bar at which the interview was taking place.

As in all studies of an overseas problem data collection was a problem. There were limited possibilities for collecting data while in New Zealand. Cook Islands data held in New Zealand libraries are patchy and usually out of date. The Ministry of External Relations and Trade was not able to augment the available data to any great extent. Much of the secondary data had to be obtained from the Cook Islands Government. The possibilities for obtaining data from this source before leaving New Zealand, and after leaving Rarotonga, are severely limited. It involves relying on other people, and imposing on their time. The chances of a bureaucrat

putting much effort into searching out information in response to a written or telephoned request from a New Zealand student are slight. Even when one is on the spot, attempting to extract data from government officials can be a frustrating experience. To secure a promise that data will be located and forwarded to New Zealand gives no guarantee that it will actually materialize. Problems with access to data are increased by the fact that much data simply do not exist.

Other secondary data proved very useful for the study. Work by Milne (1987a, 1987b, 1987c) on aspects of tourism in the Cook Islands was particularly useful. The Asian Development Bank's Tourism Masterplan (1991) provided a great deal of insight into the tourist industry in the Cook Islands. Britton's (1980, 1982, 1983, 1987a, 1987b) pioneer work on tourism in small island states and the organization of international tourism provided a useful framework from which to study the Cook Islands tourist industry.

In terms of access the research encountered few problems. Permission for the research had to be obtained from the Cook Islands National Research Committee. This proved to be a formality. I experienced some problems with my choice of a research topic. My original choice of thesis topic was a study of resident perceptions of tourism. On applying for permission to conduct research I was informed that while permission would be granted, my chosen topic was not suitable as it had been recently addressed in the work for the Tourism Masterplan. The topic of employment and ownership in the tourism industry was subsequently settled on after consultation with CITA. However, following my arrival in the country it became apparent that public attitudes towards tourism are little researched in Rarotonga and that research in this area would be very valuable.

Once I had established a relationship with CITA, the task of gaining access to business respondents was eased. The letter of introduction from the Director of Tourism was undoubtedly essential in gaining the cooperation of most of respondents in the survey. Language and cultural barriers were generally slight. The close relationship between the Cook Islands and New Zealand leaves the

visitor from New Zealand with few symptoms of culture shock. Most of the population has either visited New Zealand, or has relatives living there. Most Rarotongans are bilingual in English and Cook Islands Maori. Access was also facilitated by my being male, and a New Zealander. Conversations with a fellow researcher from the United States who is female revealed that her problems of access were greater than mine.

The only significant access problem occurred when I attempted to distribute the student questionnaire. The only high school with a sixth form in Rarotonga is Tereora College. This government run school is the main high school of the country. My attempts to see the school principal to explain my intentions and seek his cooperation proved fruitless. After having made several appointments, only to spend hours sitting outside his office waiting for him to arrive, I was finally able to speak to him over the phone. This conversation served only to inform me that I was now too late as that week students would be busy with end of term exams, following which they had three weeks holiday. Consequently this section of the research had to be abandoned.

I am of European background and so have several shortcomings in attempting a study of a Polynesian socioeconomic system. It is appropriate that more research should be done by indigenous researchers. This poses a dilemma for developing nations, and the Cook Islands are no exception. A country cannot develop without research. However, underdevelopment means that there are insufficient trained personnel to carry out the work. The only option is to use foreign researchers who bring with them their own perspectives. There is, however, one advantage for the foreign researcher. Although the indigene can concentrate on the research without the worries of different language and culture influencing the work, he or she may not consider some factors important to the research that have been internalised and thus remain unrecognised. Hammersley and Atkinson state (1983:102):

There must always remain some part held back, some social and intellectual 'distance'. For it is in the 'space' created by this distance that the analytic work of the ethnographer gets done.

As a foreign researcher, with a limited knowledge of Maori culture, I accept the limitations this imposes on my study. Nevertheless, I hope that I have suppressed my own cultural biases enough to produce an 'objective' and fair study.

(c) Samples

The survey required a decision on where to set the parameters of the tourism sector. The time and funding available dictated that a survey taking in every business involved with tourism on the island was not practical. These include a wide range of enterprises totalling approximately 135 in Rarotonga. However, the purpose of this study was not to assess how far the tourist dollar spreads through the economy and how many jobs in absolute terms could be attributed to tourism. The focus was to assess levels and types of participation in the industry.

Mathieson and Wall have identified three types of business involvement and employment in tourism (1982:77):

1. Direct, results from visitor expenditures in tourist plants, such as hotels;
2. Indirect, is still in the tourist supply sector but does not result directly from tourist expenditures;
3. Induced, is the additional employment resulting from the effects of the tourism multiplier as local residents spend the additional money which they have earned.

Hughes (1982) considers that in economies with low industrial diversification such as the Cook Islands, the indirect and induced effects of tourism are usually insignificant compared to direct effects, so that an assessment of those operations directly involved in tourism is normally sufficient. I decided, then, that the best way to make an assessment of participation would be to consider employment and ownership of businesses directly involved in the tourist industry. These include the most important sectors of the industry, that employ the greatest number of people, and generate the greatest amount of turnover. In Rarotonga, direct employment in the tourist industry occurs in four main sectors: hotels, restaurants and bars, travel and tour operations, and airlines. The total number of businesses in the sample was 47.

Definitions

The study uses the 1963 United Nations definitions of 'visitor' and 'tourist' which describes any person:

...visiting a country other than that in which he has his usual place of residence, for any reason other than following an occupation remunerated from within the country visited (Mathieson and Wall 1982: 11).

This definition covers:

1. Tourists who are temporary visitors staying at least 24 hours in the country visited and the purpose of whose journey can be classified under one of the following headings;
 - (a) leisure (recreation, holiday, health, study, religion and sport);
 - (b) business, family, mission, meeting.
2. Excursionists who are temporary visitors staying less than 24 hours in the country visited, including travellers on cruise ships (*ibid* 1982: 11).

A destination area is:

... a place having characteristics which are known to a sufficient number of potential visitors to justify its consideration as an entity, attracting travel to itself, independent of the attractions of other locations. The natural and man-made features, infrastructural characteristics, economic structures, and the attributes of the host populations of destination areas are of interest here (*ibid* 1982: 12).

1.5 Thesis Structure and Chapter Outline

Chapters Two to Four provide the background to the thesis. Chapter Two presents a brief introduction to the Cook Islands. The country has been defined to a large extent by its colonial past and its continuing close relations with New Zealand. These factors have contributed to the underdevelopment of the country. Chapter Three fits the Cook Islands into the context of other developing island microstates, and describes the development problems these countries face. A specific group of microstates known as MIRAB countries are focused on. These, like the Cook Islands rely heavily on foreign aid, remittances and government bureaucracy to provide jobs and income. Following this the international organization of tourism is described using dependency theory as a framework. The requirements of tourism are reviewed, with the final section assessing tourism as a possible development option for island microstates. Chapter Four reviews the Rarotongan tourist industry.

Chapters Five, Six, Seven and Eight are the heart of the thesis. Chapter Five presents the findings of the survey of owners and managers. The next three Chapters analyze the information from the survey and secondary data from the literature and Cook Islands sources to piece together the possible barriers to indigenous ownership and employment in the tourist industry. The final chapter draws together a number of recommendations for the Cook Islands Government based on the data in the thesis.

1.6 Employment and Ownership in the Tourist Industry: A Review of the Literature

Employment

The literature on tourism generated employment agrees that tourism can create employment in areas where there may be few other options for development, and that this is normally a beneficial effect. However, critics point out that tourism jobs are generally of low status, have low pay, and are often either part-time or seasonal (Vaughan and Long 1982, Cater 1987). The development effects of this type of employment are questionable. Farver (1984), for example, concluded that tourism in The Gambia provides low level positions, such as bar staff, waiters, cleaners and maintenance staff and that:

...tourism in The Gambia, apart from the few jobs it has supplied, cannot generate employment on a scale to be able to state that tourism has a 'development' impact in The Gambia (Farver 1984:251).

Farver contends that tourist industry employment needs to be evaluated as to whether it develops productive skills in the individual, and how much these skills contribute to development. The jobs must also be evaluated for their multiplier effects in the economy through further spending. She concludes that the tourist industry in The Gambia:

...has not employed a significant number of Gambians in more than menial jobs, nor has it provided wages high enough to permit savings which would lead to a reduction in poverty and an improvement in the quality of life for the majority of its workers, either directly or indirectly employed (*ibid* 1984: 251).

Studies of tourism employment have concentrated on direct employment, however, increasing use of multipliers has brought the indirect employment effects of tourism under greater scrutiny. Milne (1987b) used a multiplier analysis to estimate indirect levels of employment in the Cook Islands. In small countries such as the Cook Islands the multiplier may be low because many goods and services required by the tourism industry must be imported rather than purchased locally. Milne found a variance in the size of the multiplier between sectors. For example, the duty free sector had a high propensity to import and therefore a low multiplier of 0.41 (0.41 jobs created for every \$10,000 of revenue earned by firms in the sector). The handicraft sector had a low propensity to import and therefore a higher multiplier of 1.32. A variance was also found within sectors, for example, the hotel sector, where there is a substantial variation in propensities to import between large hotels and motels.

Some of the literature is not enamoured with the increasing use of multipliers and has questioned their value. Hughes (1982) notes criticism of the accuracy of multiplier-derived employment estimates. The estimates are based on the assumption that there is a ratio of business turnover to employment level, so that if turnover increases, employment will increase by some proportion. Hughes argues that in the short run, employment levels are insensitive to marginal adjustments in turnover. Hughes considers that in economies with low industrial diversification, the indirect and induced effects of tourism on employment are usually so insignificant compared to direct employment effects that an assessment of direct employment is normally sufficient.

As the discussion above suggests, much of the variance in tourism's effectiveness as a generator of employment is due to differing economic and social conditions in countries that have encouraged tourism. Wilkinson (1989:169) states:

The contribution of tourism to a local economy cannot be understood independently. The contribution depends on whether the local economic system supplies a significant share of the goods and services purchased by visitors; develops and sustains associated support industries; supplies management, labor, capital, and other resources to develop and service the tourism sector...

The contribution of tourism to employment in the Cook Islands and other microstates is relatively small. With a small resource base and market they find it extremely difficult to develop industries that can supply goods and services required by the tourist industry. Skilled labour is also usually scarce, so that tourism firms are obliged to employ foreign labour. In the Maldives Sathiendrakumar and Tisdell (1989) found that tourism contributes 13.4 percent of gross domestic product (GDP), yet because of a lack of local industrial capacity and skilled labour the tourism sector accounts for only 5.4 percent of the country's labour force. By contrast, tourism in New Zealand, an industrial economy, accounted for about four per cent of GDP and five per cent of total employment in 1989 (New Zealand Business Roundtable, 1990).

The amount of employment produced will also depend on the type of tourism development (de Kadt 1979, Mathieson and Wall 1982). According to de Kadt the number of employees a hotel requires will depend on factors such as its location, size, category of price, and standard of service. Varley (1978) found that there is no straightforward relationship between size and employee per room ratios in Fiji. The smallest hotels had the lowest employee per room ratio at 0.88 while the largest hotel (over two hundred beds) had the highest ratio at 1.37. However, between these two categories were fifty to 100 bed hotels with a ratio of 1.30, and 100 to 200 bed hotels with a ratio of 1.02.

Table 1.1 **Fijian Hotel Size by Employment per Room, 1972-75**

Size (No. of rooms)	Employment per room				Average employ- ment per room 1972-75
	1972	1973	1974	1975	
0-50	1.00	.92	.91	.68	0.88
50-100	1.61	1.25	1.41	.91	1.30
100-200	1.06	1.04	1.04	.94	1.02
200+	1.38	1.36	1.36	1.41	1.37

Source: Varley, 1978.

Mings (1977) studied tourist industry employment in the Yukon, Canada, and found that 41 percent of employees came from other parts of Canada, despite there being an unemployment rate of approximately eleven percent in the Yukon area. In developing countries this problem manifests itself in the widespread hiring of expatriates to fill management, and other high level positions. Liew (1980) considers that expatriate employment is partly a function of the extent of foreign ownership in the industry:

...because of their profit-motive, foreign investors will make sure that they have the 'best' management staff they can hire, usually from abroad, in order to safeguard their investments (Liew 1980:16).

Jenkins and Henry (1982) argue that a developing country establishing a tourism industry cannot avoid hiring expatriates in the short term. However, in the long term:

...an integral part of development strategy will be, wherever and whenever possible, to replace foreign employees by local people. To accomplish this objective, government must adopt an interventionist role (Jenkins and Henry, 1982:512).

Jenkins and Henry consider that Government's 'active intervention' must include strict control of work permits for foreigners, combined with a strong training policy. Government should also produce a labour development plan, as without one:

...most decisions relating to the employment of foreign nationals are likely to be taken on the basis of ad hoc judgements and will not contribute to the longer term aim of training and employing indigenous labor (*ibid*, 1982:513).

Low skill levels and inadequate training are common hindrances to greater employment benefits from tourism. Ankomah (1991) identified a major problem in Sub-Saharan Africa where, because of a shortage of skilled local labour, the hotel sector in particular is dominated by foreign workers. In 1978 management contracts with foreign companies accounted for 72 percent of all hotel rooms in the region. This compares with two percent of all hotel rooms in Europe. While foreign management is employed because of an initial shortage of domestic skilled labour, Ankomah found that once trained locals are ready to fill jobs, it can be difficult to dislodge expatriates from their positions.

Tourism is normally thought of as a labour intensive industry, although the literature is not entirely in agreement with this view. George (1987) found that the Jamaican tourist industry is highly capital intensive compared to agriculture. George estimates that in 1981 investment expenditure of about US\$40,000 was required to provide one tourism job. Simultaneously domestic agriculture could have created a job for \$1000, and export agriculture for \$10,000. George concludes that, 'Each job in tourism thus "costs" Jamaica between four and forty jobs in agriculture' (*ibid*, 1987:68). Diamond (1977) found that the Turkish tourism industry was also highly capital intensive compared to agriculture. Tourism had a low labour-capital ratio of 15.63, compared to government services at 17.88, and agriculture at 85.07.

Macnaught (1982) has identified racial discrimination and poor management practices as a barrier to employment of indigenes in tourist industries. He cites the example of how expatriate management restricted local workers at the Palau Continental Hotel to jobs of a menial nature, and the humiliation workers experienced from management when they met after work to discuss their grievances. Samy's (1973) case study of a Fijian hotel found that Fijians were restricted to menial jobs, while most management and administrative positions were filled by expatriates. Jobs in the hotel were distributed according to racial and ethnic criteria based on stereotypes such as the Fijian is 'an extrovert'. Britton's (1983) study of tourism in Fiji confirmed Samy's findings and proposed that the practice was generalized throughout the Fijian tourist industry.

Research by Milne (1987a,c) and Pryor (1980) has shown that tourism employment in the Cook Islands appears to be distributed according to race. In 1984 Milne, as previously noted, found that despite totalling 95 percent of the population, Cook Island Maori filled 53 percent of the managerial or supervisory positions in the tourist industry. By comparison, Europeans filled 47 percent of high level positions, but made up only five percent of the country's population. Milne considered that a development strategy that favours large foreign owned hotels at the expense of smaller locally owned businesses is likely to restrict the participation of locals to unskilled and semiskilled positions.

Vaughan and Long (1982) in a British study considered whether jobs created by the tourist industry are perceived as desirable by potential employees. This is particularly important where tourism is expected to provide an impetus towards ensuring the economic and social viability of a community to slow migration. If potential migrants consider the jobs offered by tourism to be undesirable, their decision to migrate is unlikely to be affected.

Table 1.2 Whether Important Characteristics Are Seen To Be Present in Jobs in Tourism

Characteristic	Percentage of Respondents Replying		
	True	Not True	Don't Know
Good pay	23%	66%	11%
Secure job	22	76	2
Interesting work	56	33	10
Opportunity to make friends	79	13	8
Challenge in the job	70	26	4
Chance to develop abilities	35	50	15
Plenty of variety	67	17	17
Good promotion prospects	12	82	6
Freedom to decide what and how	14	64	21
See results of own work	64	21	14

Source: Vaughan and Long, 1982

Vaughan and Long refer to a survey undertaken by the Tourism and Recreation and Research Unit (TRRU) at the University of Edinburgh in which unemployed workers were asked about their impressions and attitudes towards jobs in tourism. The TRRU initially made an assessment of the characteristics respondents considered important in a job. Respondents were then asked to consider whether they would expect to find such characteristics in tourism job. The results shown in Table 6 indicate, *inter alia*, that most respondents did not consider that tourism jobs have good pay, security, or promotion prospects.

Ownership

A significant amount of indigenous ownership of a tourist industry is beneficial to the host community economically, socially and politically. Economically it means that profits accrue to local people and that leakages of foreign exchange earned from tourism are likely to be minimized. Jenkins (1982) has pointed out that when an industry has a significant level of local ownership this provides more stability than when it is predominantly foreign owned. Local people feel less alienated by an industry that is in local hands, than one owned by foreigners.

The nature of international tourism dictates that to some extent developing countries must accept foreign investment and ownership in their tourism industries if they wish to successfully promote tourism. Most tourists, although seeking 'to get away from it all', wish to stay in international standard accommodation. While provision of this level of luxury is generally beyond the means of local investors, sufficient accommodation at this level must be provided or tourists will go elsewhere. In most cases the only way for a small state to provide it is by attracting foreign investment (Britton, 1987).

Milne (1987a) studied ownership of the tourist industry in the Cook Islands and found that the industry was dominated by foreign or European firms.² According to Milne foreign operations received approximately sixty per cent of all tourist receipts, local European operations received 23 percent, and Cook Islands Maori owned operations received seventeen per cent. Milne considered that ownership patterns were determined by three major factors. First, several dominant New Zealand owned firms with a long association with the Cook Islands have moved into the tourism industry as it has grown. These firms include the Cook Islands Trading Company (CITC), the Union Steamship Company, and Silk and Boyd Limited. Their large capital, ability to access overseas funds, strong base in the local economy, and detailed knowledge of business in the Cook Islands allowed them to quickly

²Milne categorizes European and Cook Island Maori businesses as those owned fully by Cook Island residents of these ethnic backgrounds. Foreign enterprises are those which are wholly or partially controlled by overseas concerns.

dominate the tourism industry. CITC, for example, was established in the Cook Islands in the late nineteenth century and is owned by the McKegg family of New Zealand. Table 1.3 illustrates the CITC 'ownership web' in 1985. Particularly important in terms of tourism were CITC's ownership of wholesale (food and building supplies), and fuel operations. CITC saw tourism as a good area for corporate expansion, and by 1985 controlled nearly half the duty free sector, half of the largest tour operation, and was moving into the accommodation sector (*ibid*, 1987a).

Table 1.3 Cook Islands Trading Company 'ownership web'

Part Shareholding	Fully Owned
Cook Islands Motor Centre Ltd	Main Department Store
Union Citco Travel Ltd	CITC Wholesale
Harbour Motors Ltd	CITC Building Supplies
Emandy Holdings	CITC Fuel Division
Muri Beachcomber Ltd	CITC Duty Free
Rarotonga Electric Maintenance Co	Tradewinds Duty Free
Rarotonga Pharmacy Ltd	A.B. Donald Ltd
Rental Cars (Cook Islands) Ltd	United Island Traders Ltd
Pacific Insurance	
Parekura Petrol Station	

Source: Milne, 1987a

Secondly, the workings of the international tourist industry have enabled a few large firms to dominate the industry. The sale of package holidays, which is principally controlled by overseas firms, allows them to create a demand that can be provided for by their interests in the local industry.³ Thirdly, local firms are disadvantaged by their relative inability to acquire finance, as compared to foreign owned companies.

³For a detailed discussion of the international organization of tourism refer to Chapter Three.

Britton (1983) observed a similar pattern of ownership in Fiji. In the accommodation and travel and tour sectors, for example, Britton found that 83.1 per cent of tourist purchases were made from foreign and European enterprises. Britton considers the reason for this to be:

...the differential importance of certain activities within these sectors, and unequal access by various ownership categories to essential inputs and linkages (Britton, 1983:97).

Foreign hotels are dominant because they control plant built to service tourists rather than locals. In the travel and tour sector, like Milne, Britton considered that the control of foreign companies over tourist demand through the package holiday system gives them the power to dominate local firms in the industry. Furthermore, these companies have substantial expertise, excellent industry contacts, and large amounts of capital, all of which local firms lack.

Taking the examples of Fiji and Tonga, Britton (1987) has asserted that the level of foreign investment in these countries is as important as the size of the country and its location in determining the level of success of their tourist industries. The level of foreign investment depends in turn on the previous level of colonial exploitation of the country. Fiji, which has a successful industry, was thoroughly penetrated by colonial powers and now has a high level of foreign ownership and control of its tourist industry. Foreign capital dominates the hotel, travel-agency tours, and duty free shopping sectors, and all transport to the country. Tonga, which has not been successful in promoting tourism, was never formally colonized. Its tourist industry, which stems from state initiatives, lacks close ties with metropolitan tourist markets and the companies that control them. The country has been unable to attract foreign capital in any large quantities thus the industry is small scale and predominantly owned by Tongans.

While Tonga may be considered relatively unsuccessful in its attempts to promote tourism, its development has some advantages over Fiji's. The country has retained sovereignty over its industry and its small scale allows substantial

involvement by small local entrepreneurs. This type of development generates small amounts of foreign exchange, but does have the advantage of being able to use local resources thereby minimizing the leakages created by high import demand.

Investigations of small scale development in other countries confirm that this mode of development is potentially beneficial. Ranck (1987), for example, examined the success of guest houses in Papua New Guinea and found that guesthouses in the Tufi area:

...demonstrate the viability of a small scale tourist industry that is based on local ownership, management, and labour and that uses local materials for construction and local foodstuffs for tourist meals, supplemented by a very few imports (Ranck, 1987:164).

Guest house development appears to have potential particularly in rural areas where incomes are low, there are few other alternatives for gaining a cash income, and there are no expectations for earning high Western-style incomes.

By contrast, Farver (1984), in a study of the Gambia, found that the tourist industry of that country is almost totally foreign owned. Foreign ownership extended vertically through the industry, from airlines, through tour operators, to the hotels. All tourist hotels except two were foreign owned. The tourists travelled on prepaid package tours with charter operations that included return airfares, accommodation and meals. The hotels included within their complexes bars, restaurants and shops. Therefore tourists spent most of their time and money inside the hotels. Consequently, there were few opportunities for Gambian business people to tap into the tourism market. Farver estimated that 55 per cent of earnings from tourism were lost in imports, and that only one-third of the earnings from charter operations went into the Gambian economy.

Regrettably, governments will often create a Gambia-type situation with their own policies. Because governments feel that they need the expertise, strong industry connections, and capital that foreign firms can offer them, they frequently provide these firms with incentives and concessions. Consequently, the strong position

that the foreign firms already have is further enhanced, at the expense of local operations.

Ingram (1990) has studied the role of indigenous entrepreneurship in the tourist industries of the Cook Islands and Fiji. She found that the Euro-centric model of entrepreneurship in which the entrepreneur is considered as an individual is often not applicable to the Pacific. Furthermore, she found evidence for the concept of subsistence entrepreneurship in which the entrepreneur may consider maintenance of a preferred lifestyle as a more important consideration than maximization of profit. Fairbairn (1988) has surveyed indigenous entrepreneurs in Rarotonga. He found that most entrepreneurs experienced problems with transportation, shortages of capital, lack of government support, shortages of skilled workers, and weak marketing institutions. McFadzien (1986) has identified a lack of basic skills in the areas of accounting, marketing and management among Cook Islands entrepreneurs.

1.7 Conclusion

Tourism is generally considered a good provider of employment for local people. A review of the literature, however, has revealed that the realities of international tourism, and the economic and social structures of developing countries, often mean that employment benefits for local people are elusive. A combination of shortages of skilled labour, bad management practices, foreign investment, weak government policy, and poor perceptions of tourism employment may result in local people missing out on much of the employment potential of tourism. This is particularly evident in the domination of higher level positions by foreigners.

Barriers to local ownership of tourism operations are also apparent. The requirements of international tourism demand some foreign ownership and control of the industry if it is to attract the lucrative package tourist market. The organization of international tourism works against the small local entrepreneur who probably lacks the business experience and capital to build international standard

facilities. Local operators also generally lack strong links with the companies that control the sale of package holidays to their country. The availability of incentives and concessions for foreign companies can further weaken the position of local operations.

This thesis addresses the issues that have come out of the literature in the context of the Rarotongan tourist industry. It attempts to assess the extent to which these issues affect the patterns of participation in employment and ownership of the industry. Recommendations are then given for policies that could improve local participation in the Rarotongan tourist industry.

Chapter Two

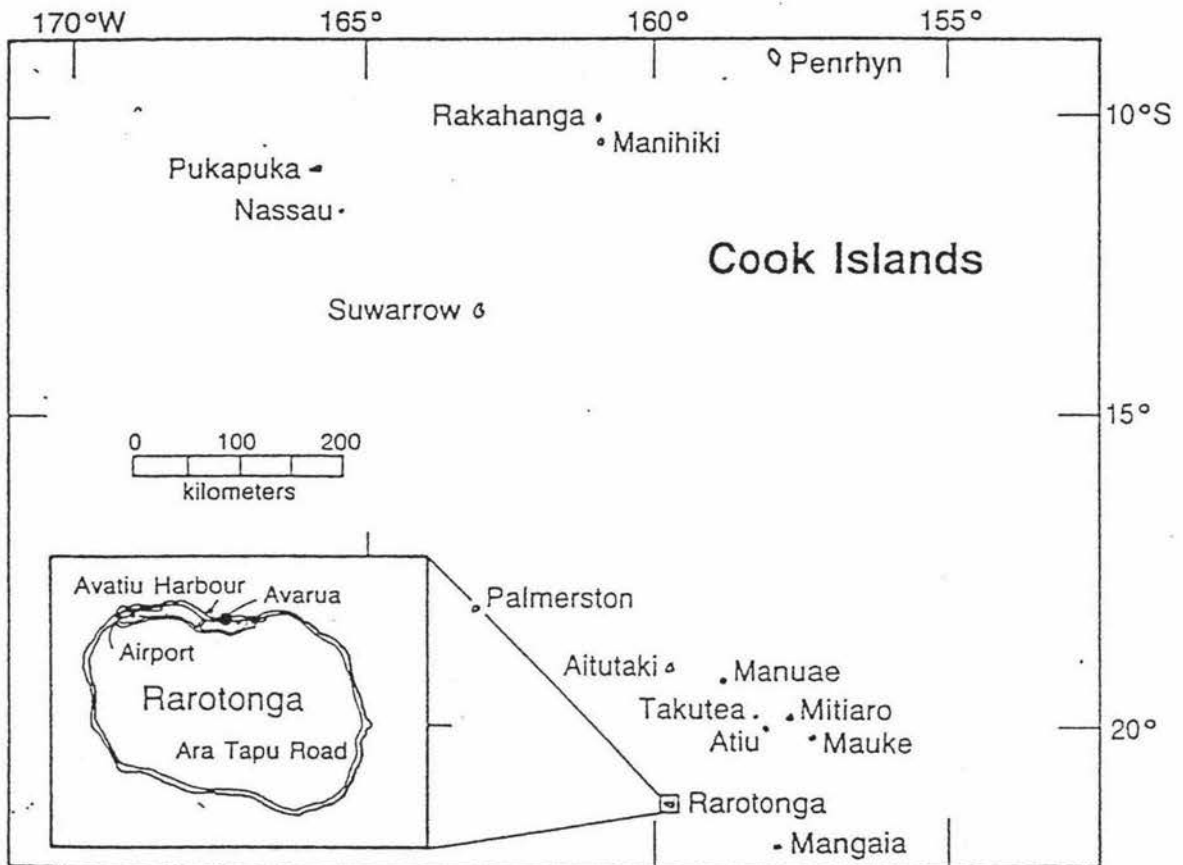
THE COOK ISLANDS

2.1 Introduction

The Cook Islands is a small, isolated, island nation, in the South West Pacific. It has a land area of 236 square kilometres, made up of fifteen islands spread over approximately two million square kilometres of ocean (Figure 2.1). The islands are divided into the northern and southern groups, the former being atolls with extremely limited resources and development potential. The bulk of the population of 18,552 live in the southern group, which includes the most populous island and centre of government and commerce, Rarotonga (Figure 2.2), with a population of 10918 (Table 2.1).

Culturally the Cook Islands belong to Eastern Polynesia. There are variations between the islands, for example, the people of the northern group are related to the Tokelauans, while the people of Mangaia are related to French Polynesia (Bellam 1981). Cook Islands Maori have strong traditional links with New Zealand Maori - it is believed that New Zealand was settled from Rarotonga. Migration of Cook Islanders to New Zealand over the last forty years has strengthened the bond between the two countries. Currently the population of Cook Islanders in New Zealand exceeds the total population in the Cook Islands. Families maintain close links through exchange of visits, and remittances. In addition the Cook Islands and New Zealand are closely tied by common citizenship, currency and tariff regimes and close integration of labour and capital markets (Milne 1987b). These links are further enhanced by New Zealand's aid to the Cooks, which amounts to approximately ninety per cent of total bilateral aid to the country.

Figure 2.1 The Cook Islands



Source: Fairbairn, 1988:54

Table 2.1 Cook Islands - Selected Physical and Demographic Features

	Distance from Rarotonga (km)	Land Area (sqkm)	Population 1991
Cook Islands	-	234	18552
Rarotonga	-	67	10918
Southern Group			
Aitutaki	220	18	2366
Mangaia	175	52	1105
Atiu	185	27	1003
Mauke	240	18	639
Mitiaro	225	22	249
Manuae	200	6	-
Takutea	190	1	-
Northern Group			
Palmerston	470	2	49
Pukapuka	1175	1	670
Nassau	1075	1	103
Manihiki	1040	5	666
Rakahanga	1080	4	262
Penrhyn	1180	10	503
Suvarrow	820	-	-

Source: Fairbairn 1985; Census 1991

2.2 Social Structure

The most recent description of Cook Islands social structure is by Lewis (1988). While Lewis describes the social structure of the island of Atiu, his work is of relevance to Rarotonga. The fact that Rarotongian society has not been studied in detail for some time points to a need for research in this area. As Lewis states:

It is important to understand the structural processes operating so as to be able to both formulate policy to achieve desired targets and to identify the implications of any action Government might take...For the same reasons, it is also necessary to understand the individual decision making process...It is these decisions that Government must seek to influence to change the real conditions of society (Lewis, 1988:4)

Lewis describes the heart of Cook Islands society as the household, which he defines as 'the fundamental social institution and the accepted definition of the economic decision unit' (*ibid*, 1988:6). The stereotypical unit has a forty to sixty year old male head with his wife, two adult children, one of whom is with a partner,

three or four other school age children, and one or two pre-school grandchildren. Lewis found that fifty-five per cent of households on Atiu fit this stereotype. It is from this extended family that members gain pride, respect and identity.

Particularly interesting, in terms of employment in the tourism industry, is Lewis's analysis of household decision making. He found that households allocate as much labour as possible to Government or private wage earning activities. The household then allocates an amount of labour to subsistence and domestic labour activities. This amount is kept to a minimum. After these allocations have been made the household is likely to be left with some surplus labour, the amount of which will vary, depending on the economic well-being of the family. From the pool of surplus labour students are allowed to fulfil activities, such as continue their studies or undertake leisure activities. Two important ramifications for Government policy arise from Lewis's analysis. First, vocational guidance may be a matter of guiding the household unit as much as students, as decisions on the child's future are quite likely to be made within this unit. Secondly, attempts to influence household decision-making may be more effectively made from an economic perspective rather than an ideological one (*Polynesia Way*, 1989).

The issue of household decision-making in Rarotonga requires further study. Disintegration of the traditional household is probably at a more advanced stage than in the outer islands, with many families adopting family structures based on New Zealand models. However, anecdotal evidence indicates that to some extent the traditional decision-making structures remain intact.

2.3 Population and Migration

In the last forty years the Cook Islands has experienced two major demographic trends. The first is a steady drift of population from the outer islands to Rarotonga. The second is a dramatic movement of population to New Zealand, particularly in the last twenty years. Between 1973 and 1989 heavy emigration caused population decline in both Rarotonga and the Cook Islands as a whole (Table 2.2).

Table 2.2 Cook Islands Population by Island Group: 1951 to 1991

	1951	1961	1971	1976	1981	1986	1991
Rarotonga	6048	8676	11478	9802	9530	9826	10981
Southern Group	6657	6835	7489	6281	5873	5541	5362
Northern Group	2374	2867	2357	2044	2244	2247	2263
Cook Islands	15079	18378	21324	18127	17754	17614	18552

Source: Cook Islands Statistics Office

Migration is now showing signs of slowing as Cook Islanders feel the effects of a prolonged recession in New Zealand. Arrival and departure figures for the years 1987 to 1991 are presented in Table 2.3. During 1990 and 1991, the last two years for which data are available, arrivals have exceeded departures. While the data may not be very reliable as an indicator of migration patterns in the short run, they do confirm the opinion of many people in Rarotonga that there is an influx of Cook Islanders returning from New Zealand.¹

Table 2.3 Total Cook Islands Maori Arrivals and Departures

Year	Arrivals	Departures	Excess Departures
1987	8956	9543	-587
1988	9356	10076	-720
1989	8528	10618	2090
1990	11039	9816	1223
1991	11198	9909	1289

Source: Cook Islands Immigration Department

¹For a more in depth discussion of migration as it effects the labour force refer to Chapter 8.

2.4 The Economy

The Cook Islands has economic characteristics typical of island nations in the Pacific: large distances between islands and remoteness of the group as a whole; limited natural resources; a large Exclusive Economic Zone (EEZ); a shortage of skilled workers; and, diseconomies of scale.² Gross domestic product was NZ\$106.8 million in 1990, of which public administration was the largest contributing sector with \$28.2 million. Tourism has been the best economic performer, while the black pearl industry and offshore banking have also shown growth potential. The traditional sectors of agriculture and fisheries are weak sectors of the economy.

The Cook Islands are commonly thought of as part of the developing world, but fit uneasily into this grouping. With a per capita income in 1990 of NZ\$5,842, the country is relatively wealthy in developing country terms. Tourism's continuing strength and growth accounts for much of the high level of per capita income. Income levels, however, vary widely between islands. Rarotonga is significantly better off than the outer islands where forty per cent of the population continue to lead a subsistence lifestyle.

During the 1980s economic growth averaged six per cent a year, although growth slowed to two per cent in 1990, rising again to four per cent in 1991. Increasing indebtedness threatens to slow economic growth in the future. In 1989 Government borrowed a total of NZ\$67 million, increasing the level of total indebtedness by approximately 600 per cent. The loans were used to finance the construction of an international hotel, and for infrastructure including water supply improvement, a cultural centre, and power generation facilities. Further borrowing since 1989 has increased the country's debt to an estimated NZ\$125 million (*Cook Islands News*, 21 November 1992).

²The economic problems of small island states are covered more fully in Chapter 3.

The Cook Islands' largest trading partner is New Zealand. Tables 2.4 and 2.5 show that the trading relationship is heavily in favour of the latter. The ADB estimates the large visible trade deficit at 71 per cent of GDP, while the tourism industry and financial services sector provide an invisible trade surplus (Asian Development Bank, 1992). In 1987 a trade deficit of NZ\$44.9 million was offset by tourism earnings of NZ\$22.7 million. The Government covers the trade deficit with remittances, aid flows and borrowing.

Table 2.4 New Zealand Exports to the Cook Islands 1992

Product	\$ million FOB
Meat	1.89
Fish	.13
Dairy Products	1.54
Veges and Fruit	.39
Prepared Foods	10.22
Minerals and Fuels	1.06
Chemical Products	2.81
Rubber and Plastics	1.11
Wood and Paper	4.86
Textiles and Clothing	.88
Stone and Glass	.81
Metals and Metal Products	4.21
Mechanical and Electrical	4.15
Vehicles and Boats	.84
Miscellaneous Items	3.06
Total	38.68

Source: Ministry of External Relations and Trade

Table 2.5 New Zealand Imports from the Cook Islands 1992

Product	\$ million CIF
Veges and Fruit	1.90
Clothing	.45
Pearls	.16
Total	2.61

Source: Ministry of External Relations and Trade

2.5 External Assistance

Bilateral development assistance accounted for 92 per cent of aid to the Cook Islands in 1991. New Zealand is the largest donor of bilateral aid to the Cook Islands with expenditure for 1992/93 totalling \$14 million. This amounts to ninety per cent of the total bilateral aid to the country. The other significant bilateral donor is Australia. Britain, Canada, Germany, Japan, the Republic of Korea, and the United States all maintain small programmes of assistance to the Cook Islands. Of these the largest is the United States which is contributing to the development of pearl farming on the outer island of Penrhyn.

In 1992/93 \$8.5 million of New Zealand's aid is was a cash grant to assist the Cook Islands government meet shortfalls in its recurrent budget. Budgetary support has been on a declining schedule since 1987, and is due to be phased out by 2008. This will not affect the continued funding by New Zealand of projects in the Cook Islands. The remaining aid monies in 1992/93 were spent on projects in human resource development, environment, agriculture, health, energy, technical projects, and tourism. Funding for tourism has been running at \$400,000 a year and will progressively increase with \$2.78 million being budgeted between 1993 and 1997 (Programme Profiles, 1992).

2.6 The Legacy of Colonialism

The Cook Islands were a New Zealand colony for 65 years - or 75 if the time we have supplied British Residents to a semi-subject protectorate is taken into account. Neglect and vague benevolence have been the hallmarks of that rule. Ignorance originally drew New Zealand to the Cooks with false hopes of enrichment; ignorance of the land and its people has remained a permanent condition.

(Scott 1991:7).

New Zealand annexed the Cook Islands in 1890 when, without prior notice to the opposition, Prime Minister Dick Seddon pushed the Pacific Islands Annexation Bill

through Parliament in one sitting. James Allen of the House of Representatives said in 1907 (quoted in Scott, 1991:89):

Everyone here then...knew it [annexation] was a costly responsibility but a great many never thought about the cost. They sang God Save the King and hoisted the flag and that sort of thing and said 'Bother the responsibility, let someone else look after that.'

In 1965 the Cook Islands became a self-governing nation existing in free association with New Zealand. New Zealand remained responsible for defence and external affairs, and Cook Islanders retained their New Zealand citizenship. The newly formed Cook Islands Party led by Albert Henry won fourteen out of twenty-two seats in the first election, and New Zealand launched the Cook Islands into self-government with fanfare and high hopes. By the elections of 1978 the high hopes had been dashed. The electorate voted the Cook Islands Party into office, but a court ruling overturned the election results on the grounds of bribery and corruption. The Democratic Party led by Dr Tom Davis became the government. The scandal revealed that the Cook Islands Party was riddled with corruption.

New Zealand has been largely responsible for the underdevelopment of the Cook Islands. Throughout the colonial period, apart from a few ill-conceived projects, the administration neglected agriculture, communications, and shipping. Development ultimately depended on the cooperation of the islanders, but the administration took little heed of the opinions of the local population. The colonial administration was remote from the people and as Bellam says 'displayed a certain bumbling amateurism' (Bellam, 1981:70). Under these circumstances the administration reduced its relationship with the people to one of paternalism. By the 1950s, when New Zealand was finally prepared to do something about developing the country, the people had lost all faith in the administration. Its long list of past failures had left them disillusioned and unwilling to cooperate.

After Independence New Zealanders saw the Henry government's failings as proof that Cook Islanders could not run their affairs without help. What the New Zealand public failed to recognise was that independence politics had been, to a large degree, shaped by the colonial era. Crocombe (1979) has identified three key elements for understanding the political context today:

- The abolition of the Cook Islands Parliament in 1901 which for the next half century denied Cook Islanders any significant voice in, or experience of, their own government.
- The breaking of the traditional leadership system. Gudgeon (the first New Zealand Resident) felt that this was essential to the establishment of democracy, but instead of transferring power to the people he transferred it to himself. Authoritarian power of the chiefs was replaced by authoritarian power of the colonial government. The public had no other experience but of leaders that did largely what they liked.
- The closure of existing opportunities for higher education. The colonial government abolished higher formal education to prevent the emergence of a new leadership. Tereroa College was closed in 1911 and did not reopen until nearly fifty years later (Crocombe 1979:1).

With this legacy only an optimist would believe that Cook Islanders could instantly conjure up an effective government, and that they would have anything but a limited understanding of the workings of a democracy.

Colonial mismanagement gave the Henry government little room for manoeuvre. The new Government inherited a very unbalanced economy in which Bellam (1981) estimates that Government accounted for two-thirds of Gross Domestic Product, and two-thirds of all wages and salaries. Furthermore, the colonial administration had geared the education system to New Zealand conditions that stressed white collar aspirations. With a per capita GDP in 1976 of \$722 compared to New Zealand's \$3635 increasing numbers of Cook Islanders migrated to New Zealand. As migrants tend to be the best educated, the most motivated, and the most talented in a population the loss was one that the islands could not afford. Despite independence, the Cook Islands continued to be dependent on New Zealand, the latter having swapped the role of colonist for that of neo-colonist. For example, negotiations for the construction of the airport, built by New Zealand in 1973 at a cost of ten million dollars, revealed considerable differences of opinion between the two governments. The New Zealand government showed little interest in giving way to Cook Islands concerns. Tough conditions were set down by New Zealand, including that the Cook Islands invest freehold title of the land for the airport in the New Zealand government, and that New Zealand would have a monopoly over the operation of the airport and the granting of air traffic rights for 21 years (Britton and Kissling, 1984). For the next five years until landing rights were given to Polynesian Airlines, Air New Zealand held a total monopoly over air

traffic to the Cooks. The Henry government also had to deal with the attitudes of New Zealand companies that dominated the post-Independence economy, as they had the colonial economy. Fruit Distributors Ltd (FDL), for example, held a monopoly over the fruit business, and while agreeing to develop the business in the Cook Islands, was actually more interested in providing New Zealand with cheap citrus fruit, and protecting the interests of growers in New Zealand (Bellam, 1981).

The Cook Islands remain an integral part of the New Zealand economy, as Bellam says:

The Cook Islands has a highly dependent economy which is perhaps best understood as an underdeveloped periphery of the New Zealand economy, of which it is an integral part. Virtually all economic links with the outside world - whether in the form of trade, aid, investment or immigration - are dominated by New Zealand (*ibid* 1981:42).

New Zealand companies, and New Zealand capital continue to dominate the economy. By allowing duty-free entry of Cook Islands goods into New Zealand, New Zealand has continued to keep the Cooks tied to itself. The trade gap between the two countries is reaching absurd proportions - the most recent estimate available being 15:1 in favour of New Zealand. Unrestricted entry of Cook Islanders into New Zealand has ensured a steady flow of emigrants, and a loss of young and able citizens. Furthermore, the continued high levels of aid have continued to keep the Cook Islands heavily dependent on budgetary assistance.

2.7 Land Tenure

Crocombe (1987) has described how the system of land tenure in the Cook Islands has created excessive fragmentation of ownership to the extent that it is a major impediment to economic growth. Traditionally, descent in Cook Islands society was patrilineal. Ultimate control of land was vested in the *Ariki*. After the arrival of the missionaries and before annexation by New Zealand (c.1821 to 1901) the power of *Ariki* over land increased. In 1901 a Land Court was set up which aimed to increase the productivity of land by individualizing title, and reducing the power of the *Ariki* over commoners. The court replaced the patrilineal descent system with one in which it awarded title of land in common to all children of a previous owner.

It is this ruling that has caused excessive fragmentation of land ownership. At Independence there was a general recognition that Cook Islanders were not using their lands to their potential. Government recognised that multiple ownership was the cause, but because many people were under the false impression that the system of tenure was based on ancient custom it was not considered changeable. Predictably, land owners who stood to lose from any modification to the existing system also resisted change. Some politicians toyed with the idea of reinstating the old system of chiefly power over land, although as Crocombe states, political and economic changes since the arrival of the European have been so great that a return to the old system was by then out of the question (*ibid*, 1987).

The Leases Approval Committee and the Land Court must approve all leases over five years in duration. Owners may only transfer land by lease or inheritance. The lessee or sub-lessee must be a Cook Islander or Permanent Resident, a Cook Islander and his/her spouse jointly, or a company. Foreign companies wishing to operate in the Cook Islands require approval under the Development Investment Act (Chapter 8). Approval is given by Cabinet, after considering recommendations from the Cook Islands Monetary Board. Normally Cabinet will require some equity ownership by Cook Islanders and/or Permanent Residents, although in practice the ownership share is often very small. The Leases Approval Committee usually makes it impossible for foreigners to lease residential land (*ibid*, 1987).

Rarotonga is now more urban than rural with wage earning being the principal means of gaining income. Because of the complexity of multiple ownership many urban workers are unable to obtain leases or occupation rights to land. In these circumstances they are forced to build their houses under informal arrangements of permissive occupancy. According to Crocombe this has caused insecurity and 'has been conducive to overcrowding, low investment in building, poor maintenance and social malaise on the island, and has been a major factor in emigration from it to New Zealand and Australia' (*ibid*, 1987:67). New legislation is badly needed but politicians are not prepared to risk losing votes on such a contentious issue.

Crocombe considers that the present land tenure system is a major impediment to higher incomes and better urban development. Emigration further complicates the situation. As most migrants intended to leave the Cook Islands temporarily, they were given an allocation from the family land on which they could build a home on their return. It transpired that most migrants have never returned to the Cook Islands to live. Consequently, Government has enacted legislation requiring absentee owners to build within five years, or their occupation right will automatically lapse. The Court also gives the opinions of resident land owners priority over absentees when it makes decisions about land use. Crocombe considers that:

Legislation is needed to restrict inheritance to residents of the Cook Islands (but with provision for non-residents to acquire occupation rights), to restrict the number of portions of land in which one person can inherit rights, and to restrict rights to users or likely users. One of the most useful innovations would be the introduction of land tax, as in Kiribati, Tuvalu and Tonga (*ibid* 1987:71).

While in the present political climate it is unlikely that any government would take the risk of embarking on land reform, until the reform is undertaken the economy will remain handicapped.

2.8 Conclusion

This Chapter has provided a brief overview of the economic and social structures of the Cook Islands. These have, to a large extent, been shaped by the country's close relationship with New Zealand. As a colony the Cook Islands suffered under the mismanagement of the New Zealand administration. New Zealand's domination of economic and social structures has continued into independence. This is particularly visible in the cases of migration and aid.

The economy is relatively buoyant, with tourism providing much of the impetus for growth. Growing debt, emigration, a deteriorating visible trade balance, and an inefficient land tenure system pose challenges for the economy in the future.

Chapter Three

DEVELOPMENT AND TOURISM IN ISLAND MICROSTATES

3.1 Development in Island Microstates

Tourism has become a significant sector of the economies of many small island states around the world. They range from relatively large countries with mature tourist industries such as Malta, Fiji and Barbados to tiny states with new industries such as the Cook Islands and Niue. Why has tourism assumed a dominant role in the economies of many small island states? At the risk of oversimplification, one can say that the reason is that governments can discern few other options for development. This predicament is typical of countries known as island microstates, defined by Wilkinson (1989) as island countries having a population of under one million. Wilkinson has identified 53 worldwide, ranging from Mauritius with a population of 955,000, to Tokelau with a population of under 2000. Most of these countries are reliant on tourism as their primary export earner.

The constraints to conventional development in microstates are substantial. They face a combination of problems, most of which are corollaries of small size and remoteness. The tiny size of microstates provides them with a limited resource base, and internal markets too small for development of competitive local industry. Remoteness and often large distances between islands further compromise competitiveness by increasing shipping costs. Exports are mainly in primary products that face low demand elasticity, price fluctuations, strong competition, and frequent damage by tropical storms. Many microstates have high population growth rates, high population densities and heavy migration to urban areas. The microstates must also contend with their citizen's rising expectations for standards of living which they can only achieve in an industrial economy (Rajotte, 1980).

Table 3.1 Socioeconomic Data of Selected Microstates

Country	Area		Population		GNP Per Capita 1985(US\$)
	Land (sq km)	Sea (sq km x1000)	1985 (x1000)	Growth rate 1973-85(%)	
Niue	259	390	4	-1.4	1100
Kiribati	690	3550	64	1.8	450
Cook Islands	240	1830	18	-0.5	1400
Tonga	699	700	97	0.7	730
Vanuatu	11880	680	134	2.8	580

Source: Lodewijks and Zerby, 1989

Table 3.2 Economic Performance of Selected Microstates (in US Dollars)

	Exports	Imports	Trade Balance	Remittances	Aid
Niue(a)	0.08	3.3	-3.2	0.3	4.6
Kiribati(b)	1.5	15.8	-14.3	1.5	14.3
Cook Islands(c)	2.6	17.6	-14.9	2.6	6.5
Tonga(d)	6.8	42.0	-35.2	15.0	27.0
Vanuatu(e)	19.0	74.0	-55.0	NA	49.0

a) Export figures relate to 1987, imports estimated from Milne (1988) and Bertram and Watters (1985:505). Aid payments for the year ended 1988, remittances estimated from Bertram and Watters (1985:505).

b) Trade and aid figures relate to 1986 government estimates, remittance figures are estimates based on Bertram and Watters (1985:505).

c) All figures relate to 1984 (Milne 1987c).

d) Trade figures relate to 1986, remittance and aid payments year ended June 1988.

e) Trade figures relate to 1987, aid figure for 1987 (Browne 1989:175).

Source: Milne, 1992

3.2 MIRAB Economic Structures in the South Pacific

Bertram and Watters (1985) argue that five microstates in the South Pacific: the Cook Islands, Niue, Tokelau, Tuvalu and Kiribati, are characterized by what they describe as MIRAB economic structures. The features of a MIRAB economy are outward migration (M), a dependence on high levels of remittances (R) and overseas aid (A) payments to cover trade deficits, and a reliance on the bureaucracy (B) for job creation. While most observers regard this type of

economic and social structure to be unsustainable over a long period, Bertram and Watters consider it potentially durable:

...we think that the MIRAB system is likely to prove durable and persistent over a considerable period of time. In advancing this hypothesis we are suggesting that the regional MIRAB system is capable of self-reproduction through time - that is, that the international kin corporation, the flow of remittances, and the availability of grant aid are all 'sustainable' so that present levels of consumption, together with present structures of the balance of payments and of government finance, are all likely to persist (Bertram and Watters, 1985:512-513).

Bertram and Watters argue that the level of aid is likely to remain steady because of the 'obligations' of former colonial powers. Metropolitan powers have discerned that their reputations may be damaged if they allow living standards in former territories to fall significantly, and worry that other donors may step in if aid is withdrawn. Furthermore, aid to the Pacific is sustainable because it is mainly in the form of grants rather than loans, therefore the region is not saddled with an accumulating debt burden. Bertram and Watters also hypothesize that remittances can remain stable. The first factor accounting for this is the strong links maintained between migrants and the home community. Secondly, they assume that persistent migration will continue to replenish the island community's existing stock of migrant 'human capital' in the metropolitan counties (*ibid* 1985).

Bertram maintains, in light of the above, that the current focus of development planning on increasing productive capacity in these microstates is misguided (Bertram 1986). According to Bertram, aid, remittances, and other 'rents' are the foundations of small island economies. He concludes that the economic problem is not how to increase production, but how to preserve and enhance the rents. Consequently, the challenge for a microstate is to maintain close ties with metropolitan powers in order to capture maximum rents.

While Bertram's argument is undoubtedly an important one, it has several notable weaknesses. First, it ignores tourism, which offers an opportunity for income outside the MIRAB system, and in the Cook Islands now contributes more to gross

revenue than aid. Secondly, microstate Governments can no longer take the security of aid flows for granted. New Zealand, for example, is gradually reducing its aid commitments to the Cook Islands. Because of the close political ties the Cook Islands maintains with New Zealand other donors are unwilling to fill the aid vacuum in any significant way. Consequently, the country must find alternatives to aid to maintain living standards. Thirdly, remittances may be vulnerable to economic fluctuations in metropolitan countries. Loomis (1990) has argued that economic restructuring in New Zealand, which has caused increased unemployment in industries where Cook Islanders traditionally work, has placed pressure on migrant families to reconsider their remittance practices.

The Cook Islands has turned to tourism to maintain and enhance its living standards and some other Pacific governments are now looking to tourism as a supplement to the MIRAB system. Table 3.3 shows the economic importance of tourism for five Pacific nations. Tourism is undoubtedly a valuable asset to any economy, but its effects are seldom wholly beneficial. As the next section discusses, becoming enmeshed in the international organization of tourism carries many drawbacks for a small country.

Table 3.3 The Economic Role of Tourism in Selected Countries of the South Pacific

Country(a)	Total Tourist Expenditure (US\$)	Tourism: Export Earnings (US\$)	% of(b) Govt Revenue	Jobs(c) Generated	% of Formal Sector Workforce(d)
Niue	0.39	4.8:1	13	60	10
Kiribati	0.96	0.6:1	7	112	6
Tonga	5.93	0.9:1	12	1130	16
Cook Islands	26.5	5:1	25	1300	30
Vanuatu	12.80	0.7:1	15	1319	21

a All figures relate to the calendar year 1987, except Cook Islands (1991). Excludes cruiseship expenditure.

b Percentage of internally generated revenue, excludes international aid payments.

c Includes indirect and induced employment generation.

d Percentage of nation's employment in wage and salaried occupations (excludes small farming sector).

Sources: Milne (1992); Ministry of External Relations and Trade; Fieldwork.

3.3 The International Organization of Tourism

This section discusses the international tourist industry utilising the dependency theory of the historical and political processes that determine development. The purpose of the section is to illustrate the economic, social and political realities for a microstate of becoming involved in this system.

Essentially dependency theory articulates that the global economic system consists of a rich metropolitan core (the developed countries) and an exploited periphery (the developing countries) (Frank, 1966). The core/periphery concept is both international, and intranational. The central concept of the theory is that of unequal exchange between the core and the periphery, which was facilitated by mercantilism in the past, and is now facilitated by capitalism. The relationship between core and periphery is not reciprocal. Conversely, the core structures and designs the relationship to meet its own political and economic requirements. Historical exposure of the peripheral nations to colonial domination from the core, and subsequent neo-colonial domination, has resulted in structural distortions of the former's societies and economies resulting in underdevelopment. The responsibility for underdevelopment is therefore not placed on the less developed countries themselves, as is common in modernization theories. Dependency theory looks to global capitalism (viewed here as commodity exchange) and the industrialized countries as the cause of underdevelopment. This position is now widely recognized to have been overstated and has been criticized for providing nothing more than a 'mirror image of conventional development theory' (Rimmer and Forbes, 1982:82). Nevertheless, it provides us with a useful approach to global inequalities.

Using dependency theory one would view the Cook Islands economy and society as highly penetrated by foreign capital. Investments in or changes to the economy depend to a large extent on foreign capital, expertise and technology. The country was dependent first on New Zealand colonialism for its development, and is now dependent on New Zealand neo-colonialism, a dependence that contributes to its ongoing state of underdevelopment. Penetration by foreign capital has geared the

production of the country to the export of primary products and tourism to metropolitan countries, an exchange made primarily on the terms of the latter. Real development requires self-sustaining growth oriented to the needs of the domestic economy rather than metropolitan economies.

A consideration of the global tourist industry using dependency theory reveals that development of tourism in the developing world is more likely to increase dependence on metropolitan countries than reduce it and thus holds only limited advantages over the constraints of the MIRAB system. Britton (1980,1982) has described how powerful multinational corporations control the organization of international tourism. Their control allows them to hold a pivotal position between tourists and destinations. International travel companies develop and sell a variety of package holidays to many destinations that to tourists appear essentially similar and difficult to choose from. This allows the travel companies to influence the decision of the tourist and direct flows of tourists to particular destinations, often where they own subsidiary tourist companies. For example, overseas companies control the marketing of most tourism businesses in the Cook Islands. These companies vigorously promote those businesses in which they have an interest at the expense of locally owned operations. Some businesses in Rarotonga have managed to circumvent the system by grouping together to form their own promotional company. However, the majority remain reliant on overseas tour and travel companies.¹

The control extends to international transport. Metropolitan airlines can undercut competition from smaller regional operators, and are often assisted in this task by metropolitan governments wishing to protect their national flag-carriers. Air New Zealand's dominance of air transport to the Cook Islands is an example. Chapter

¹Four accommodation units on Rarotonga have formed a marketing group called Rarotongan Sunspots. The group markets the products and services of the Manuia Beach Resort, Puaikura Reef Lodge, Avana Marina Condominiums, and Moana Sands. The variation of price and differentiation of facilities allows the Sunspots group to market itself as a group without any accommodation provider being in direct competition with another group member. The group consists of two *Papa'a* owned businesses and two locally owned businesses, although one of the locally owned businesses is managed by a *Papa'a*.

Two described how the New Zealand government facilitated the airline's dominance as a condition for building the international airport. The airport was built under the 1969 Aviation Agreement which stated that New Zealand would have sole control of air rights in the Cook Islands during the continuance of the Agreement. The Agreement also contained an undertaking from New Zealand to ensure that air services to the Cooks were adequate to foster growth of tourism and commercial activity. However, in the External Civil Aviation Policy of New Zealand 1979 there was no reference to the 1969 Civil Aviation Agreement (Milne, 1987c). It is apparent that the corporate interests of Air New Zealand do not always coincide with the national interests of the Cook Islands. In the late 1970s Air New Zealand replaced its DC10 aircraft services with smaller planes, and stopped its service through to the USA. These changes led to major reductions in visitor numbers in the early 1980s. The airline justified the cuts by citing the continuing loss on the route. Yet despite the losses, Air New Zealand and the New Zealand Government appear unwilling to allow any other airline to fly the route. It is apparent that this situation is likely to exist as long as New Zealand has relatively large amounts of capital locked-up in the Cook Islands economy (Britton and Kissling, 1984).

Britton states that 'foreign tourism companies also monopolize industry managerial expertise, marketing skills, financial resources and intra industry contacts' (Britton, 1982:339). To be able to tap into this pool of expertise and resources appears to be advantageous to a developing country wishing to develop tourism.

Consequently foreign tourism companies are often the recipients of government cooperation and assistance in the host country when, if local development is to be encouraged, it is local operators that need assistance (*ibid*, 1982).

According to Britton (1982:339) 'a series of feedback loops is thus evident within the international tourism industry'. Foreign companies determine the product, i.e. how the destination is marketed and packaged, and in the process develop the tourist's tastes to suit their own business priorities. The companies then use tourist tastes and their own priorities to determine the type of tourist facility developed in the destination country. These facilities are usually expensive luxury

accommodations. They require resources that destination countries can seldom provide, and which must therefore be imported. Sophisticated facilities also require metropolitan investment and management, and construction using metropolitan expertise. The outcome of this system is that destination countries are forced to accept foreign ownership and management of their industry, the retention of a large proportion of profits by foreign firms, and a high level of leakage of foreign exchange earnings due to the need for large quantities of imports (*ibid*, 1982).

Figure 3.1 illustrates Britton's conceptualization of the organization of tourism as a three-tiered hierarchy. At the top are the metropolitan tourism companies with their head offices in the developed world. Underneath, at the intermediate level, are their branch offices in the destination countries. Below this are the small scale local businesses that are 'marginal to, but dependent upon the tourist companies of the intermediate level' (*ibid*, 1982:343).

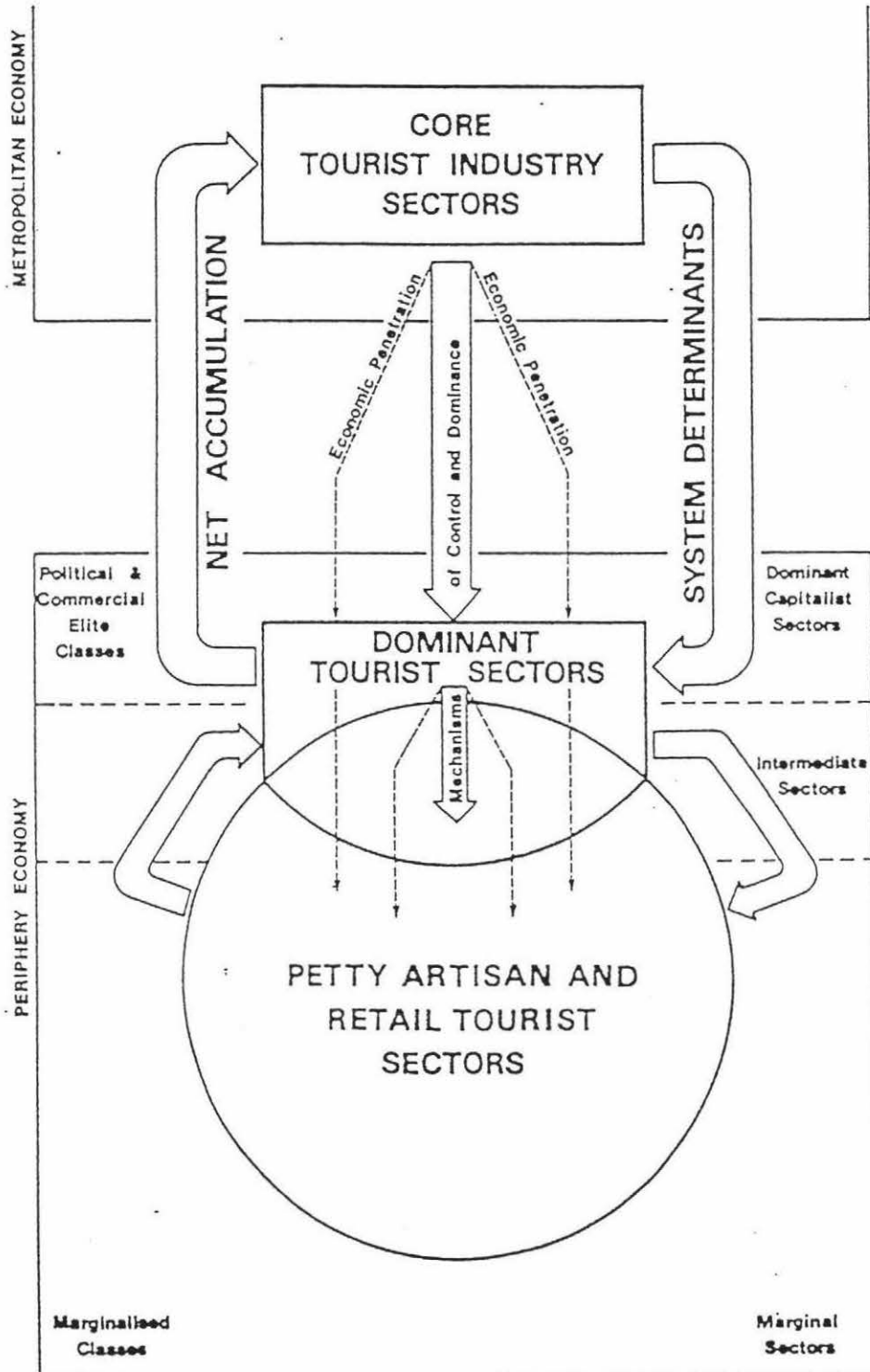
3.4 Requirements of a Tourist Industry

Microstate governments wishing to start a tourist industry must consider the requirements of the industry for accommodation, infrastructure, attractions, and government motivation if prospective industries are to be successful. The following section sets out the facilities and services a government must plan for when establishing a tourist industry. These can be grouped under the following categories:

Accessibility/Transport

The accessibility of a tourist destination and the availability of transport to it can be determined by factors unrelated to tourism. Pearce (1981) describes the importance of time-cost accessibility of a destination for prospective tourists. An important factor determining growth and distribution patterns of world tourism is proximity to wealthy metropolitan markets. The largest developing country tourist areas are Mexico, the Caribbean and North Africa. These destinations are within a

Figure 3.1 International Linkages between Metropolitan and Periphery Tourism Sectors



Source: Britton, 1980:8

few hours flying time of North America and Europe, allowing the populations of these regions to take 'sunlust' holidays at relatively cheap prices during the winter months.

Britton argues that the most common factors determining accessibility of small island states are 'their political status vis-a-vis metropolitan tourist markets (especially those with colonial links), and their function as stopover or refuelling points for foreign transport operators' (Britton, 1987:168). Fiji, for example, has become the biggest South Pacific tourist destination because of its location on major airline routes, its role as a refuelling stop, and its previous ties with colonial metropolitan powers. Tonga's industry, on the other hand, suffers because the country is not on major airline routes, and it was never properly colonized and so lacks close ties with a metropolitan power.

Also significant are transport scheduling and technology, which are important in determining the cost of fares. These elements are influenced by 'competition between firms operating tourist facilities to or in a destination, market demand innate or created for that destination, and the nature of the tourist product sold' (*ibid*, 1987:168). These in turn are determined by the extent of previous colonial and economic ties with metropolitan countries.

Attractions

Attractions are required to entice tourists to a destination. They can take the form of natural features, artificial objects such as cathedrals or casinos, or intangible features such as language, culture, dance and music. A country with sufficient tourist attractions can probably generate enough tourist demand to ensure provision of affordable transport services. The Galapagos Islands are an example of a destination that has achieved this. Some countries encounter problems establishing a tourist industry because the attractions they offer are similar to those in neighbouring countries. Pacific Island nations, although they have very distinct cultures, can find themselves in this situation because they are marketed as offering the same basic attractions - sand, sea and sun. Consequently, they may

have to develop their cultural identity as a tourist attraction. They may also develop artificial attractions, or a special image, to differentiate themselves from other similar destinations.

Accommodation

A successful tourist industry must provide the right mix of tourist accommodation. This can range from the commercial sector, including hotels and motels through to camping sites, to privately owned houses or leased and rented accommodation. Most destinations offer a mix of types depending on the clientele. Offering a range of accommodation reduces the dependence of the destination on a single sector of the tourist market (Pearce, 1981). Accommodation is an important component of the industry and must precede other types of tourism development (McIntosh/Goeldner, 1986).

Infrastructure

The tourist destination must provide adequate infrastructure in the form of transport (roads, parking, airfields, harbours) and public utilities in the form of electricity and sewage disposal. Infrastructure investments do not normally generate revenue and are therefore charges on development (Pearce, 1981). Table 3.4 displays the different investment costs for each type of sector indicating that accommodation and infrastructure costs are likely to be greatest. Successful tourist development depends to a large extent on maintaining the right mix, both within and between these sectors (*ibid*, 1981).

Other facilities and services

Tourism requires a range of supporting services including shops, restaurants, banks, and medical services. Local residents use many of these services more than tourists. A successful industry requires support from motivated government institutions. Wong (1987) describes how the state in Singapore has played a vital role in encouraging the tourist industry and providing promotion for it through a well financed national tourism office. By contrast, George (1987) describes how local institutions in Jamaica have failed to deal with problems produced by the

development of tourism, particularly those related to rural-urban migration and the destruction of agricultural land.

Table 3.4 Capital Costs In Tourist Development

SECTOR	AVERAGE PROPORTIONS (%)
Accommodation and catering	50-60
Other tourist facilities	10-15
Technical and service infrastructures	15-20
Vocational training, promotion, publicity	5-10
Protection and enhancement of resources	5-10

Source: Pearce, 1981:9

3.5 Social Impact and Planning

The number of studies of public attitudes toward tourism is a reflection of the importance public support has upon tourism development. For a tourism industry to remain viable in a community, the residents must be willing partners in the process (Ross, 1988). Frequent interaction between residents/hosts and tourists/guests require that the residents play the part of the good host if the industry is to succeed. The most effective way to ensure that residents remain happy with tourism development is to allow them to participate in the planning process, not to mention that public participation in decision making is a fundamental part of a democratic system (Loukissas, 1983:19). It is also important that public participation begins at the early stages of development (Lui, Sheldon and Var, 1987).

Mings (1980) states that public support, or lack of it, has considerable potential for influencing the spatial pattern of international tourism. In areas where attitudes to tourism are very favourable the tourist industry is likely to benefit from tax subsidies, training programmes, employee loyalty, favourable media treatment, and

numerous other benefits. On the other hand, where public attitudes are unfavourable the growth of the tourism industry can be severely limited. Possible hindrances include: labour unrest, unfavourable media coverage, a detrimental tax structure, and limited support from the government sector.

Cooke (1982) has developed a useful set of guidelines for tourism development in British Columbia. The guidelines are intended to be applicable to other tourist areas. They are designed to maintain or increase levels of local tolerance to tourism and to ensure that community carrying capacity for tourism is not exceeded. The guidelines include: (1982:26-27)

- At the local level, tourism planning should be based on overall development goals and priorities identified by residents.
- The promotion of local attractions should be subject to resident endorsement.
- Opportunities should be provided to obtain broad-based community participation in tourist events.
- Attempts to mitigate general growth problems identified in a given community should precede the introduction of tourism or any increase in existing levels of tourist activity.

In his study of public support for international tourism in New Zealand Mings (1980) found high levels of public support despite rapid increases in tourist numbers. Among the factors which explained the strong public support were the population's high level of understanding of tourism's potential benefits to the economy; and the almost complete lack of obvious interference in tourism by outsiders, affording locals a high level of involvement in tourism developments. Continued recognition of public opinion in tourism planning was recommended:

Accordingly research that leads to an improved understanding of the formation of public attitudes towards tourism is sorely needed. More explicitly, investigations into the specific concerns of resident populations vis-a-vis their respective tourist industries are essential in order to redress those aspects of the industry that are offensive to citizens. For only through identifying and redressing their objections, will the public continue to be supportive of tourism. (Mings, 1980:20)

3.6 Tourism as a Development Option for Pacific Microstates

The previous sections have discussed the development problems faced by microstates, the realities of the organization of international tourism, and the infrastructure, services and facilities required for a tourism industry. This section discusses tourism as a development option for microstates - an option that most feel they cannot afford to refuse.

Tourism appears to be the ideal solution to the development problems of the small, isolated and resource scarce islands of the Pacific. Pacific Islands possess what a large segment of the tourist market craves - sand, sea and sun. Moreover, the problem of isolation is resolved because the tourism 'product' does not need to be transported to the customer, tourists travel to the 'product' (Britton 1987).

Governments have been enticed by a long list of potential benefits from tourism development including (Rajotte 1980):

1. Generation of foreign exchange which alleviates balance of payments problems.
2. Investment capital for resort development is made available by overseas investors.
3. Foreign exchange receipts encourage growth (both directly and through the multiplier effect).
4. Creation of employment because tourism is essentially a labour intensive industry.
5. Development of outer islands.
6. Social benefits in terms of increased contact with, and understanding of people from other countries.
7. Tourism is a relatively non-polluting industry.

Governments frequently find that the benefits are elusive. Liew (1980) considers that the foreign exchange benefits of tourism have been greatly overestimated. Destinations that earn large amounts of foreign exchange, and retain most of it in their local economies are generally in relatively large, economically developed countries. Smaller, less developed countries face significant problems in earning and retaining foreign exchange from tourism. One of the problems, which was described in Section 3.2, is that small island nations must seek foreign investment to finance tourism development, and foreign expertise to construct and manage

facilities, resulting in a high level of foreign ownership and control of the industry. Foreign owners tend to repatriate profits rather than reinvesting them locally, and they reduce local government control over development, thereby skewing the benefits of development in favour of their own interests. Foreign owned tourist businesses also have a higher propensity to import than locally owned businesses. High levels of imports result in foreign exchange leaking out of the economy as payments for imports.

These problems are exacerbated by the prevalence of package tours which allow foreign companies to gain maximum benefit from tourist expenditure at the expense of local businesses (Britton, 1980). Britton estimated that where tour packages consist of a foreign air carrier but include a local hotel, destination countries receive forty to forty-five per cent of the price paid by the tourist for the package. If, as is common, foreign companies own both the airline and hotel, the destination country will receive only twenty to twenty-five percent of the tour price. The prevalence of package tours compromises the competitiveness of small local operators who are unable to link into the mass tourism system controlled by overseas firms. These operators will find themselves struggling to meet their occupancy targets because package tourists are directed to other accommodation. In the Cook Islands just over half of all tourist rooms on the island are owned by Expatriates or *Papa'a*. Air New Zealand makes six out of the eleven flights into Rarotonga each week, and is the sole carrier flying the important Auckland - Rarotonga route.

Although island destinations can overcome their remoteness by having tourists travel to the product, microstates remain vulnerable because of uncertain air links that are beyond the control of local governments. Many microstates rely significantly on one country as their main source of tourists. New Zealanders, for example, have consistently accounted for around forty per cent of tourist arrivals to the Cook Islands (Table 3.5). This means that the destination will probably have to rely on the airline of the major metropolitan source country for air links. Decisions made by metropolitan airlines, designed to meet their own corporate goals, can be destructive to small tourist industries. In the Cook Islands, for example, Air New

Zealand's decision to cut back services in the early 1980s led to a reduction in tourist flows and a recession in the industry. Reliance on a single market also leaves fragile tourism industries open to economic fluctuations in the major tourist source country and vulnerable to seasonal fluctuations in visitor numbers.

Liew (1980) questions the assumed employment creation properties of tourism.² Liew argues that in a fledgling industry the initial shortage of local skilled and trained labour results in better paid jobs going to expatriates while indigenes fill unskilled positions. Once expatriates are in management jobs it is difficult to dislodge them. Foreign ownership intensifies the problem. Liew states that 'because of their profit motive, foreign investors will make sure that they have the "best" management staff they can hire, usually from abroad, in order to safeguard their investments' (*ibid*, 1980:16).

3.5 Market Concentration of Selected Tourist Industries in the South Pacific(a)

Country(e)	Market Concentration(b)	Major Market
Niue	78	New Zealand
Kiribati	20(c)/90(d)	Aust(c)/USA(d)
Cook Islands	46.5	New Zealand
Tonga	24.2	New Zealand
Vanuatu	52	Australia

a Excludes cruiseship-based tourism.

b Percentage of total tourist arrivals from the dominant source market.

c Figure relates to the Tarawa market, which accounts for 70% of total Kiribati visitors.

d Figure relates to the Christmas Island market, which accounts for 29% of total Kiribati visitors.

e All figures relate to 1987 except for the Cook Islands 1991.

Sources: Milne 1992, TCSP Cook Islands Visitor Survey 1991.

There are a range of other problems that a small country contemplating tourist development must confront. Section 3.3 described the infrastructure needed for

²Chapter One contains a review of the literature on employment in the tourism industry.

tourist development, including improvements in transport, electricity, water supply and sewage. The benefits of tourism seldom spread to outer islands as most development clusters around the international airport. Overreliance on tourism for development is most likely to result in environmental and sociocultural disruption. The demonstration effect, for example, pushes local people's expectations and demands for material wealth above what can be achieved by a microstate economy. The environmental effects of tourism can often be much worse than microstate Governments envisage, with resorts causing major damage to fragile island ecosystems.

Despite these problems, tourism can play a valuable role in the development of microstates, providing it is well managed, and becomes no more than a supplement to MIRAB structures. Milne (1992) has suggested several possibilities for minimizing the negative impacts of tourism. First, to reduce reliance on imported goods and services Governments and developers should base tourism development on the unique features of the microstate. This includes attempting to use locally produced foods wherever possible, and providing accommodations that are small scale and locally run. Milne is not advocating that all accommodation should be of this type, but that there is a balanced mix between hotel-type complexes and small locally owned developments.

Secondly, 'tourism should be planned on a integrated basis with other parts of the economy by taking into account broader social, political, economic, and environmental objectives and constraints' (Milne 1992:209). In this way tourism can help to preserve the social and physical resources that it depends on. Profits from the industry should not simply be reinvested into tourism, but can be used for economically and socially balanced investment and development (*ibid*, 1992).

Thirdly, Governments should make technical assistance and credit available to local people to assist them in breaking into the industry. Once businesses are set up, they should also receive ongoing assistance to allow them to compete. Efforts also need to be made to ensure that foreign investors use local products and labour to

the maximum. Government's planning of infrastructure should be done alongside tourist development, and plans should include provision for facilities for the local population (*ibid*, 1992).

Fourthly, host populations must be involved in the industry in terms of obtaining good employment, owning the industry, and being involved in planning of tourist developments. Cooke (1982:27) states:

...it is vital for a community to preserve its identity, lifestyles, and needs and priorities in the face of tourism development. The most successful examples of tourism occur in communities in which there is broadly based resident participation in planning, promoting, organizing themes or events, and financing and managing the industry. Local control is essential to maintain the type and scale of development perceived as appropriate by local people.

With good management and planning it should be possible for microstates to develop tourist industries that minimize the negative effects of international tourism, while maximizing the benefits for the local population. The government must commence development with an understanding of its potential problems, and according to Milne (1992), the industry should be no more than a supplement to MIRAB structures.

3.6 Conclusion

This Chapter has considered the constraints to conventional development in microstates, which are principally a corollary of their extremely small size and limited resources. Bertram and Watters (1985) have identified some Pacific microstates as being MIRAB economies. While this concept provides a useful framework for considering microstate economies, Bertram and Watters neglect the importance of tourism and they appear to be inaccurate in their assertion that aid and remittances remain stable. Due to the inadequacies of the MIRAB system, and the lack of other options for development, many Pacific microstate governments have turned to tourism as a possible panacea.

Microstate governments considering development of a tourist industry need to be aware of the organization of international tourism. Using the dependency theory model we were able to illustrate how large international travel companies and airlines can dominate the tourist industry of a small country. Consequently, the benefits of tourism development can be skewed in favour of these international companies. Governments must also consider the requirements of a tourist industry for accommodation, infrastructure, attractions, and government motivation, which they must provide if the industry is to be successful. Public support for tourism is important for its long term success. Planning should incorporate the views of the public at every stage of development.

Governments are frequently enticed into tourism by its many apparent benefits. In reality these benefits can prove elusive. The international organization of tourism may mean that foreign exchange earned from tourism leaks out of the country in the form of import payments and repatriated profits. Package holiday tourists may be directed to foreign owned hotels, air links will most probably be dominated by foreign airlines, and the best jobs are often taken by expatriates. This is not to say, however, that microstates should not contemplate tourist development. A well managed industry can minimize the problems and ensure that benefits for the destination are substantial. Milne (1992) suggests the microstate should develop small scale, locally owned accommodation, and use local products as much as possible. This increases linkages between the tourist industry and the remainder of the local economy, thereby reducing the need for imports. Governments should also assist local people to gain entry into the industry to reduce foreign ownership. The host population should be involved as much as possible in employment in, and planning of the industry. Planning of tourism facilities and infrastructure should be integrated with development of facilities for the existing local population, and tourism profits can be invested in other areas of the economy to ensure balanced development.

Chapter Four

THE TOURIST INDUSTRY IN RAROTONGA

4.1 The Development of Tourism in Rarotonga

The beginning of the tourist industry in Rarotonga dates from May 1968 when, at the request of the Cook Islands government, the New Zealand Tourist and Publicity Department and Air New Zealand prepared a report for the future development of a tourist industry in the country (Pryor 1980). The report recommended, *inter alia*, that the Cook Islands Tourist Authority (CITA) be set up to administer and encourage development of the tourist industry. CITA 'was chartered to handle promotion, licensing, regulation and control of all accommodation and restaurants in the Cook Islands' (*ibid*, 71).

Tourists began to arrive in 1973 after the construction of Rarotonga International Airport (Chapter 2). Substantive growth in the industry did not occur until 1977 when the 150 room Rarotongan Hotel was built at a cost of \$7,000,000. The hotel, which was intended to be the flagship hotel for Rarotonga, was a joint venture between the Cook Islands government, Air New Zealand, and the Tourist Hotel Corporation of New Zealand (THC). The New Zealand government insisted that the hotel should be running profitably before any other competition was allowed onto the island (Bellam 1981). In fact the hotel, which is currently owned by the Cook Islands Government, has rarely shown a profit and has a reputation for bad service and an inability to pay its bills.

Growth in the industry in the early 1980s forced the government to consider an overall strategy for its future development. In 1984 the United Nations Development Programme (UNDP) and the World Tourism Organization (WTO) presented a development strategy to CITA. The strategy emphasized development

of infrastructure to attract more higher spending tourists who would bring more money into the country and create more local employment. Subsequently, Government formulated two basic policy objectives: (i) to maximize the economic benefits flowing to the Cook Islands in the form of incomes and employment; and (ii) to increase local participation in the ownership of the industry.

Milne (1987b) has argued that the UNDP/WTO strategy was not based on any detailed economic analysis of tourism's role within the economy. He found that Government's two basic policy objectives were incompatible (1987a). Objective one requires the development of hotel/resort type complexes that cater to package holiday tourists, rather than development of smaller, self catering motel accommodation or camping grounds. Milne considers that the hotel based strategy minimizes local participation in the ownership of the industry and means that locals are most likely to fill unskilled positions in expatriate managed businesses. The policy was continued in the Second Development Plan 1988-1992 which states:

Presently, efforts are being directed towards achieving maximum tourist expenditure and maximum income and employment generation per tourist day. Consequently the attainment of maximum local participation must be compromised. Unfortunately, this latter objective is also the option in which leakages out of the economy are minimised. Put another way, this trade-off involves deciding whether the industry should choose a high level of tourist expenditure, and ignore the issue of leakages, or choose an option where the actual tourist expenditure is lower but the leakages are reduced (Second Development Plan 1988-1992:59).

Growth in the industry continued to be strong. In the last ten years the number of restaurants, motels and transport services has doubled and tourism now accounts for more than thirty percent of jobs. Future development will be guided by the Tourism Master Plan Project funded by the Asian Development Bank (Tourism Master Plan 1991). The plan sets out a twenty year perspective for the Cook Islands tourist industry, including a detailed plan for the next five years. The Minister of Tourism insisted that the plan be prepared using two guiding principles: optimize not maximize, and focus on local opportunity to make the industry something for Cook Islanders and not for foreigners.

The Tourism Masterplan recommends that Government should move growth from Rarotonga to the outer islands, particularly Aitutaki. A four star resort of 189 rooms sited on the south coast of Rarotonga is due for completion in late 1993 (section 4.6). This is planned to be the last major project on Rarotonga until the year 2000. The Masterplan recommends that emphasis during the remainder of the 1990s should be on upgrading existing properties, rather than seeking further expansion. The target visitor continues to be high 'value adding' tourists who will require upgraded facilities and higher levels of service.

4.2 Industry Characteristics

Accommodation is the most important sector of the tourist industry in Rarotonga in terms of employment and turnover. There are currently twenty-seven accommodation establishments providing a total of 673 rooms. The Rarotongan Resort Hotel and Edgewater Resort dominate this sector of the industry with 151 and 182 rooms respectively. Of the accommodation establishments six can be classified as hotel/resort style accommodation. A further thirteen establishments are self catering motel style accommodation, mostly of a similar style to motel accommodation in New Zealand. The remaining eight establishments are in the budget bracket and range from budget motels to backpacker, hostel style accommodation.

In the restaurant sector there are eleven licensed establishments offering a total seating capacity of 391. There are a further seven cafe/cafeteria style establishments with total seating for 277, and nine takeaway establishments. There are seven travel/tour operators, 54 formal retail outlets having strong links with tourism, and approximately fifteen market stalls that sell produce to both tourists and the local population (Tourism Masterplan, 1991). Four establishments renting cars, jeeps and motorbikes are also operating (Table 4.1).

Table 4.1 Sectoral Composition of the Rarotongan Tourist Industry

Sector	Number of Establishments
Accommodation	27
Restaurants/Cafes/Takeaways	27
Travel/Tour Operations	7
Internal Air Transport	1
Retail Outlets	54
Market Stalls	15
Vehicle Rentals	4
Total	135

Source: Fieldwork and Tourism Masterplan

Table 4.2 Room Occupancy Rates 1988-1992

Year	1988	1989	1990	1991	1992
January	45.8	46.9	54.1	62.2	60.1
February	44.4	44.2	38.8	53.6	67.4
March	46.8	53.9	65.2	69.5	70.5
April	39.9	47.4	57.3	58.4	76.8
May	39.5	48.9	56.6	63.1	64.0
June	43.6	65.3	62.8	69.9	68.3
July	65.7	67.6	64.4	66.9	
August	41.6	57.3	69.4	73.9	
September	67.2	63.2	63.9	66.5	
October	69.2	61.4	46.6	71.9	
November	59.0	66.4	75.4	66.0	
December	53.2	47.1	64.6	60.8	
Average/Year	51.3	55.8	59.9	65.2	67.9(a)

Note: (a) First 6 months only.

Source: Cook Islands Quarterly Statistical Bulletin, 1992 (Statistics Office)

Room occupancy rates in the accommodation sector have fluctuated over the last decade. During 1984 and 1985 hotels were approximately two-thirds full.

Occupancy fell to just over 60 per cent in 1986 and 1987 as a result of faster growth in rooms than tourist nights. A sharp fall to just over fifty per cent was

recorded in 1988 (Table 4.2). Since 1988 occupancy rates have increased steadily to approximately 68 per cent for the first half of 1992. The Cook Islands' peak season is during the second half of the year. December is generally the busiest month but this is due largely to the influx of Cook Island overseas residents returning to visit family. New Zealand and Australian visitors arrive mainly from June to October, while North Americans and Europeans visit mainly from October to March (Tourism Masterplan, 1991).

4.3 Government Tourism Organization

Cook Islands Tourist Authority

The Tourist Authority Act of 1968 provided for the establishment of the Cook Islands Tourist Authority. CITA is responsible for policy, planning and control of the tourism sector. In 1989 CITA was reconstituted under the Tourist Authority Act 1989 which states that:

The primary objective of the Authority shall be to encourage and promote the development of tourism in the Cook Islands in a manner which is appropriate to the interests of the Cook Islands as a whole and of its people at large (Tourist Authority Act 1989:5).

The principal functions of CITA are identified as:

- policy and planning;
- marketing and promotion;
- cultural and community issues;
- education and training;
- commercial operations;
- outer islands; and
- general administration.

Funding for CITA comes from Government subvention and from New Zealand aid. The Tourism Masterplan (1991:2/155) states that CITA 'is not fully effective in carrying out any of its functions'. CITA's lack of effectiveness is attributed to funding shortages and lack of experienced and qualified professional tourism staff.

General Licensing Authority

Originally under the responsibility of CITA, licensing of tourist establishments became the responsibility of the newly formed General Licensing Authority (GLA) at the time of the review of the Tourist Authority Act in 1989. The GLA was constituted under the General Licensing Authority Act 1989, which lists its functions as: (1989:5)

- to license accommodation premises;
- to license restaurants not part of accommodation premises;
- to license motor vehicles and boats used to transport tourists (supplementary to these vehicles' other licensing requirements);
- to implement a grading system for accommodation and restaurants;
- to identify standards of services and facilities to be complied with by accommodation premises and restaurants.

The GLA has the power to:

- issue licences;
- set conditions for licences consistent with the 1989 Act;
- review, suspend or revoke and licence;
- recommend standards;
- make charges for its services.

The GLA is currently struggling to fulfil its responsibilities and has consequently approached the New Zealand Government for technical assistance. Many survey respondents complained of the GLA's petty, micro-level interference in their businesses, and of the high licence fees it charges. Some respondents felt that regulation should not be in the hands of the GLA at all, but that a system of self-regulation by the industry is more appropriate. The businesses themselves could develop a set of ethics, basic charging parameters, and a quality assurance system, with the GLA being used as an organization of last resort.

4.4 Airlines

International air links to the Cook Islands have been dominated by Air New Zealand whose commercial priorities have frequently been at odds with the interests of the tourist industry. The Cook Islands Government has attempted to attract other airlines to service the country with limited success. Air New Zealand's dominance is extremely hard to break because other airlines are unable to gain landing rights in Auckland.

Figure 4.1 Major Flight Paths and Distances to the Cook Islands



Source: Tourism Masterplan, 1991

Table 4.3 Schedule, Timings and Origin/Destination of International Flights by Type of Aircraft August 1993.

Day/Carrier	From	Arrival Time	To	Departure Time	Aircraft
<u>Monday</u>					
Air NZ	L.A./ Papeete	5.45 am	Auckland	7.00 am	B747(a)
<u>Tuesday</u>					
Air NZ	Chch/ Auckland	9.30 pm	Papeete	10.30 pm	B767(b)
<u>Wednesday</u>					
Air NZ	Papeete	4.10 pm	Nadi/ Auckland	5.10 pm	B767
<u>Thursday</u>					
Air NZ	Auckland	8.35 pm	Honolulu/ L.A.	9.50 pm	B747
Polynesian	L.A.	9.40 pm	Apia/ Honolulu/ L.A.	11.00 pm	B767
<u>Friday</u>					
Polynesian	Melb/ Auckland/ Apia/ Niue	7.10 am	Papeete	8.00 am	B737(c)
<u>Saturday</u>					
Air NZ	L.A./ Honolulu	9.50 am	Auckland	11.05 am	B747
Air NZ	Auckland	10.15 pm	Papeete/ L.A.	11.30 pm	B747
Polynesian	Papeete	00.45 am	Niue/ Apia/ Nadi/ Sydney	2.00 am	B737
<u>Sunday</u>					
Polynesian	Melb/ Noumea/ Apia/ Niue	6.10 am	Papeete	7.00 am	B737
Polynesian	Papeete	11.40 am	Niue/ Apia/ Auckland	1.00 pm	B737

Notes: (a) 400 seats
(b) 200 seats
(c) 108 seats

Source: Fieldwork

Presently (1993) Air New Zealand and Polynesian Airlines service the Cook Islands, providing a total of eleven flights per week (Table 4.3). In February 1993 Hawaiian Airlines discontinued its only flight to the Cooks, a direct service from Honolulu, leaving Air New Zealand with a monopoly on this route. Air New Zealand provides three flights per week from Auckland, one of which is via Nadi, continuing on to Papeete. The remaining Air New Zealand flights from New Zealand travel via Honolulu to Los Angeles, or via Tahiti to Los Angeles. The Los Angeles flights are an important link to the Northern Hemisphere, providing access to the North American and European markets.

Polynesian Airlines have two flights per week which arrive from Tahiti, one of which travels via Niue, Apia, and Nadi to Sydney, the other travels via Niue and Apia to Auckland. Polynesian provides the only service from Australia - two flights per week from Melbourne. Both flights take a circuitous route - one via Auckland, Apia and Niue, the other via Noumea, Apia and Niue. The remaining Polynesian service takes a round trip from Los Angeles via Rarotanga, Apia and Honolulu.

4.5 Visitor Trends

Table 4.4 shows that visitor arrivals to the Cook Islands have risen in a fluctuating manner since 1976. During the late 1970s there was a rapid increase in arrivals, from ten thousand in 1976, to twenty thousand in 1979. This was followed in the early 1980s by a period of stagnation and negative growth. Growth resumed from 1983 onwards and was strong until 1987 when arrivals had reached 31,000. A further period of stagnation, was followed by renewed growth in 1990 to 1992.

The Tourism Council of the South Pacific (TCSP) undertakes regular surveys of visitors to countries in the South Pacific region. The remainder of this section is drawn from the most recent TCSP visitor survey of the Cook Islands undertaken in 1991 (Cook Islands Visitor Survey, 1991).

Table 4.4 Tourist Arrivals in the Cook Islands 1976-1992

Year	000's Tourist Arrivals	% Change Over Previous Year
1976	9.9	8.6
1977	14.6	47.3
1978	17.0	16.6
1979	19.7	16.0
1980	21.1	6.7
1981	18.6	-11.7
1982	17.5	-6.2
1983	19.8	13.4
1984	25.5	28.6
1985	28.8	13.0
1986	31.2	8.6
1987	32.1	2.8
1988	33.9	5.5
1989	32.9	-2.9
1990	34.2	4.0
1991	39.9	16.9
1992	50.0	25.1
Average Annual % change 1976-1992		11.3

Source: Cook Islands Tourist Authority

Approximately ninety per cent of visitors to the Cook Islands come for pleasure purposes. Almost half of the visitors are professional, managerial and self-employed persons. The average age is 38 and the sex ratio of visitors is 156 males to 100 females. The TCSP do not put forward any reasons as to why the number of male visitors is so high. Twenty per cent of visitors were making a repeat visit, the majority of repeat visitors came from the Pacific Islands.

The fluctuating growth in arrival numbers has been accompanied by changes in the source of visitors. The data presented in Table 4.5 show that while the number of visitors from New Zealand has fluctuated since 1987, there has been a small net increase over that period. Concurrently, the number of Australian visitors to the Cook Islands has declined. There was a steady increase in the number of

visitors from the United States but this could decline with the withdrawal of Hawaiian Airlines. What is most noteworthy from Table 4.5 is the dramatic increase in the numbers of visitors from Europe particularly from 1991 to 1992 when the number increased from 8,417 to 13,702,. The increase in visitors from North America and Europe coincides with a promotional campaign by the Cook Islands Tourist Authority in these regions, and global growth in long haul travel.

The changing source of tourists raises important questions for tourism businesses on Rarotonga. A local newspaper has reported concern among small business owners that turnover is down despite visitor numbers being at an all time high. (*Beach News*, Issue 93/05). It appears that changes in source areas of tourists affects the profitability of some sectors of the business community. Table 4.6 shows that a large proportion of European visitors make their own arrangements when they travel to the Cook Islands. This probably reflects the high number of backpackers from Europe. Clearly this will be a significant factor for the Cook Islands tourist industry in years to come. Businesses and Government need to know more about spending patterns and the individual and group needs of the new visitors if the industry is to be able to respond to the changes.

Table 4.5 Tourist Arrivals by Major Markets, 1987-1992

Market	1987	1988	1989	1990	1991	1992
Australia	4,975	5,439	5,564	4,843	6,073	5,691
New Zealand	14,945	15,855	14,944	10,757	14,829	16,600
USA	2,890	3,330	3,304	4,373	4,411	5,969
Canada	2,292	1,975	1,684	2,381	3,914	3,747
Europe	5,287	5,493	5,649	6,003	8,417	13,702
Pacific Islands	1,277	1,428	1,373	3,662	1,714	3,631
Other	446	366	389	1,863	626	173
TOTAL	32,112	33,886	32,907	33,882	39,984	50,009

Source: Cook Islands Visitor Survey 1991, Cook Islands Tourist Authority

Table 4.6 shows that while 65 per cent of New Zealanders travel to the Cook Islands on a package tour, the corresponding figure for Americans is 48 per cent. Variations in preferred type of accommodation according to visitor source are also evident. Table 4.7 shows that 49 per cent of visitors from New Zealand stay in large hotels, while the corresponding figure for Americans is 40 per cent, for Germans 30 per cent, and for visitors from the United Kingdom only 15 percent.

Table 4.6 Visitors by Travel Arrangements and Market Area

Travel Arrangements	NZ	Aus	USA	Cad	Ger	UK	Eur	Pac	Oths	Total
Package Tour	65	68	48	40	18	12	16	24	13	48
Own Arrangements	35	32	52	60	82	88	84	76	87	52
Total	100	100	100	100	100	100	100	100	100	100
Tourists	745	419	605	578	422	163	354	85	46	3417

Source: Cook Islands Visitor Survey 1991

Table 4.7 Visitors by Type of Accommodation Used and Market Area

Accommodation Type	NZ	Aust	USA	UK	Ger	Eur	Cad	Pac	Oths	Total
Large Hotels	49	56	40	15	30	33	18	18	22	39
Medium Hotels	18	21	16	8	25	12	20	14	12	18
Small Hotels	16	17	42	51	45	51	59	38	47	31
Private Accommodation	17	6	2	25	1	4	3	30	19	12
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Cook Islands Visitor Survey 1991

Table 4.8 Average Per Head and Daily Expenditure by Market Area (NZ\$)

Expenditure	NZ	Aus	USA	Cad	Ger	UK	Eur	Pac	Oth	Total
Average Per Head Expenditure	1012	995	945	909	860	675	852	624	863	931
Average Length of Stay (nights)	10.6	9.3	10	10.6	7.8	9.6	8.4	7.9	10.2	9.5
Average Daily Expenditure	95	107	95	86	110	70	101	79	85	96
Tourists	739	419	608	574	423	164	356	83	46	3412

Source: Cook Islands Visitor Survey 1991

Table 4.9 Distribution of Itemised Expenditure by Market Area (Percentages)

Expenditure Item	NZ	Aus	USA	Cad	Ger	UK	Eur	Pac	Oth	Total
Accommodation	43	39	42	47	41	40	41	33	50	42
Restaurants / Bars	26	28	24	26	23	29	27	28	23	26
Internal Air Transport	2	3	5	3	4	3	4	2	6	3
Tours/Excursions/ Cruises	2	4	4	3	5	3	3	0	2	3
Other Transport	6	6	5	6	5	8	6	6	6	6
Recreation & Entertainment	4	4	3	4	4	3	5	6	2	4
Duty Free Shopping	2	1	1	0	1	0	1	3	1	1
Handicrafts/ Souvenirs	5	7	10	5	7	3	5	10	5	6
Other Shopping	7	5	4	4	6	6	6	10	3	6
Other Expenses	2	3	2	2	2	4	2	3	2	3
TOTAL %	100	100	100	100	100	100	100	100	100	100
AVERAGE TOTAL EXPENDITURE (NZ \$)	1012	995	945	909	860	675	852	624	863	917

Source: Cook Islands Visitor Survey 1991.

Visitor expenditure is presented in Table 4.8. Average per head expenditure is estimated to be NZ\$931, while the average daily expenditure per tourist is estimated at NZ\$96 from an average length of stay of 9.5 nights. On average, New Zealanders are the highest spenders in terms of per head expenditure (NZ\$1,012) reflecting their long average stay of ten and a half nights. Germans recorded the highest average daily expenditure at NZ\$110 followed by Australians (NZ\$107) and Other Europeans (NZ\$101).

Perhaps surprisingly, Table 4.9 shows that there is little difference in the pattern of expenditure between tourists from different sources. The exception is the large amount spent by visitors from the USA and Pacific Islands on handicrafts. Table 4.9 shows that a high proportion of expenditure is spent on accommodation, averaging 42 per cent of total expenditure. Expenditure in restaurants and bars is also high, averaging 26 per cent of total expenditure.

4.6 The Sheraton Hotel

In 1988 the Cook Islands government signed a contract with the Italian bank, Icle Bank of Romee, and Italian contractor SICEL to build a 200 room, four-star hotel in Rarotonga. Finance for the project was one hundred percent borrowed and amounted to NZ\$51 million, in Deutschmarks. A Commission of Inquiry set up in January 1989 to look into the contract found:

...the project riddled with inconsistencies and criticised the fact no private tendering was done; that the hotel site was still undecided; that there was no design or management; that the SICEL feasibility study expected 75 per cent occupancy in the first year; that there had been no provision for turnover tax or royalties to landowners; and that 'the risks of continuing to hold the obligations in foreign currency have been likened to playing Russian roulette with the country's economy, with three bullets in the chamber of the gun' (McCarthy 1991:39).

In November 1990 SICEL announced that it was in financial trouble and that all its credit had been frozen. The company could not account for NZ\$30 million which it had already drawn upon. To date the Cook Island Government has not recovered this money. In early 1991 Government secured a further loan from Icle of NZ\$20

million to fund the construction of the hotel on a more modest scale. The construction contract was given to another Italian contractor, Stephany SPA.

At the time of writing there has been no construction on the hotel for three months - the scheduled completion date of August 1993 is now impossible to meet. Stephany complained that the hotel developers, ECIL, had not paid them for three months. ECIL maintained that Stephany had provided a critical path work programme too late and that it was not up to standard. Furthermore, the Italian insurance company covering the loan had frozen all coverage following the arrest of several of its employees by the Italian authorities..

The Cook Islands Chamber of Commerce has raised concerns about the lack of an environmental impact assessment (EIA) for the hotel. There are several issues that concern environmentalists. The hotel fronts on to a beach which needs major upgrading if it is to satisfy tourists. The environmental costs of the work to delicate lagoon ecology are not clear. The project includes surrounding the hotel with an artificial lagoon, which appears ludicrous as the site fronts on to a natural lagoon. Another concern has been the large amount of rubbish left around the site which is leaching into nearby streams. Soil is also running off the site into the lagoon.

The Sheraton project has become a major liability for the Cook Islands Government, and for the country as a whole. Construction delays, if extended for too long, mean that restarting becomes increasingly difficult. Two questions arise: how much more money can the government put into what is already a very expensive project; and can the hotel make enough money on completion to repay the loans? The tourist industry is divided on the merits of the hotel. Many see four star levels of luxury and service as inappropriate to the Cook Islands. There is also concern as to whether the Cook Islands can attract the type of tourist that would stay in the Sheraton. While the country can offer a beautiful environment, it cannot offer many activities for rich tourists. With the benefit of hindsight, a major refurbishment of the Rarotongan Hotel would appear to have been a better option

for the country, both in terms of financial commitment, and suitability to the Cook Islands tourist industry.

On the positive side, many in the industry believe that the Sheraton will provide a much needed boost to service standards. By providing a benchmark for high quality service it will force other hotels to attempt to emulate its standards. It will also raise the quality of staff on the island. There will be many highly trained staff working in the hotel who can lift standards as they move into other jobs.

4.7 Future Prospects for the Cook Island Tourist Industry

The World Tourism Organization (WTO) predicts that world tourism will grow at about 3 to 4.4 per cent per annum until 2005. World tourism trends favour nations in the Asia Pacific region. The WTO is predicting faster growth of 6.8 per cent per annum for the East Asia/Pacific region. Other trends favourable to the Cook Islands include:

- growth in long haul travel
- increased interest in the quality of the environment
- growing demand for different cultural experiences.

The Tourism Masterplan predicts a four per cent per annum growth in total outbound travel from New Zealand, Australia, USA and Canada through to the year 2000. During the same period outbound travel from Europe (including the United Kingdom) is predicted to increase between 3.5 and 5 per cent, and from Japan at a rate of 7 per cent. With the opening of the Sheraton Hotel, and a commitment by Air New Zealand to expand air capacity to cater for the hotel, the Cooks look well placed to take advantage of the growth in outbound travel from major source markets.

Table 4.10 shows the Tourism Masterplan's predictions for tourist arrivals to the year 2000. Visitor arrivals are expected to be approximately 70,000 by 2000. Market share taken by New Zealanders and Australians is predicted to fall, while

visitors from North America and Europe will make up an increasing proportion of visitors. The Masterplan predicts that total tourist expenditure will be NZ\$63.3 million by 1995. Government revenue generated by tourism was an estimated NZ\$15 million in 1990. This is likely to increase pro-rata to the increase in the number of tourists. The Tourism Masterplan estimates that in 1990 each tourist generated approximately NZ\$438 in revenue. Based on this figure it estimates that by 1995 Government could be earning approximately NZ\$18 million in revenue.

Table 4.10 Projected Importance of Tourism Markets

Year	1990		1995		2000	
	000s Arrivals	% of Arrivals	000s Arrivals	% of Arrivals	000s Arrivals	% of Arrivals
New Zealand	11.0	32.1	14.7	25.4	17.0	24.3
Australia	4.9	14.4	7.2	12.5	8.3	11.9
USA	4.4	12.8	10.9	18.9	13.3	19.0
Canada	2.4	7.0	5.5	9.5	6.7	9.6
UK/Europe	6.0	17.6	10.6	18.3	13.0	18.6
Cook Islanders	3.7	10.8	4.7	8.1	6.0	8.6
Other	1.9	5.5	4.2	7.3	5.6	8.0
Total	34.2	100.0	57.8	100.0	69.9	100.0

Note: Columns may not aggregate due to rounding.

Source: Tourism Masterplan, 1991

4.8 Conclusion

The Cook Islands has a relatively young tourist industry that has grown rapidly during the last two decades. The country has been a traditional destination for New Zealand and Australian holidaymakers seeking to escape the southern winter. Recent visitor trends indicate an increasing number of North American and European visitors. This is the result of Air New Zealand's introduction in 1990 of a jumbo jet service to Los Angeles, and a marketing drive by the industry. North American and European visitors are predicted to take an increasing share of the

market through to the year 2000. This change in the source area of tourists poses challenges for an industry whose facilities and outlook reflect its previous reliance on the Australasian market.

The Cook Islands Government has made several attempts to develop an overall strategy for the Tourist industry, the most recent of which is the Tourism Masterplan Project, funded by the ADB in 1991. The plan recommends that growth in Rarotonga be restricted to the completion of the Sheraton hotel project until the year 2000. Focus for the remainder of the decade is recommended to be on upgrading existing properties so that higher spending tourists can be attracted. While this policy will bring in more tourist dollars, it is not clear if it will be beneficial for local ownership of the industry.

Chapter Five

EMPLOYMENT AND OWNERSHIP IN THE RAROTONGAN TOURIST INDUSTRY

5.1 Introduction

The Cook Islands Government considers opportunities for local people, both in terms of working for tourism businesses and owning tourism businesses as a principal advantage of tourism development. The literature review in Chapter One revealed that while tourism development creates more jobs, the experience of most developing countries is that the best jobs are filled by foreigners, and that the need for foreign investment leads to substantial foreign ownership and control.

Pryor (1980) conducted a study of direct tourism employment in Rarotonga in 1979. She found that ethnic background or nationality was important in determining job distribution. Pryor found that Cook Islanders usually held unskilled positions, while foreigners held jobs requiring greater skill or management expertise. Pryor's study is supported by Milne's 1984 study of the economic impact of tourism on the Cook Islands. The study, which covered direct and direct peripheral employment, found that nearly half of all managerial positions were held by Europeans¹ (Milne 1987c).

In a further study Milne (1987a) considered ownership of the Cook Islands tourist industry. He found that the accommodation sector was dominated by foreign and European ownership. Foreigners and Europeans owned fourteen businesses out of a total of 24 and received 59 per cent of all tourist expenditure. Milne found that in the tourist industry as a whole foreign operations received sixty per cent of all

¹Milne's European category includes Cook Island Residents and Expatriates who were not Cook Islands Maori.

tourist receipts, European owned operations received 23 per cent, with the remaining seventeen per cent accruing to Cook Island owned operations.

The present survey was designed to make an up-to-date assessment of participation in the Rarotongan tourist industry in terms of employment and ownership. It was also required to seek possible reasons for the observed patterns.

The Survey

The survey required a decision on the parameters of the tourism sector. Time and funding dictated that a survey taking in every business involved with tourism in Rarotonga was not practical. The number of businesses that derive income from tourists totals approximately 135 (Chapter 4). Mathieson and Wall (1982) have identified three areas of business and employment generated by tourism: direct, indirect and induced. For reasons previously explained (Section 1.4) I decided to set the parameter of the study at businesses directly involved in the tourist industry. This includes the most important sectors of the industry that employ the most people and generate most of the turnover. In Rarotonga, direct employment in the tourist industry occurs in four sectors: hotels, restaurants and bars, travel and tour operators, and airlines.

I conducted a survey of all licenced accommodation, licenced restaurants, airlines, and travel/tour companies in Rarotonga to ascertain accurate employment figures and patterns, and ownership of businesses in these sectors. The total number of businesses in the sample was 47. The businesses surveyed are presented in Tables 5.1 to 5.3. The two airlines with operations at Rarotonga International Airport, Air New Zealand and Air Rarotonga, were also surveyed but are not listed in the tables. Interviews were conducted in which operators were asked to provide details of their staffing and ownership of the business. Respondents were then encouraged to talk about employment and ownership issues by answering a set of questions. The questions sought to ascertain managers' opinions on: ownership of the industry; availability and quality of training; availability and quality of staff;

promotion policies; expatriates; general attitudes on staffing; and, indigenous participation in the industry.

Employment statistics were gathered from each business on numbers of staff employed, numbers of full time and part-time staff, sex, race, and employees' skill levels. For the latter, each operator in the accommodation and restaurant sectors was requested to divide their workforce into three occupation categories: management and administration; skilled; and unskilled. In the airline and travel/tour sectors two categories were used: management, and other.

For hotels and motels the occupation categories comprise the following positions:

- Management and administration: includes accountants and decision-making management occupations;
- Skilled: includes clerical and sales staff, mechanics, electricians, painters, carpenters, store workers, cooks, chefs, reservation clerks, receptionists, tour desk clerks, tour and entertainment guides, bartenders, waiters, musicians, dancers, service supervisors;
- Unskilled: includes gardeners, labourers, housemaids, laundry staff, kitchen hands, security guards, switchboard operators, cleaners.

For restaurants the categories comprise the following positions:

- Management and administration: includes decision-making management positions;
- Skilled: includes chefs, waiter/waitress, bartender, musicians, dancers;
- Unskilled: includes kitchen hands and cleaners.

Table 5.1 Tourist Accommodation in Rarotonga, 1993.

	Room Price Double/twin	No. of Rooms
HOTELS/RESORTS		
Edgewater Resort	150	182
Manuia Beach	285	20
Moana Sands	from 120	12
Pacific Resort	from 200	49
Rarotongan Resort	200	151
Tamure	85	36
SELF CATERING		
Ati's Bungalows	46	9
Avana Marina Condos	300	6
Kii Kii Motel	69	24
Lagoon Lodges	from 115	15
Little Polynesian	132	9
Muri Beachcomber	150	12
Palm Grove	140	8
Paradise Inn	60	16
Puaikura Reef Lodges	94	12
Raina Beach Apartments	120	4
Rarotongan Sunset	135	20
Sokala Villas	215	7
Sunrise Beach Motel	80	6
BUDGET		
Airport Lodge	30	6
Are Renga Motel	40	16
Ariana Bungalows	52	16
Arorangi Lodges	35	8
Matareka Heights	40	4
Tiare Village	16	9
Backpackers International	30	9
Rutaki Lodge	15	7
Total rooms		673

Source: Fieldwork

Table 5.2 Travel Agencies in Rarotonga 1993

Travel Agent	Year of opening
Island Hopper	1990
Hugh Henry	1987
Air Rarotonga	1979
Tipani Tours	1974
Martina Travel	-
Air New Zealand	-
Stars Travel	1973

Source: Fieldwork; Tourism Masterplan

Table 5.3 Licensed Restaurants in Rarotonga 1993

Restaurant	Seating Capacity
Flame Tree	45
The Steakhouse	25
Ronnies'	24
Kaena	45
Jam Hut	12
PJ's	50
Portofino	60
Sails	30
Trader Jack's	50
Tumunu	25
Spaghetti House	-

Source: Fieldwork

5.2 Findings of the Employment Survey

Table 5.4 presents an estimate of the total number of people directly employed in the tourism sector. This calculation includes direct employment in the tourism peripheral sector, which was not included in the business survey. It is estimated that 1,088 people were directly employed in the tourism sector. CITA estimated that a further 200 to 300 jobs were provided indirectly by the tourism industry, giving a total of 1300 to 1400 full and part-time jobs provided by tourism and

related activities. This represents approximately thirty per cent of the total workforce.

Table 5.4 Direct Employment in the Tourism Sector, Including Tourism Peripheral Sector

Category	Full Time	Part Time	Total
Accommodation:			
Hotels/Resorts	219	170	389
Self Catering	59	16	75
Budget	20	12	32
Restaurants	52	71	123
Airlines	66	64	130
Travel Agencies	36	2	38
Total	452	335	787
Peripheral Sector			
Bar/Restaurant Musicians		35	35
Cultural Dance Groups		100	100
Handicraft/Produce Sales		60	60
Shop Workers	50		50
Cafés	14	21	35
Mobiles/Takeaways		15	15
Total	516	566	1082

Source: Fieldwork; Tourism Masterplan

Table 5.4 indicates that just over 42 per cent of jobs in direct tourism employment, excluding the peripheral sector, were part-time. When the peripheral sector is included just over 52 per cent of jobs were for part-time workers. This finding indicates an increasing trend towards part-time work in the industry. Pryor found

that out of a total tourism workforce of 464, only 26 workers were part-time. Milne's study found that by 1984 the percentage of part-time workers had increased to 32. Inter-sectoral and intra-sectoral differences in the number of part-time workers employed are evident. In the accommodation sector, hotels employ more part-time workers than self catering and budget accommodation.² In the restaurant sector nearly two-thirds of the jobs were part-time, while in the airline sector jobs were split evenly between full and part-time. Most jobs in the travel/tour sector were full-time. Part-time positions were almost exclusively confined to skilled and unskilled positions, and were dominant particularly in the unskilled category.

A breakdown of direct employment by sex is presented in Table 5.5. Females occupied 59 per cent of the jobs in the sample. Pryor found that sixty per cent of workers were male, although in the hotel and motel sector males were outnumbered by females. Pryor's study included Airport Authority workers, a sector that was not included in the present study. Male employment dominates this sector, which partly accounts for the high level of male employment she found in the industry. Milne's 1984 survey found that approximately sixty per cent of workers were female. Again, inter-sectoral differences were apparent. The accommodation, restaurant, and travel/tour sectors provided employment predominantly for females. The airline sector comprised mostly male employees.

A breakdown of employees by race and skill level (Tables 5.6 to 5.11) establishes that most expatriates and *Papa'a* were employed in management and administrative positions (these groups comprised approximately four per cent of the total work force). In hotel/resorts one third of management positions were filled by expatriates and *Papa'a*. These groups occupied the top management positions in all but one hotel. An expatriate Australian managed the Edgewater Resort and the Tamure Resort (the resorts were owned by the same company). An expatriate

²This finding is in direct contrast to Milne (1987c) who found that hotels tended to employ more full-time staff than self catering motels. Milne stated that motels do not provide the level of work required to sustain a full-time workforce so many employ younger workers on a part-time basis. While I did not collect statistics on age in my survey, many motel owners said that they preferred to employ older workers as they were more reliable.

Austrian managed the Government owned Rarotongan Hotel, and the assistant manager was an expatriate Peruvian. *Papa'a* manage the Manuia Beach Hotel and Moana Sands. The exception was the Pacific Resort, which although eighty per cent foreign owned, had made a considerable effort to localize its staff so that the manager and assistant manager of the hotel were Cook Islanders. There were four skilled expatriate/*Papa'a* workers in this sector, all of which were chefs.

Table 5.5 Direct Employment by Sex

Business	Male	Female	Total
Accommodation:			
Hotels/Resorts	130	259	389
Self Catering	19	56	75
Budget	10	22	32
Restaurants	43	80	123
Airlines	109	21	130
Travel Agencies	12	26	38
Total	323	464	787

Source: Fieldwork

Table 5.6 Employment in Hotels/Resorts by Race and Occupation

	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	9	4	22	35
Skilled	3	1	102	106
Unskilled	-	1	247	248
	12	6	371	389

Source: Fieldwork

Table 5.7 Employment in Self Catering Accommodation by Race and Occupation

	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	9	3	9	21
Skilled	-	-	8	8
Unskilled	-	1	45	46
	9	4	62	75

Source: Fieldwork

Table 5.8 Employment in Budget Accommodation by Race and Occupation

	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	1	1	12	14
Skilled	-	-	-	-
Unskilled	-	-	18	18
	1	1	30	32

Source: Fieldwork

Table 5.9 Employment in Restaurants by Race and Occupation

	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	5	5	6	16
Skilled	7	-	8	15
Unskilled	-	-	92	92
	12	5	106	123

Source: Fieldwork

Table 5.10 Employment in Travel Agencies by Race and Occupation

	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	2	1	7	10
Other	2	1	25	28
	4	2	32	38

Source: Fieldwork

Table 5.11 Employment in the Airline Sector by Race and Occupation

Category	Expat	<i>Papa'a</i>	Local	Total
Management & Admin	3	2	3	8
Other	4	4	117	125
	7	6	120	133

Source: Fieldwork

Expatriates and *Papa'a* outnumbered local managers by twelve to nine in self-catering accommodation. Owner/managers, many of which were husband and wife teams, ran all the operations in this sector. They fell into three approximate categories: expatriate couples who have moved to the Cooks for the lifestyle; New Zealand males and their Cook Island wives who have returned to the Cooks; and, local owner/managers.

Locals were predominant in management of budget accommodation. There were a total of fourteen managers, of which one was an expatriate, and one was a *Papa'a*. Most of these businesses are family run, with very little employment outside the family unit.

In the restaurant sector ten out of a total of sixteen managers were expatriates or *Papa'a*. In the skilled category of this sector there was a particular reliance on expatriate chefs, with seven out of a total of fifteen chefs being expatriates. Most managers commented that trained local chefs were in very short supply.

In the travel/tour sector three out of a total of ten management and administration positions were taken by expatriates/*Papa'a*. Expatriates or *Papa'a* made up over half of managers in the airline sector.

The survey showed that 42 per cent of management and administrative positions were filled by expatriates or *Papa'a*. In 1984 Milne found that expatriates or *Papa'a* took 47 per cent of management and administrative jobs. A total of eleven skilled positions in the accommodation and restaurant sectors were filled by expatriates or *Papa'a*. These positions were all chefs. There were no expatriates, and only two *Papa'a* working in unskilled positions in the sample.

5.2 Findings of the Ownership Survey

Ownership was divided into three categories: foreign, meaning a business that is majority foreign owned; *Papa'a*, meaning majority owned by foreigners who are permanent residents of the Cook Islands; and, local, meaning majority owned by a Cook Islander of Maori descent. Operations with two categories reflect an even division of ownership between the categories. Table 5.9 presents the findings on ownership of accommodation in Rarotonga. In the hotel/resort category three out of the six establishments were owned by foreign companies. An Australian company, Island Hotels Ltd, owned the Edgewater Resort and the Tamure Resort. The Pacific Resort was eighty per cent owned by a New Zealand company, the remaining twenty per cent was local equity ownership. The Manuia Beach Hotel was owned by a *Papa'a*. The Cook Islands Government owned the Rarotongan Resort, however, it was negotiating the sale of the hotel to a group of British investors. While Moana Sands was locally owned, the Manuia Beach Hotel held the management contract for the hotel.

Table 5.12 Ownership of Accommodation Businesses

	Room Price Double/twin	No. of Rooms	Ownership
HOTELS/RESORTS			
Edgewater	150	182	Foreign
Manuia Beach	285	20	<i>Papa'a</i>
Moana Sands	from 120	12	Local
Pacific Resort	from 200	49	Foreign
Rarotongan	200	151	Local
Tamure	85	36	Foreign
SELF CATERING			
Ati's Bungalows	46	9	Local/ <i>Papa'a</i>
Avana Marina Condos	300	6	Local
Kii Kii Motel	69	24	Local
Lagoon Lodges	from 115	15	Local/ <i>Papa'a</i>
Little Polynesian	132	9	Local
Muri Beachcomber	150	12	Foreign
Palm Grove	140	8	<i>Papa'a</i>
Paradise Inn	60	16	Local/Foreign
Puaikura Reef Lodges	94	12	Foreign
Raina Beach Aparts	120	4	Local
Rarotongan Sunset	135	20	Foreign
Sokala Villas	215	7	Local
Sunrise Beach Motel	80	6	Local
BUDGET			
Airport Lodge	30	6	Local
Are Renga Motel	40	16	Local
Ariana Bungalows	52	16	Foreign
Arurangi Lodges	35	8	Local
Matareka Heights	40	4	<i>Papa'a</i>
Tiare Village	16	9	Local
Backpackers Int	30	9	Local
Rutaki Lodge	15	7	Local

Source: Fieldwork

In the self catering category six out of a total of thirteen establishments were locally owned. Except for the Kii Kii Motel, which had 24 rooms, locally owned establishments in the self catering category were small. The remaining five local properties had an average of just over six rooms, while the category as a whole averaged just over eleven rooms. Local/*Papa'a* husband and wife teams owned Lagoon Lodges and Ati's Bungalows. The Paradise Inn was 25 per cent owned by an expatriate, fifty per cent owned by a married couple consisting of an expatriate

and a Cook Islander, and 25 percent owned by a *Papa'a*. Married couples from New Zealand owned and managed the remaining foreign owned establishments. The owners of Puaikura Reef Lodges were typical of this category. They were a New Zealand couple who have owned and operated the motel for six years. Prior to their ownership of Puaikura they had no direct experience in the hospitality/tourism industry. In 1987, in an effort to achieve a different lifestyle, they purchased Puaikura and moved to Rarotonga. The motel employed four local, unskilled staff.

Cook Islanders owned almost all operations in the budget category. The exceptions were Ariana Bungalows, which was owned by an expatriate citizen of the United States, and Matereka Heights which was owned by a Cook Islands born European, perhaps unfairly classified for the purposes of this study as a *Papa'a*. Establishments in this category were small, with an average of just over nine rooms.

Out of a total of 673 rooms on the island, 343, or 51 per cent were under foreign or *Papa'a* ownership. If the sale of the Rarotongan Resort to British investors goes ahead the total rooms owned by foreigners will increase to 494 or 73 per cent of the total.

Over half of travel agencies and tour operations had foreign or *Papa'a* ownership (Table 5.10). Foreigners and *Papa'a* owned six restaurants. A further three had some foreign or *Papa'a* ownership, and only two were owned completely by local people (Table 5.11). According to the TCSP Cook Islands Visitor Survey (1991), visitors believed that not enough local fresh food is served in restaurants. There appears to be a need for Cook Islanders to open restaurants serving good quality, fresh, local dishes. The airline sector was almost completely owned by foreigners or *Papa'a*. Air New Zealand is the New Zealand flag carrier and is wholly foreign owned. Air Rarotonga was eighty per cent *Papa'a* owned, with the remaining twenty per cent belonging to a local shareholder.

Table 5.13 **Ownership of Travel Agencies**

Travel Agent	Year of opening	Ownership
Island Hopper	1990	Foreign/ <i>Papa'a</i>
Hugh Henry	1987	Local
Air Rarotonga	1979	<i>Papa'a</i>
Tipani Tours	1974	Local
Martina Travel	-	Local
Air New Zealand	-	Foreign
Stars Travel	1973	<i>Papa'a</i> /Local

Source: Fieldwork; Tourism Masterplan

Table 5.14 **Ownership of Licensed Restaurants**

Restaurant	Seating Capacity	Ownership
Flame Tree	45	Foreign
The Steakhouse	25	Local
Ronnies'	24	Foreign/Local
Kaena	45	Local
Jam Hut	12	Local/ <i>Papa'a</i>
PJ's	50	Local/ <i>Papa'a</i>
Portofino	60	Foreign
Sails	30	<i>Papa'a</i>
Trader Jack's	50	<i>Papa'a</i>
Tumunu	25	<i>Papa'a</i>
Spaghetti House	-	Foreign

Source: Fieldwork

Overall the survey confirmed the findings of earlier studies by Milne and Pryor, which indicated that expatriates and *Papa'a* held a substantial proportion of the management and administrative jobs in the tourist industry, and owned a substantial proportion of the businesses. In terms of developing country tourist industries these findings are not unusual, and a comparison with Fiji and Tonga provides an illustration of how the Cook Islands have fared compared to other Pacific nations. The industry in Fiji, for example, is dominated by foreigners. The only area in which indigenous Fijians are of any significance is handicraft vending,

a sector with small returns. Britton (1987) estimated that in 1979 foreign and European businesses in Fiji took 80 per cent of accommodation receipts, 95 per cent of travel and tour receipts, and 75 per cent of tourist shopping receipts. By contrast, in Tonga Government enterprises were the most important component of the industry, particularly in accommodation and tourist shopping. The only sector where foreigners had a significant foothold was travel and tours, where they received approximately thirty per cent of receipts in 1979. However, the lack of foreign involvement in the Tongan tourist industry means that it is relatively small and underdeveloped (*ibid*, 1987). The Cook Islands falls somewhere between these two extremes. While having a substantial amount of foreign ownership and expatriate employment in the industry, the Cook Islands is still control of its industry. The opportunity remains to pursue a form of development which maximizes local participation in the industry and is tune with Government's economic and social development priorities.

5.3 Managers' Attitudes to Participation Issues

The second part of the survey sought to encourage owners and managers to talk about labour and ownership issues in the industry. They were asked eleven questions, which it was hoped they would 'talk around'.

Question 1: What are your main problems with labour?

Twenty-two respondents answered that they had no problems with labour, while 25 reported a range of problems. Those reporting problems had grievances about the quality of local staff in terms of reliability, willingness to work, commitment to the job, and priorities when work was required to conflict with leisure activities. High staff turnover, alcohol problems and theft were also reported by some respondents. The shortage of skilled labour was a major concern for those reporting personnel problems. Most respondents considered the shortage to be the result of lack of education and/or migration. Some expatriate and *Papa'a* respondents reported difficulties fitting the Maori culture of their staff into a work situation. For example,

the need for long periods of absence to attend funerals, inevitably at very short notice was mentioned as a problem.

When the 25 managers reporting no problems were asked to comment on the reasons for their success, they generally attributed it to the quality of Cook Islands people, and their own personnel management skills. Cultural sensitivity, allowing employees to feel they had a stake in the business, and a family atmosphere among staff were cited as reasons for successful staff relations. Many businesses with good staff relations were small, employing only four or five staff that frequently came from the same village or family. Staff performed better when they could work in a family or community atmosphere. Although they did not consider that they had personnel problems, ten of these respondents did believe that the shortage of skilled labour is a problem in the tourism industry.

Question 2: Do you have a promotion policy and does this include positive encouragement for local employees to seek promotion?

This question was of limited relevance to the majority of businesses because their small size makes 'promotion' impossible in the normal sense of the word. The Rarotongan reported that it offered suitable staff a clear career path. The Edgewater, while giving an affirmative response to the question, could provide little evidence that it in fact had any policy regarding the matter. Public opinion was that neither of these hotels has satisfactory policies for encouraging local staff. The Manuia Beach Hotel and Pacific Resort were attempting to create a Polynesian atmosphere by using local design and materials where ever possible. It is beneficial for this policy to promote Polynesians to management positions. The Pacific Resort has been particularly successful in this regard. Both the manager and assistant manager of the resort were Cook Islanders.

Most medium size businesses reported that as much as possible, staff were given the opportunity to improve skills and move into other positions. For example, two motels reported that their gardeners had been able to move into airport transfers,

and conducting round the island tours. However, the level of movement is restricted in a small business. This raises the question of the effects of business size on participation. Milne (1987a) considered that hotels minimize local participation in the ownership of the industry and result in locals filling unskilled positions in expatriate managed businesses. His first point seems indisputable given the finance and expertise required to open a large hotel, however, the question of participation as employees is more complex. A large hotel offers a range of jobs, and a career path for ambitious workers. Hotels can provide in-house training which could not be offered in a smaller operation. The existence of large hotels helps to create a skilled labour pool from which those with management potential might later be recruited (Jenkins, 1982). By contrast, employees of smaller operations have little chance for advancement, and little chance to learn a skill or follow a career path. While small businesses offer the advantage of more local ownership there appears to be a trade-off in that these businesses inhibit the formation of careers and up-skilling.

Two restaurants large enough to offer advancement to employees reported difficulties in promoting staff. One manager related that, having identified two staff members as suitable for promotion to positions of greater responsibility, possibly leading to assistant manager status, he was disappointed to find that both preferred to remain in their present positions. As the manager was unable to find suitable people elsewhere, he had been unable to take a holiday for over two years. Another restaurant owner reported that she had been attempting to train a chef for some time with no success. Attempts to find a suitable person from outside the restaurant had also been unsuccessful.

Question 3: Do you think that more could be done to promote jobs in the tourist industry as career options for locals?

Thirty-two respondents believed that more promotion is needed, six were not sure, and nine believed that enough is already being done. Respondents commented that the image of tourism as an industry that could provide good jobs with career

paths needed to be projected to the public, in particular to school students. Most managers were of the opinion that local people considered jobs in the tourist industry as hard work, insecure, part-time, and badly paid. Accordingly tourism jobs tend to be considered as secondary or temporary jobs. Some respondents commented that attitudes and behaviour of expatriate management in larger hotels were discouraging locals from seeking jobs in the industry. Moreover, the large number of expatriates in top positions in hotels delivered a message that management jobs were not for local people. Clearly projection of a better image for the industry, and promotion of jobs in the industry, are issues for both Government and the industry to tackle.

Respondents noted a lack of communication between the tourist industry and the education sector. An example is that the Chairperson of the Accommodation Council (a sub-committee of the Chamber of Commerce) was not aware that the education department is running a Hospitality Course in high schools. There has apparently been no industry input into the content of the course.

Question 4: Do you think that as many locals as possible should fill skilled and management positions in the tourist industry?

All respondents answered affirmatively. Further questioning, however, revealed a range of opinions on localization. Fourteen managers advocated caution in localization efforts. They felt that too much enthusiasm could put unqualified people into jobs, a situation which in the long run would damage the tourism industry. The concerns are not unfounded as Bound (1978) noted in the case of the Bahamas (cited in Jenkins and Henry, 1982:513). Respondents emphasised 'the long apprenticeship' one must serve in the industry before one is ready for a management position. However, many of the managers themselves had not served such a 'apprenticeship' but had become industry managers simply because they had enough capital to buy a business. Twenty respondents felt there is a gap between Government's expectations for localization (although it is not clear what Government's expectations are) and what is achievable given the shortage of

trained labour. Eighteen respondents commented that management and ownership of the industry by locals is important for local pride, aspirations and culture. Others considered that having Cook Island workers was important in terms of the image the tourist industry projected rather than any need for advancement of the people themselves.

Question 5: Why do you think that relatively few locals are in management positions?

Forty-two respondents mentioned lack of education and training in response to this question. Concerns about education included worries both about the quality of the system itself, and of the need for more tourism to be taught in schools. Many respondents were not aware that the secondary school syllabus had a tourism component. It was felt that Government training for the tourist industry, which had been in operation for the last three years, had come too late, but if continued would provide opportunities for locals in the future. Some respondents stressed that tourism in the Cook Islands is a relatively new industry. They commented that the depth of local staff needed to localize the industry can only be built up slowly, but given time there is no reason why localization cannot be achieved.

Respondents perceived that gaps in training could not be blamed solely on Government, but that they were also a reflection of lack of commitment to training on the part of businesses. Lack of cultural awareness on the part of operators was also mentioned, the Edgewater Hotel was frequently cited for this. Continuity of staff training and development was seen to be severely compromised at the Rarotongan Hotel by the high management turnover there.

Nine respondents considered that locals 'lack the motivation to succeed' in the industry. This problem was most probably related to the continuance of value systems rooted in traditional culture. Theories of motivation range from neoclassical theory which sees individuals as rational maximizers of consumption, to theoretical ideologies of simple reproduction. Neoclassical economic theory postulates that individuals constantly desire more goods and services and attempt

to maximize consumption within their income constraints. Individuals maximize their incomes subject to their desire for leisure, which is treated as a good, so that a choice must be made between it and goods purchased with income. The relevance of neoclassical theory in a society such as Rarotonga which has only been partially penetrated by capitalism is debatable. Alternatively Fisk (1972) has developed the concept of 'subsistence affluence' to describe subsistence societies in which people are able to produce from their own land and labour a fairly comfortable standard of living, sometimes with only three or four hours of labour a day. In such a society workers may be drawn into the workforce to earn some cash for specific purposes, but their long term commitment to a job will tend to be limited. Fisk (1972:31) states, 'the problem with this type of labour supply is that it tends to be uncommitted and temporary, so that it does not lead to steadily increasing experience and skill.' Lewis (1988) considers that a theoretical position somewhere between these polarities is required. He observed that on Atiu:

Eighty per cent of the sample households explicitly defined their future plans in terms of increased material consumption, and over half of these had well established goals in respect of their plans. To achieve these goals they must have at least implicitly defined strategies involving accumulation and increasing returns to their resources (Lewis, 1988:103).

Some respondents mentioned the possibility that Cook Islanders suffer from a cultural inferiority complex that is a corollary of 65 years of paternalistic colonialism. The number of foreigners and *Papa'a* in management positions in the tourist industry (and in other sectors) reinforced this complex by continuing to give local people the message of European superiority. As a result there was a perception among many locals that they are not wanted in management positions, or are not capable of filling these positions.

Several respondents mentioned that 'tall poppy syndrome' is a factor in inhibiting talented locals. Some managers remarked that they found it difficult to increase the responsibility and authority of one local staff member over other local staff members because of the poor reactions of staff to authority from another Cook Islander.

Question 6: Why did you hire expatriates?

This question on a 'sensitive' topic immediately put respondents onto the defensive. Managers were already feeling pressured on this issue by Government and public opinion, an indication, at least, that Government's localization efforts may have been having some influence. Predictably, all respondents with expatriate staff replied that they had been obliged to hire expatriates because of a shortage of skilled local labour. As local chefs are in extremely short supply, in the case of this occupation the assertion is indisputable.

Without further research, it is impossible to say just how much expatriate employment in other occupations is genuinely a corollary of a lack of trained local staff. Data on numbers of trained workers were not available. The lack of labour market information raises the question of how the Immigration Department can carry out its task effectively (Chapter 8). With one exception my questioning was not able to expose any other motives for hiring expatriates. The exception was an expatriate travel agency manager who initially described how he had hired an expatriate accountant because local accountants were not available. He eventually admitted that local accountants were available, but explained that his impression is that they are generally untrustworthy. To more effectively investigate this issue a survey of employees would be needed. Such a study was undertaken by Samy in a Fijian hotel. The study found that:

Local participation in hotel employment is not only minimal and of a menial nature, but it is also based on racial and ethnic criteria. Expatriate and local Europeans occupy top-paid managerial and executive positions involving far greater economic and social benefits. This racial pattern of job distribution in the hotel is institutionalised and is based largely on prejudice and stereotypes (Samy, 1973:39).

It is probably unlikely that such a study would be possible in the major hotels in Rarotonga. Understandably, hotel managers are somewhat more wary of researchers than they were twenty years ago. However, it is only through such a study, particularly in the Edgewater and Rarotongan resorts, that we will be able to judge with any accuracy how much employment is based on racial and ethnic criteria.

Question 7: Why do you think that so many tourism businesses are owned by foreigners and *Papa'a*?

Thirty-one respondents replied that locals do not have the capital to buy businesses. It was felt that locals were generally restricted to borrowing from local banks, in a market which suffers from a long running shortage of liquidity. By contrast, foreigners were considered to have greater access to offshore sources of finance. Seventeen respondents also considered that many local business people suffered from the demands of their community and extended family. The demands from these groups for free services or long term delays in payments of debt can result in businesses folding. Respondents also believed that many local business people have a slender grasp of the principles of running a business. An example is one of the locally owned restaurants, which according to the manager of a neighbouring restaurant, was charging prices so low that its 'fall was simply a matter of time.' Respondents felt that many businesses were opened simply because the owner had seen other businesses of the same type operating. These 'copy cat' businesses were not based on market research and tended to crowd out the market making profits marginal for other businesses.

Question 8: How effective are training courses offered by the Hospitality Training Board?

Sixteen businesses considered the courses good, eight were indifferent or did not know, eight considered the courses to be inadequate, and fifteen businesses had never used them. Many motel managers regarded the courses as inappropriate for their operations because they tended to be aimed at staff of large hotels. There was some feeling that the trainer, an expatriate Fijian, was perhaps not entirely cognizant of training needs in the Cook Islands industry. Smaller operators were also concerned at the timing of the courses which often made it impossible for them to free staff to attend. Some operators suggested that courses should be held in relevant surroundings, for example, motel staff should be trained in a motel, rather than all training being undertaken in a large hotel as is now the case.

Courses were also considered too repetitious, lacking in progression, and in need of follow-up.

Question 9: What are your training needs?

This question was designed to find out what gaps there are in HTB training, and whether managers consider training for up-grading of their own management skills as important. Managers suggested that the HTB might consider running courses in:

- conservation issues
- first aid
- knowledge of local tourist facilities
- the needs of different nationalities
- Maori culture as it applies to tourism

Some managers had suggestions for courses that are already part of the HTB programme. This suggests ignorance of available courses and lack of communication between the industry and HTB. Only six managers thought that they would need or be likely to use management courses to improve their own skills.

Question 10: What do you see as the future developmental trends for improving staffing in the industry, both in terms of quality and numbers?

This question was designed to compel managers to think about ways their staff, and staff in the industry in general can be improved. Forty-two respondents considered improved training as the most important factor in enhancing quality and numbers of staff. Suggestions for improving training included setting up a team of itinerant trainers so that training can be undertaken in relevant surroundings, and can be specifically aimed at the needs of individual businesses or groups of businesses. Twelve respondents mentioned that government training could be only be successful if businesses make a better commitment to training. Communication between Expatriate/*Papa'a* and Maori was also seen to be in need of improvement.

Many respondents recognized that staff are often unable to talk about problems and concerns with foreign or *Papa'a* managers because of a communication gap. Many respondents considered that hotel/resort management was inadequate. Hotel personnel management was considered particularly poor, and respondents realized that, because the large hotels have a role to play in developing a pool of skilled labour, their personnel policies are of importance to the industry as a whole.

Not all respondents considered that staffing was in need of improvement. For example, one manager emphasized that staff were often castigated for giving bad service when in fact they were giving 'Cook Islands service'. Accordingly, rather than trying to teach Cook Islanders to be European, this hotel attempted to teach tourists to accept that the different type of service they received in the Cook Islands was a result of cultural differences. This was done by explaining to tourists aspects of Maori culture that might cause differences in service to that expected in a European country.

Thirty-four respondents believed that the Sheraton Hotel will have substantial flow-on effects in terms of providing a pool of highly trained staff. Respondents also mentioned that the hotel will set an example of high standards and service for other operations to aim for. However, the Sheraton may initially exacerbate the shortage of trained staff as it seeks to find start-up staff.

Question 11: Do you undertake in-house training?

Respondent's replies to this question revealed very patchy training in the industry. Only three respondents had any development training or medium/long term training strategies. Others undertook basic skills training. In-house training was inhibited by the high rate of emigration, and the amount of staff poaching that went on between businesses. Many managers reported their continuous frustration at having located and trained reliable staff, only to see them move to New Zealand, or be attracted to another job offering better conditions. Chapter Six discusses the role of business managers and expatriates in training.

5.4 Conclusion

The survey has provided information on the participation of expatriates, *Papa'a* and Cook Islanders in the tourism industry, both in terms of employment, and ownership of the industry. The survey has also provided details on the opinions and concerns of those managing the industry, and some insight into their possible role in influencing the participation figures. The following is a list of the main findings of the survey. Chapters Six, Seven and Eight address the issues raised by the respondents in more detail, as well as considering some issues which did not come out in the survey.

- Forty-two per cent of jobs in the sample were part-time, this indicated an increasing trend for part-time work in the industry.
- Fifty-nine per cent of jobs were taken by females.
- Forty-two per cent of management and administration jobs were filled by expatriates/*Papa'a*.
- Fifty-one per cent of accommodation rooms were owned by foreigners or *Papa'a*.
- Half of travel agencies and tour companies were owned by foreigners or *Papa'a*.
- Out of a total of eleven restaurants two were totally locally owned.
- The majority of respondents reported problems with labour including reliability, high turnover, labour shortages.
- Respondents considered the major causes of labour shortages to be inadequate education and training, and high levels of emigration.
- Respondents considered that the lack of local people in management and administrative positions was caused by inadequate education and training, and high levels of emigration.
- All units in the hotel/resort sector reported having a promotion policy and encouraging locals to seek promotion, although actual performance of hotels in this regard appeared to be very patchy.
- The scope for promotion and up-skilling of employees in small to medium size businesses was limited.

- Respondents noted that traditional culture may of been a hindrance in terms of motivation of local staff to succeed.
- Jobs in the tourist industry require more promotion, particularly for school children, and the image of European only management, particularly in hotels/resorts, needs to be dispelled.
- The public perceived jobs in the tourism industry to be hard work, insecure, badly paid and part-time.
- Respondents noted a lack of communication between the tourist industry and the education sector.
- Tourism needs to be incorporated into the education system more comprehensively.
- Training for the tourist industry requires commitment from Government and the industry.
- Nearly half of businesses had never used HTB training, or had used it and consider it to be inadequate.
- Small to medium size businesses tended to consider HTB training to be inappropriate to their needs (i.e. orientated to large hotels).
- Only six managers considered they required, or would want to take a management course.
- Respondents consider improved training to be the most important way to improve quality and number of trained staff.
- HTB courses were considered repetitious, lacking in progression, and in need of follow-up.
- Many respondents believed that localization efforts should not be rushed, and that Government expectations for localization do not match up with the number of trained people available.
- Respondents considered the high level of foreign/*Papa'a* ownership to be a corollary of:
 - lack of local access to finance;
 - demands of community and family;
 - poor business skills.

- Communication between Expatriates/*Papa'a* and Maori is in need of improvement.
- Large hotels have an important role to play in developing a pool of skilled labour for the industry.
- The opening of the Sheraton Hotel should set new standards for the industry to emulate and increase the pool of skilled labour.

Chapter Six

TRAINING AND EDUCATION FOR TOURISM EMPLOYMENT

This Chapter considers the education and training available for people wishing to work in the tourism industry. The education system is assessed, together with the role of secondary schools in providing education in and awareness of tourism. An evaluation is then made of training for tourism employment, including that provided by Government and the tourist industry itself. Also important is the training available through scholarships to study overseas. Finally an assessment is made of the human resource implications of the Sheraton Hotel development.

6.1 The Cook Islands Education System

The Cook Islands education system is currently undergoing something of a crisis caused by lack of funding, uncertainty about the relevance of the curriculum, and questions about quality of delivery. The system, which was never designed to meet the needs of Cook Islanders, has its origin in the missionary period, and was later tinkered with by the colonial administrations of Britain and New Zealand. It was not until 1975 that Cook Islands administrators took over the system and attempted to adapt it to the needs of local people. These historical roots have produced an unresponsive system, with an inappropriate curriculum and a high drop out rate. *Polynesia Way* (1989) a major report on the Cook Islands education system, identifies several other constraints acting on education:

- the geographic size and remoteness of the country;
- the influence of New Zealand in language, educational structure and policies, and development targets;

- the power of church-based authority;
- learning by received instruction rather than inquiry.

The solution advocated by *Polynesia Way* is to totally redesign the system, the foundation of which is a move towards school-based management, incorporating rapid and sweeping changes similar to those undertaken under the *Tomorrow's Schools* reforms in New Zealand. The report also proposed: a grade one - twelve school model, establishment of a Cook Islands Institute of Higher Education, strengthened policy and planning and increased financing for education. The Asian Development Bank has produced a follow-up report to *Polynesia Way* (ADB Education and Training Sector Study, 1992). Government has taken the report as a blueprint for the future of the education system. The ADB report provides the Cook Islands government with a series of action plans for revitalisation of the education sector based on its findings and those of *Polynesia Way*. The report considers the key factors in primary and secondary schools to be textbook provision, teacher motivation and effective school management. The Ministry of Education will be restructured and decentralized, and as an alternative to *Polynesia Way's* Institute of Higher Education a National Employment and Training Authority (NETA) will be established. NETA's functions will be to 'coordinate employment/ labour market information flows, assist in employer/employee training planning, determine overall training priorities, manage training finance and monitor training quality' (ADB Sector Study, 1991:4).

School Population Trends

During the 1980s there was increasing alarm among educationalists over school depopulation. *Polynesia Way* (1989:141) states:

The drop in numbers of school children enrolled in Cook Islands state education represents the gravest problem facing primary schools today. Very soon, it will produce a crisis situation throughout the secondary schools and, consequently, will have a profound effect on all manpower development in the next two decades.

The major causes of school depopulation appear to be birth control, migration, and parents sending their children overseas to be educated (Tourism Masterplan 1991). The latest figures available indicate that the trend of lower birth rates may have

turned around. Table 6.1 shows that the net reproduction rate for the Cook Islands reached a low point of 108.6 in 1986, but climbed to 123.4 in 1990.

Table 6.1 Net Reproduction Rate for the Cook Island and Rarotonga 1981 to 1990

Year	Cook Islands	Rarotonga
1981	117.8	109.3
1982	114.3	92.0
1983	110.9	97.6
1984	109.6	96.3
1985	114.1	86.0
1986	108.6	92.6
1987	110.7	95.2
1988	110.0	104.1
1989	112.0	101.9
1990	123.4	109.6

Source: Medical Records Unit, Ministry of Health

School rolls are also showing signs of increasing. Table 6.2 shows that 1991 may have been the year that school enrolments reached their low point. A possible reason for this turnaround is a reduction in emigration in the last few years (Chapter 2). The Asian Development Bank estimates that enrolments should increase steadily over the remainder of the decade (Table 6.3).

Table 6.2 Pre-School, Primary, and Secondary Enrolment 1983 - 1992

	Pre-School	Primary	Secondary	Total
1983	490	2909	2621	6020
1984	434	2804	2639	5877
1985	471	2695	2596	5762
1986	526	2584	2383	5493
1987	515	2379	2252	5146
1988	472	2433	2178	5083
1989	583	2421	2221	5225
1990	544	2518	2155	5217
1991	515	2387	2089	4991
1992	575	2564	2143	5282

Source: Ministry of Education

Table 6.3 Enrolment Projections: 1996/97 - 2001/02

	Pre-School	Primary	Secondary	Total
1996/97	860	2630	2250	5470
2001/02(a)	860	2550	2580	5990
2001/02(b)	900	2730	2700	6330

Notes: (a) Based on a conservative birth rate of 430 per annum.
 (b) Based on a birth rate of 450 per annum.

Source: Asian Development Bank (1992:6)

6.2 Hospitality Training Programme

Originally proposed by Doswell (1986), this programme has been developed by the Cook Islands Curriculum Unit and is now operating in two state secondary schools in Rarotonga and one in Aitutaki. The programme consists of seven core topics and four specialization topics: (Appendix IV)

<u>Core Topics</u>	<u>Periods</u>
Tourism Awareness	5
Communication	5
Safety, Sanitation and Hygiene	5
Cultural Studies	5
Local History Environmental Awareness	5
Business Mathematics	5
Computer Awareness	5
 <u>Specialization Topics</u>	
Basic Food Service	20
Basic Food Preparation	20
Basic Housekeeping	20
Business Craft	10

105

Note: one period = 50 minutes

The programme is currently restricted to the lower fifth form (third year of high school), and is taken by lower academic ability students preparing to take Cook Islands School Certificate (CISC). Students going on to take New Zealand School Certificate (NZSC), which is taken in the upper fifth form year (year four), do not take the course. The primary problem with introducing the programme into the upper fifth form is that it does not conform to the NZSC syllabus and is consequently considered by both students and teachers to be a waste of time.

Discussions with the Programme organizer revealed staffing difficulties with the course. Teaching is done exclusively by Home Economics teachers, some of whom have very limited interest in, or knowledge of tourism. Furthermore, teachers in general are anti-tourism and not appreciative of the value of the industry to the country. Consequently, tourism as a school subject is not taken as seriously as it should be. It would be advantageous for the course if it could be taken out of its present status as a substitute for Home Economics.

Consultants working on the Tourism Masterplan (1991) met with 75 final year students, one group from a high school with the Hospitality Training Programme, the other from a school without the programme. The consultants found that the students from the high school without the programme had little knowledge of tourism. The Masterplan states, 'Discussions with the students and their teachers indicated that tourism was simply not something they thought about' (Tourism Masterplan, 1991:2/148). By contrast, the students from the high school with the programme had thought a lot about tourism and its impact. The Masterplan concluded that:

The Hospitality Programme, even though it is under-funded and low key, has had a very positive impact on attitudes and awareness, and to some extent, on skills (*ibid*, 1991:2/148).

The Programme organizer reported that the programme has engendered a good response from students. She considered that the practical nature of the programme accommodates the non-academic type of student in the lower fifth form. A Certificate, awarded to students on completion of the course, is helping

students with no other qualifications find work in the tourist industry, although jobs found are invariably of an unskilled nature.

This programme is a valuable addition to the education syllabus. Nevertheless, it requires expansion and improvement if the education system is to fulfil its role in producing students aware and knowledgeable about tourism and the opportunities for employment in the industry. Three major problems are evident. First, the emphasis on practical skills works against consideration of possibilities for careers in management and administrative positions in the industry. Secondly, the lack of a programme for the more academic students means that most of these students leave school with little knowledge of tourism, or of the career opportunities the industry offers. At the time of writing the Programme is being tested in the upper fifth form of one secondary school. It remains to be seen whether it will be pursued by students of an academic nature or remains the preserve of those most likely to fail School Certificate. The third problem is lack of funding. This has restricted the Programme to a low profile in schools.

6.3 Hospitality Training Board

Administered by CITA, the Hospitality Training Board (HTB), coordinates all tourism related training other than the in-house efforts of the hotels. It offers a range of courses including both social and technical skills. The HTB's trainer conducts most of the courses using the facilities of the larger hotels. The courses currently available are:

- Basic Food Service
- Basic Housekeeping
- Basic Bar and Beverage Service
- Basic Front Office
- Hotel Supervisors
- Food and Beverage Supervisors
- Housekeeping Supervisors
- Front Office and Reservations Supervisors
- Train the Trainer
- Upgrading for Cooks
- Fish and Seafood
- Pastry and Bakery

- Purchasing and Stock Control
- Basic Food Production
- Public Relations Workshop
- Wine Service Workshop
- Housekeepers Seminar
- Tourist Guide Techniques
- Customer Awareness Workshop

The HTB plans to include the following courses in the future:

- Sales and Marketing
- Small Restaurant Cookery
- Customer Selling Skills
- Buffet Seminars
- Customer Service Skills
- Menu Planning Seminar
- Executive Chefs Seminar
- Food and Beverage Management - Stage I and II
- Computer Awareness
- Hospitality Purchasing Management
- Resort Management
- Financial Management, Accounting and Taxation Seminar
- Marketing for Moteliers Seminar
- Restaurant Trade Certificate
- Certificate in Hygiene and Sanitation
- Hotel/Motel Security Management

Until now the HTB has been unresponsive to the needs of the industry in both the timing of its courses and the topics covered. Of the 47 businesses surveyed sixteen considered the courses good, eight were indifferent or did not know, eight considered the courses to be inadequate, and fifteen businesses had never used them. Many managers of smaller operations regarded the courses as inappropriate for the needs of their staff because they are directed at staff of large hotels. Some operators suggested that courses should be conducted in relevant surroundings, for example, train motel staff in a motel, rather than in a large hotel as is now common. Some respondents observed that the trainer, an expatriate Fijian, is perhaps not entirely cognizant of training needs in the Cook Islands industry. Smaller operators are also concerned at the timing of the courses, which often make it impossible for them to free staff to attend. Courses are also seen as

repetitious, lacking in follow-up, and lacking in a structure that allows students to progress through courses in a logical way.

Evidently the HTB has become institutionalised, setting its own objectives and goals without consulting the industry. At the time of writing the HTB was making improvements to its training programme. CITA has appointed a training coordinator who is assessing training needs and is receiving good responses and support from the industry. There are also plans to appoint a local counterpart trainer who will eventually replace the present expatriate trainer. Construction is under way (1993) of a Hospitality Training School consisting of three training rooms for kitchen restaurant and bar training, a resource centre, and a mock hotel room. The project is costing NZ\$650,000, funded by Government and the United Nations Development Programme (UNDP).

The HTB's efforts to improve hospitality training should be welcomed, however, it is not clear whether establishment of a training school is the best option for Rarotonga. The ADB Education and Training Sector Study (1992) examined the costs and benefits of three options for hotel training:

- a hotel training school;
- an operational hotel/training facility;
- a team of three peripatetic hotel trainers.

The study found the second option slightly preferable to the hotel training school in terms of its potential strengths and limitations, but as for capital cost it would be seven or eight times as expensive. The most favoured option is the team of three peripatetic hotel trainers who would, *inter alia*, be highly appropriate to work locations; accessible; provide good workforce coverage; be responsive to new training needs; provide good supervision of progressive training; and, be consistent with the concerns of operators (ADB Education and Training Sector Study, 1992). As was previously reported in Chapter Five, this is also the option favoured by many tourism industry operators.

6.4 Overseas Training Scholarships

Table 6.4 shows that enrolment on overseas training programmes increased slightly during the latter part of the 1980s, but has suffered a decline during 1991 and 1992. Access to awards is primarily limited by finance and the admission requirements of the various overseas institutions. The main donors to the programmes are New Zealand and Australia, who in 1990, funded 24 (fifty per cent) and fourteen (26 per cent) of 54 full-time awards (ADB, 1992). The Government Overseas Scholarships Committee decides the award of scholarships. Requests are discussed and prioritized according to the development objectives of government. Most requests for scholarships come from government departments, however, by involving the Chamber of Commerce in the process Government has attempted to formally involve the private sector. Nevertheless, the private sector is under-represented in the awards. The ADB (1992) estimated that over the period 1987 to 1991 only eight private sector awards were given from a total of 461 (less than two per cent of the total). This extremely low figure is a corollary of a lack of incentives for private employers to release key workers for long-term training, and to pay their salaries while they are away. A more logical action for the private sector is to poach trained staff from the government.

Table 6.4 Cook Islands Scholarship Numbers, 1983 to 1992 by Status Classification

Year	New Intake	Total Number	Graduation Number	Terminations & Withdrawn	Continuing Students
1983	22	79+13(SAF)	25	19	37
1984	45	81+20	29	9	51
1985	31	79+7	27	3	41
1986	28	67+5	-	-	-
1987	34	77+10	26	-	43
1988	39	84+9	12	4	45
1989	37	92+8	22	9	55
1990	40	97+12	22	8	57
1991	30	79+11	24	4	50
1992	24	76+4	22	7	75

Note: SAF means government Student Assisted Financing

Source: Personnel Planning and Training Office

Drop-out and failure rates in the programmes are high (Table 6.4). The ADB (1992) estimated a completion rate of 32 per cent for awards from 1980 to 1987, although the Personnel Planning and Training Office (PPTO) considered this figure to be overstated. There is also a significant loss of qualified trainees overseas. The ADB estimated that over the period 1987 to 1991 eighteen per cent of qualified trainees left the country, mainly for New Zealand.

Estimates from the PPTO suggest that an average of two to three students per year study a tourism subject. However, a breakdown by sector for 1991 (Table 6.5) shows that the Scholarships Committee did not allocate any training awards to the tourism sector in that year. There is obviously wide scope for increasing the number of awards in the tourism area to reflect the importance of the sector to the economy.

Table 6.5 Long Term Overseas Training Awards by Sector 1991

Tourism	Health	Ed	Marine	Agri.	Works	Private	Oth	Total
-	6	8	3	5	4	5	13	54

Source: Asian Development Bank (1992)

6.5 The Role of Business Managers and Expatriates in Training

In Chapter Five 25 respondents to the business survey reported, *inter alia*, high turnover and poor performance of staff. The respondents invariably attributed their staffing problems to the shortcomings of the staff themselves, rather than considering the possibility that their own personnel management and training skills are deficient. Significantly, only six managers were interested in taking a management course to upgrade their own skills.

Evidently many managers in the industry do not understand the concept of training as an ongoing management tool. CITA and the HTB need to recognise this and

target owners and managers of tourism businesses for training. Training of managers and owners is an efficient use of CITA and the HTB's scarce resources as training can be concentrated on significant players in the industry who can then spread the benefit of their training (Tourism Masterplan, 1991).

Expatriates have a significant role to play in in-house training efforts. This role has not been fulfilled. The tourism industry's lack of in-house training programmes and their low quality can in part be attributed to the inability of expatriate managers to communicate with local staff. This is generally a function of their lack of understanding of Cook Islands culture and lifestyle. Many expatriates appear to regard training as a matter of transferring technical expertise, without considering the cultural context into which they are attempting to transfer knowledge. This leads them to blame staff for not being able to learn, when it is more likely that it is their own teaching methods that are at fault. The subsequent clash of cultures can lead to frustrations on both sides, and poorly trained and motivated staff. The Tourism Masterplan (1991) suggests that a possible solution to the problem would be to put expatriate workers in the private sector through induction courses into Cook Islands culture and society. The courses could also encourage knowledge and skills sharing as a way of improving the contribution of the expatriate during his or her stay.

According to Government policy expatriates in the public sector are required to assist in the training of 'counterparts,' although the policy appears to be widely flouted. For example, the New Zealand Overseas Development Assistance (NZODA) funded Supplementation Scheme, which 'recruits New Zealand personnel for Public Service positions for which no qualified Cook Islanders are available' (Programme Profiles, 1992:17), has a poor record for training counterparts. The ADB (1991:4/5) cites a 1991 survey which showed that only four from nineteen supplemented teachers had nominated direct counterparts. According to the ADB (1991:4/5) 'One weakness of the present system is that there is no particular incentive to train counterparts effectively and much of the "counterparting" is largely cosmetic'. Ideally Government should implement the policy more rigorously in the

public sector and extend it to the private sector so that the expertise of expatriates can be harnessed to contribute to localization efforts. Extension of the policy to the private sector would require incentives for private sector employers to find and train counterparts. Job descriptions for expatriates would need to concentrate on training ability as well technical ability (ADB, 1992).

6.6 The Sheraton Hotel

The financial problems associated with the Sheraton Hotel project were described in Chapter Four. This section considers the human resource implications of the hotel development.

The opening of the Sheraton hotel should increase the hotel workforce in Rarotonga by approximately 270 full and part-time positions. This is a significant increase on the current hotel workforce of 389. In July 1993 I spoke with the general manager of the Sheraton, Mr Ross Larsen, regarding Sheraton's recruitment policies. Mr Larsen was understandably distraught about the delays in construction, and would only comment that, 'given the lack of a firm date for completion of the hotel, recruitment had not commenced.' This comment does not correspond with a newspaper article (*Cook Islands News*, 24 May 1993) in which Mr Larsen stated that recruitment of Cook Islanders from the two Sheraton hotels in New Zealand had already commenced.

Sheraton's declared policy is to recruit as many Cook Islanders as possible, both from within the country and from overseas. Sheraton intends to commence with a staff of 150, including twenty expatriates in senior management positions. Mr Larsen has stated that it is normal Sheraton policy to start a new hotel with management staff cognizant of the Sheraton system. This often involves the recruitment of expatriates. The Tourism Masterplan considered Sheraton's estimate of twenty expatriates was optimistic and estimated that perhaps as many

as thirty will be needed (Tourism Masterplan, 1991). This would amount to a doubling of the number of expatriates in the industry from the present figure of 29.

Whether Sheraton can entice overseas-based Cook Islanders to return to Rarotonga is uncertain. Much depends on economic conditions in New Zealand and Australia, and the continuation of the buoyant mood in the Cook Islands economy and tourist industry. Many business managers doubted that sufficient Cook Islanders could be enticed into returning. Sheraton would have to offer an extremely good salary to compensate for the generally lower standard of living, and lower level of educational and medical facilities on Rarotonga. It is also not clear whether workers with requisite skills and in sufficient numbers are residing overseas. Data have never been compiled on the numbers of emigrants, their skills, the skills they acquire while living in their chosen country, and their economic and social aspirations. Given the shortage of information to determine who, and in what circumstances migrants might return, Sheraton's expectations appear optimistic.

The public believes that recruitment for the Sheraton has not been handled well. Letters to the local paper have expressed the opinion that, again, expatriates are taking the best jobs at the expense of locals. For example, a letter from 'Cook Islander Residing in England' stated:

The 270 full and part-time vacancies [at the Sheraton Hotel] is good news, but yet again we see that Cook Islanders have been relegated to the lower ranks of employment. Namely, cleaners, gardeners, chamber maids and waiting on staff etc [sic], whilst senior members of staff are brought in from overseas, adding to an already overloaded population of 'outsiders.'...It is high time that the full potential of our people is recognized and I am damn sure that with the appropriate training Cook Islanders can be just as good if not better than overseas personnel (*Cook Islands News*, 5 July 1993).

It is not clear why Government has not trained more Cook Islanders to be ready to fill both management and lower level positions in the hotel. The project has been under way since 1989, allowing Government and hotel management adequate time to train people. In 1989 CITA convened a Cook Islands Tourism Forum in which all Cook Islanders were invited to express and discuss their views on the tourism

industry. Regarding the employment implications of the Sheraton Hotel, the forum recommended:

- that there should be specific proposals and plans regarding local staffing levels and professional staff training and development. Those proposals and plans should be made public to ensure that the maximum benefit is obtained for Cook Islanders.
- that investment in the training of local staff should commence immediately to minimise the potential justification for immigration close to the opening date of the new hotel.
- that Government should take steps to implement and encourage training schemes in all areas of tourism, in order to be able to meet the demands of the sudden increase in manpower requirements particularly in the areas of hotel management and staff, transport, and agriculture. The Forum draws attention particularly to the need to ensure that existing properties are not deprived of their staff or similarly disadvantaged by the needs of the new hotel.
- that where for any reason, it is not possible to recruit a Cook Islander to a position in the hotel, it be required that the position be localized at the earliest opportunity (Cook Islands Tourism Forum, 1989:13).

Despite this clear message from the Forum Government neglected the training of local workers to construct the hotel. Consequently, construction contractors Stephany had to seek skilled labour overseas and eventually employed Italians, Portuguese, New Zealanders and Filipinos, numbering approximately eighty in all. CITA did commence hospitality training in 1990, however as Section 6.4 argued, this training has been inadequate to cater for the needs of the existing tourist industry, therefore it cannot be expected to provide potential staff for the Sheraton. The training programme appears to have had no regard for the future demands of the Sheraton and has not trained Cook Islanders for management positions in the hotel.

The shortage of Cook Islanders with even basic hotel skills means that there is little chance that the hotel can be satisfactorily staffed with local people at any level. A transparent lesson from the project is that human resource development must be an integral component of planning. The Government should have prepared a detailed human resource plan at its inception to ensure that trained local staff are ready to begin work at the hotel on opening day.

6.7 Conclusion

A good education system is a prerequisite for a good labour force, which is in turn essential if Cook Islanders are to manage their own tourism industry. The Cook Islands education system is currently under strain. Previous colonial administrations originally designed the system to meet their own needs. It is past the point where tinkering can improve it. Restructuring is now required. It is vital that Government recognizes this and undertakes changes to the system as suggested by the ADB. Changes to the system should include an increase in the teaching of tourism in secondary schools. The Hospitality Training Programme, which is available in state secondary schools, currently suffers from lack of funding and recognition. It is also restricted to less academic students who are unlikely to seek management positions in the industry.

Tertiary training organized by the Hospitality Training Board has been reasonably effective, but could be improved. A Hospitality Training School is currently under construction, however, it is not clear if this is the best option for improvement of the Board's programme. Research by the ADB suggests that a team of peripatetic hotel trainers would provide a more effective service both in terms of cost and teaching. This option also appears to be favoured by the industry. Government also needs to turn its attention to the Overseas Training Programme. Government departments dominate this programme. It is essential that more training be made available to the private sector, particularly the tourist industry, and that incentives are made available to allow employers to release employees for training. The role of business managers and expatriates in training has also been disappointing. Many managers lack the skills to train staff, and expatriates generally lack the cultural awareness necessary to manage and train local staff effectively. Government may need to consider special management courses for industry leaders, although Chapter Five indicated that there is little enthusiasm for this among industry managers. Government must also put greater effort into HRD planning for tourism development projects. The Sheraton project may be forced to employ large numbers of expatriates because a HRD plan has not been implemented to train local people to work in the hotel.

Chapter Seven

OTHER FACTORS IMPORTANT FOR INDIGENOUS EMPLOYMENT IN THE TOURIST INDUSTRY

7.1 Migration

Over the last forty years there has been significant emigration from the Cook Islands. In the Pacific, the Cook Islands is not unusual in this respect. The variety of explanations put forward for migration in the Pacific are considerable, however, some generalizations are possible. The major determinants of migration appear to be economic. Most Pacific migrants seek employment that offers wages higher than those in their own country (Connell, 1983). However, according to Connell, 'the economic rationale for migration is strongly influenced by social, political and psychological variables' (*ibid*, 1983:28). For example, leaving the village has become a ritualized part of the life cycle for the men of many villages in the Pacific region. Education and health are major influences on migration. Migrants often move to take advantage of better educational opportunities offered in urban areas or overseas. In the case of health, patients may seek care in an urban hospital, and be accompanied by their relatives. This acts as the catalyst for migration. Bertram and Watters (1985) have suggested that Pacific migration is likely to be the result of a collective decision by the migrant's family to maximize its resources. Pacific islanders migrate without severing links with the family they leave behind. They send remittances to support family members and visit kin in their island of origin frequently, 'allowing kin groups to colonize and exploit economic opportunities across a wide range of economic environments' (*ibid* 1985:499). The presence of family members in urban areas or metropolitan countries may act as a catalyst for chain migration. The migrants provide examples to the family in the home village of the lifestyle available in the destination area. They may also

provide fares and accommodation to facilitate the migration of the remaining family members.

The right of unrestricted entry into New Zealand has made migration a very accessible option for Cook Islanders. Given the much larger economic benefits available in New Zealand it is not surprising that many have decided to emigrate. Emigration has been both a blessing and a burden for the Cook Islands. On the one hand it has acted as a safety valve, taking pressure off the education system and the labour market, preventing overpopulation, and contributing remittances to the economy. Conversely, it has robbed the country of youth, talent and skills that could have contributed much to development.

The tourist industry is particularly concerned about migration because it depletes the supply of skilled labour available to the industry. Many of those that migrate are skilled workers and managers. This outflow of workers has a draining effect on the industry. Incessant loss of staff lowers the efficiency of operations, inhibits the efforts of operators attempting to train and build a good staff, and eventually leads to lack of motivation to train, and deteriorating morale. Although the figures presented in Chapter Two appear to show a slow down in migration there is no reason to believe that this situation will continue in the long term. Economic recovery is firmly established in New Zealand, and if translated into jobs could cause a renewed surge in migration. Much also depends on the Cook Islands economy remaining buoyant.

The construction of the Sheraton Hotel, which will create 270 new tourism jobs on the island, makes the prospect of renewed emigration particularly worrying for the tourist industry. As Chapter Five reported, employers are already finding labour shortages a problem. They may need to offer better working conditions to keep potential migrants at home, and entice those already overseas to return. As Chapter Six discussed, the Sheraton has surmized that many of its staff will be Cook Islanders attracted back to the country from overseas. Government does not collect data on the skills of emigrants, the skills they acquire while living in their

chosen country, or their economic and social aspirations. Given the shortage of information to determine who, and in what circumstances migrants might return, Sheraton's expectations appear optimistic (see below for a further discussion of return-migration).

The shortage of skilled labour, and the importance of migration for the supply of labour requires Government to consider migration trends before planning for further expansion in the tourism industry. Table 7.1 uses three possible population scenarios to illustrate the extent to which variances in migration rates can affect population size. Under scenario A it is assumed that there will be no emigration, resulting in an increase in the labour force of 1,627 or 1.4% per annum between 1991 and 2001. Under scenario B, which assumes a one per cent per annum out-migration, the labour force will fall by 1,053. In scenario C, which assumes that population continues to grow at its present rate and that there is no out-migration, it will rise by nearly 5,200 (ADB Education and Training Sector Study, 1992:2/7).

Table 7.1 Estimated Ages 15-60 Years Population Projections: 1986 - 2001

	1986	1991	1996	2001	Change 1991-2001
Scenario A(a,b)	8957	10773	10350	12400	+1627
Scenario B(b)	8957	10773	10230	9720	-1053
Scenario C(c)	8957	10773	13110	15950	+5177

Notes: a) Scenario A assumes no out-migration; Scenario B assumes net out-migration of 1% per annum.

b) Based on 1992 ADB review team age-band estimates for 1991 census.

c) Assumes continued growth rate of 4%; no out-migration.

d) Based on median of 1992 sample survey and 1986 census progression.

Source: ADB Education and Training Sector Study, 1992.

In 1990 there were 4,917 people in wage earning jobs, which represents approximately 45 per cent of the fifteen to sixty year old population. Based on this

participation rate the ADB has projected the job creation implications of Table 7.1. into Table 7.2. The importance to human resource development plans of possible variations in population growth are apparent.

Table 7.2 **Scenarios A-C: Job Creation Requirements(a)**

	1990	1996	2001	1990-2001 Difference
Scenario A	4917	4615	5560	+643
Scenario B	4917	4603	4394	-523
Scenario C	4917	5900	7175	+2248

Note: a) Based on 45% wage-earner participation rate.

Source: ADB Education and Training Sector Study, 1992.

7.2 Localization Policy and the Role of Expatriates

It is virtually impossible for a developing country to establish a tourist industry without using foreign expertise. In the long term, however, if social and political pressures are to be avoided and the benefits of the industry for the host country are to be optimized, development strategy must include measures to replace expatriates with trained locals wherever possible. The survey of businesses described in Chapter Five found a total of 45 expatriates in direct employment in the tourism industry in Rarotonga. Work permit surveys suggest that the number of expatriates in the workforce as a whole is increasing. According to the Immigration Department there were 111 expatriates on work permits in 1985, and this number had risen to 159 by 1991. Cook Islanders believe that the number of expatriates in the tourist industry is too high. Undoubtedly some businesses are hiring expatriates unnecessarily, although the business survey was unable to establish just how widespread this practice is. However, it appears that generally the problem is not the expatriates themselves. Given the problems discussed in this

study - the small Cook Islands Maori population; high levels of emigration; generally poor public perception of work in the tourist industry; lack of clear career path guidance; problems with the education system; and, the difficulties locals have in obtaining finance for business investment; the number of expatriates does not appear particularly excessive. Replacement of expatriates should not be based simply on a series of *ad hoc* judgements. It must be part of a comprehensive human resource development (HRD) plan, which includes addressing all of these factors. Localization can only be achieved if sufficient trained local labour is available.

The Cook Islands Government appears to consider migration as the most important issue determining levels of expatriate employment. The Second Development Plan (109) states:

Probably the leading issue in the area of manpower development is migration. As mentioned earlier this has served as a relief valve for a potentially catastrophic unemployment situation. However, migration also siphons off many of the more productive, talented and educated citizens. In many cases, money invested in education and training is lost from the Cook Islands.

Government's acceptance of the fact that retention of such manpower is linked to the provision of satisfactory employment opportunities, must be acted on if the problem is to be solved, and the Cook Islands is to receive any return for investment in education.

A large number of higher echelon professional positions are currently held by expatriates and the localisation of these positions is a prime concern of the Government. However the key constraint is convincing young professionals that their long-term job prospects can be served equally as well here as overseas, and ensuring that they have a commitment to serve in those areas that they were trained in.

Accordingly, a component of Government's labour strategy is to, 'replace expatriate personnel with qualified Cook Islanders, and to repatriate those whose skills are required locally' (Second Development Plan, 1988:109). While this is the stated strategy, there is only fragmentary evidence of a concerted government effort to localize.

Immigration Regulations

Employers wishing to recruit an expatriate must first seek Cook Islands staff by advertising the position in the Cook Islands and New Zealand. Once this avenue has been exhausted, the Immigration Department establishes for itself whether

there is a need for an expatriate to be employed. The process includes comparing the requirements of the company, contract, or project with the amount of trained labour available locally. Immigration admits that labour force data is incomplete and therefore this task is difficult. While the Immigration Department's work is reasonably thorough, clearly the lack of labour force data are a major impediment to an exhaustive analysis of whether an expatriate is required.

Immigration reported that some expatriates remain in their positions longer than is necessary. This problem often arises when the expatriate is in a powerful position in the public service. They can use their position to convince both Government and donor agencies that a renewal of their contract is necessary.

In theory all expatriates are required to have a local counterpart who will train alongside them in preparation for taking over the job, usually after two or three years. Immigration reported that in reality it is very difficult to find counterparts for positions above a nonprofessional level, and that counterparts are only found regularly for blue collar occupations. The attitude of Immigration does not help. The Principal Immigration Officer reported that counterparts for management and administration positions are difficult to find because 'our people are only good at manual work'. Employers' attitudes are also frequently uncooperative. Many make excuses such as lack of time or funding so that they can avoid hiring a counterpart.

At the time of writing Government was drawing up a new Immigration Act. There has been little indication of the nature of the changes to immigration laws in the new Act, although the Prime Minister did comment that most of the changes are taken from other legislation around the Pacific. He has assured those with permanent residence that their status will not be affected, however was not able to give the same assurance to foreigners without permanent residence.

Return Migration

Government policy for return migration currently appears to be restricted to advertising overseas to inform migrants of development opportunities and jobs.

Government should consider an incentive scheme to attract migrants home. There appears to be some interest among Cook Islanders residing overseas in return migration. Due to lack of information on migrants, Government might find it difficult to locate qualified people who are not active members of Cook Islands community groups. Moreover, it is not clear how much 'incentive' would be required to attract a migrant home, and whether such a scheme could reimburse a Cook Islander with a secure job overseas sufficiently to make return migration attractive.

Africa provides an example of a successful scheme to recruit qualified nationals who reside overseas. The Reintegration of Qualified African Nationals (ROQAN) Programme, which is based in Geneva under the auspices of the Intergovernmental Committee for Migration (ICM), seeks to tap into African talent available in the industrialized world (Ankomah, 1991). ROQAN consults with African governments in the programme to ascertain their labour requirements, and then advertises these positions in the developed world. Recruited personnel are provided with airfares, family support and removal expenses to assist them to relocate. The programme began in 1983 with Kenya, Somalia and Zimbabwe as members. In the first four years of operation it recruited over three hundred qualified Africans.

7.3 Employment in the Public Service

Chapter Three described the MIRAB economic structures typical of many Pacific microstates. One of the features of the MIRAB structure is a reliance on Government bureaucracy for job creation. The Cook Islands has traditionally had a very large public sector, characterized by considerable 'welfare employment' and underemployment. Although some areas of the private sector have been increasing in size, notably tourism and banking and finance, the public sector continues to dominate the economy. Table 7.3 shows that the public sector accounted for 37.8 per cent of the labour force in 1989, compared to 19.1 per cent for trade, hotels and restaurants.

Table 7.3 Labour Force by Industry 1981-1989.

	% Share of Total Labour Force		
	1981	1986	1989
Agriculture/fisheries	29.2	17.5	5.4
Mining/Quarrying	5.6(a)	14.8(b)	0.8
Manufacturing	6.8	-	7.0
Electricity, gas, water	2.4	2.6	4.1
Construction	-	-	8.7
Trade, restaurants, hotels	12.3	17.8	19.1
Transport, storage, comm	10.0	10.0	12.9
Finance, insurance, real estate, and business	-	-	4.2
Community, social and personal services	29.3(c)	37.3	37.8

Notes: a) Includes construction.
 b) Includes construction and manufacturing.
 c) Includes finance, business, and insurance services.

Source: Cook Islands Preliminary Indicators (Ministry of Planning and Economic Development 1991)

For the employee there are many advantages to working in the public service. Table 7.4 shows that wages in the public sector in 1989 were very competitive, being exceeded only by the finance, real estate, insurance and business sector. Average wages in the public sector were \$1,522 per annum higher than those in the trade, restaurant and hotels sector. Moreover, the public service offers a pension, job security, and a workload that is normally light. By contrast, jobs in the tourist industry are often insecure, have no career path, no pension, and employees are expected to work long, hard and often unsociable hours. Chapter Two described Lewis's concept of the household as the fundamental social institution and the economic decision making unit. A component of Lewis's analysis of household decision-making was to attempt to explain how households

determine relative magnitudes of labour allocations to several forms of production. Lewis examined, *inter alia*, the household's allocation of labour to government employment. He found that households attach a high priority to government employment, and seek to place as many household members as possible in it. Lewis judged the allocation priority to be 'a rational response to structural conditions, and is a decision based upon relative returns weighted by risk' (Lewis, 1988:110). As stated above, the relative returns included wages generally higher than in the private sector, shorter working hours, the opportunity for less intense work effort, and stability and security.

Table 7.4 Labour Force by Industry and Level of Income Classification 1981-1989 (\$NZ)

Industry Classification	Level of Income Per Annum	
	1981	1989
Agriculture/fisheries	5254	6977
Mining/Quarrying	4714(a)	8027
Manufacturing	-	5861
Electricity, gas, water	3851	6784
Construction	4611	7406
Trade, restaurant, hotels	6109	7230
Transport, storage, comm	4352	7230
Finance, insurance, real estate, and business	4214	16172
Community, social and personal services	4331	8752

Notes: (a) Includes Manufacturing

Source: Cook Islands Preliminary Indicators (Ministry of Planning and Economic Development 1991)

The continual syphoning off of talented high school graduates and skilled and educated workers into the public service is a challenge for the tourist industry, the

remainder of the private sector, and the Cook Islands economy as a whole. The situation needs attention both from Government and the tourist industry. Government currently acquires the cream of high school graduates at the expense of the private sector. Many jobs offered are simply welfare jobs in which recruits are given extremely little to do. Two actions are required to direct the flow of school leavers and workers away from the public service. First, Government must put a stop to welfare employment in the public service by improving efficiency and worker productivity. Second, the tourism industry must improve its image so that the public perceives it as a good employer that can offer competitive incomes, career paths, and job security.

7.4 Perceptions of Tourism and Tourism Employment

In recognition of the important role the host community plays in the tourism development process, many studies have examined the attitudes and perceptions of residents toward tourism impacts. These studies have tended to suggest that positive attitudes are associated with the economic role of tourism, while negative attitudes are associated with social concerns. It has also been shown that residents' attitudes vary with individual characteristics and level of tourist development in the area.

Research shows the importance of including residents attitudes into the planning process. The concept of community carrying capacity has been used to provide a framework within which to assess tourism impacts on a destination (Allen, Long, Perdue and Kieselbach 1988; Cooke 1982; Getz 1983, Long, Perdue and Allen 1990). This concept suggests that resident attitudes to tourism are a result of the stage of development of the industry in the area (Allen *et al.* 1988). Allen *et al.* investigated a set of 33 elements of community life which represent seven aspects of community functioning: public services, economic factors, environment, medical services, citizen involvement, formal education and recreational services along with tourist development. They found that as tourist development increases the residents have less satisfaction with opportunities for citizen involvement and public

services. The findings also suggested that low to moderate levels of tourism are quite good for the community, but as levels become high attitudes tend to become negative. Reflecting the difficulty of measuring or quantifying a threshold or carrying capacity, this was not identified in the study. Cooke (1982) defines community carrying capacity for tourism as 'that point in the growth of tourism where local residents perceive, on balance, an unacceptable level of social disbenefits from tourism development'. According to Cooke the concept implies three important facts. First, there is a limited supply of resources, both artificial and natural, in any destination area. Second, the local population has a limited amount of friendliness and goodwill to give to visitors. Third, high tourist numbers may result in deterioration of both resources and local friendliness and goodwill.

CITA reported that awareness and knowledge of tourism in Rarotonga is low. There appears to be a widespread belief that tourism is a foreign-run activity, which operates for foreigners and is of very little benefit to the community. The most recent attempt to study resident attitudes toward tourism in Rarotonga was by Pryor in 1977 (1979). Pryor assessed resident and student attitudes to tourism and tourism employment. She found that a majority of household respondents, who were largely male, were very approving of the economic benefits from tourism, particularly in terms of jobs and the increased market for local produce. However, a substantial majority of the respondents wanted the industry to be smaller or to remain the same size. The student respondents, who were largely female, were evenly divided in their support for tourism and concern over any bad effects it might have. Generally, the students were less aware of the economic and employment benefits of tourism, and more interested in its affects on culture and the environment. When asked whether they would like to work in hotels or motels 34 per cent said 'yes', 47 per cent said 'no', and 19 per cent said they didn't know. When asked if they would like to get a job in other tourism-related industries, 69 per cent said 'yes', 21 per cent said 'no', and 10 per cent were 'don't knows' (*ibid*, 1979:72). Since Pryor's study the tourist industry has grown dramatically. There is a need for a similar study to be undertaken to measure how attitudes have

changed in the last sixteen years and whether community carrying capacity is being reached.

In 1993 the Personnel Planning and Training Office (PPTO) collected information on the career interests of seventh formers at Tereora College (the only secondary school with a seventh form). The class totalled 31 students, eighteen of which were female and thirteen male. Students were asked to nominate careers that were of interest to them. Most students gave a range of three careers, some only gave one or two. Twelve of the students opted for tourism related occupations, of which seven were females and five males. Of the male students four wanted to be airline pilots, and the other stated 'travel and marketing'. Of the female students four stated simply 'tourism', one wanted to be a hotel manager, two wanted to be pilots.

What evidence there is suggests that the average member of the public is unable to make the connection between the large number of jobs in hotels, restaurants, tour operations, and shops, and the tourist industry which provides these jobs. People also seem unaware of the contribution of tourism to Government revenue, and therefore to the level of services available to the public on the island. Anecdotal evidence from members of the public in Rarotonga suggested that the island may be reaching its carrying capacity for tourism. The Tourism Masterplan (1991:2/125) provides the following profile of two distinct groups of citizens on Rarotonga.

Description of Group

Middle-aged and elderly, limited or no overseas travel and exposure to Western culture, adherents to traditional systems and customs.

Awareness of, and Attitudes towards, Tourism

Some but limited understanding of economic contribution of tourism to the country. Concerned and apprehensive about tourists' behavioural impact on traditional values. Not against tourism, but in favour of small scale, slow growth.

Description of Group

Younger and middle aged, regular visitors to (or spent considerable periods of time in) New Zealand and/ or other industrialized countries. Pursuing Western lifestyle, though generally respectful of traditional cultures.

Awareness of, and Attitudes towards, Tourism

Well-developed appreciation of tourism, to the extent of actively seeking sociocultural interaction in many areas. Easy and comfortable in dealings with tourists.

My research would suggest that the description of the 'younger and middle aged' group's awareness and attitudes to tourism is rather optimistic. There appeared to be very few people on the island with a well-developed appreciation of tourism, although many people were comfortable in dealings with tourists.

CITA believes that the quality of people going into the tourist industry is not good. Section 7.3 has already described the problem of competition from the Government sector. Chapter Two reported on the work of Lewis, in which he describes the household as the fundamental decisionmaking unit in Cook Islands society. Because of this predominance of the household unit in decisionmaking, it is the middle aged and elderly group that make the decisions on the careers of many young people. Available evidence suggests that this group are most likely to advise their children against working in the tourist industry, because they perceive it as foreign owned, and therefore consider that their children will only be offered lower level positions.

To combat these attitudes CITA embarked on a television advertising campaign designed to raise the basic awareness of the general public about tourism. The campaign was also designed to try to break the negative attitudes of parents toward tourism employment. The strategy included television commercials that depicted Cook Islanders who had been successful in the industry. The campaign was valuable, but many more campaigns are needed. CITA also goes in to

schools to promote tourism, although this is on an *ad hoc* basis, and CITA staff admitted that it is not done enough.

7.5 Labour Market Planning, Information, and Vocational Guidance

There is currently (1993) no vocational guidance service for school or tertiary level students in the Cook Islands. The last vocational guidance officer, an employee of the Department of Education, resigned in 1985. Despite much talk from Government of replacing the officer a replacement has not been made. It is essential, not only for the tourist industry but for all sectors of the economy that a vocational guidance service is reinstated.

Rarotonga also needs an effective and efficient labour market information system. The ADB (1992) observed that there is a need to understand how the labour market works through an information system that includes 'employment data, overseas training placements, in-country training activities, wage and salaries data, vacancy levels and school and training enrolment data' (ADB Education and Training Sector Study, 1992:4/7). Some data is available, but it is not collected or analyzed systematically. Currently there is no information on the type of employment school leavers find, or on how many migrate. Similarly, no data is kept on the number of skilled workers that migrate, in spite of the very high emigration rate in recent years. A further hole in the information system is information on job vacancies for school leavers, those seeking to change jobs, and the unemployed. Aside from newspaper and radio advertisements, or word of mouth, there is no way for employers to circulate information about job vacancies. Government may wish to consider establishing an office similar to the New Zealand Employment Service as a way of improving the efficiency of the labour market.

HRD planning is currently carried out on an *ad hoc* basis. The PPTO, located in the Ministry of Education, does not generally engage in HRD policy development, nor does it coordinate a national HRD plan. According to the ADB the PPTO 'does not have the staff capacity to prepare a national plan nor assist individual

institutions with their training plans' (ADB Education and Training Sector Study, 1992:4/5). This lack of capacity is reflected in the inability of Government to balance private sector training needs against public sector ones. The example was given in Chapter Six of the Overseas Training Programme in which in the private sector is badly under represented. Given the PPTO's lack of resources it is also hardly surprising that the Sheraton project was not accompanied by the necessary HRD planning.

7.6 Conclusion

This Chapter has found that migration is a significant factor affecting levels of indigenous participation in the tourist industry. Cook Islanders enjoy the right of unrestricted entry into New Zealand. New Zealand's greater economic benefits have caused a huge movement of population to that country in the last twenty years. While this has been advantageous in terms of relieving pressure on overstretched resources such as education and health, it has also deprived the tourist industry of a large number of potential staff.

Despite Government's localization policy the number of expatriates in the Cook Islands is increasing. Given the barriers to indigenous participation in tourism the number of expatriates in the tourist industry does not appear to be unduly high. It is apparent that Government's localization policy is *ad hoc*, undeveloped, and those aspects of it that have been developed are not rigorously enforced. Immigration regulations, for example, stipulate that all expatriates should have a local counterpart. The policy is widely ignored. In the longer term, localization can only be achieved if a comprehensive HRD plan is designed and implemented. This Chapter has found that HRD planning is virtually non-existent in Rarotonga. The PPTO has an administrative role, and does not have the resources to undertake national HRD planning and policy development. The situation is not helped by the paucity of labour market information.

Competition from the public sector has been found to be a problem for the tourist industry. The public service offers better wages and conditions than the tourist industry and is consequently able to attract more talented high school graduates. The problem is related to the public's generally poor awareness of tourism, and the negative attitudes that many people have toward employment in the industry. Research is required into the exact nature of public perceptions and attitudes toward tourism and how these can be improved. Without public support the industry as a whole will suffer, and talented youth will continue to avoid choosing careers in tourism.

Chapter Eight

OWNERSHIP OF THE COOK ISLANDS TOURIST INDUSTRY

This Chapter considers factors that influence ownership of the Cook Islands tourist industry. Entrepreneurship in the Cook Islands is examined by building a picture of Cook Islands entrepreneurs, and assessing the problems they encounter. An assessment is made of the support that is available from Government in terms of investment policies and banking services to assist local investors. Advisory services available for business people are also considered.

8.1 The Pacific Entrepreneur

Ingram (1990) has argued that a new approach to the development of indigenous entrepreneurship is needed. Typically the Euro-centric model is used in which the entrepreneur is considered as an individual who rationally seeks to maximize profit. Yet there are several factors that make the Polynesian entrepreneur different from his or her European colleague. One of the most influential factors is the importance of extended family and community in Polynesian society. This can cause problems for Polynesians who want to succeed in business in a Western sense. The Polynesian business person must be successful and generate wealth not only for him or herself, but also for extended family and the wider community. An integral part of the business person's success will be their ability to deal with the issue of requests for financial assistance from these two groups (Ingram 1990). The following paragraphs illustrate several other ways in which culture can influence entrepreneurs in the Pacific.

The family orientation of Polynesians is often reflected in the way they run their business. Polynesian males tend to be paternalistic and make the decisions in the family. This trait is reflected in a paternalistic and authoritarian management style

with customers, employees and suppliers. This approach means that decisions will often be made without consulting staff or seeking a consensus (Tawake, 1986).

Pacific Islanders are predisposed to avoid direct confrontation when settling disputes because they feel it is important to avoid ill-feelings. A more common way for them to settle a dispute is to talk the problem over in an informal way before the matter is settled. This cultural trait can have obvious advantages in building and cementing relations between staff and management, and management and customers (*ibid*, 1986).

In the Pacific an entrepreneurial unit can be a group or a family unit. Ingram (1990) uses the concept of subsistence entrepreneurship to describe how Pacific entrepreneurs may carry out business, while maintaining a lifestyle cognizant with the local culture. For this entrepreneur the maintenance of a lifestyle may be more important than maximising profit.

The chiefly hierarchy can prove a hindrance to entrepreneurs in Polynesian society. Traditionally in Cook Islands Maori culture, chiefs whose power was gained by descent, held control over society. The chiefs assumed the role of entrepreneurs, while discouraging commoners from engaging in entrepreneurial activity. This traditional type of social structure still exerts an influence in some parts of Polynesia (*ibid* 1990).

The above examples illustrate that a different approach is needed to the development of Pacific entrepreneurship. The cultural background of Pacific entrepreneurs results in special problems, and special advantages. The following section considers the Cook Islands entrepreneur in particular.

8.2 The Cook Islands Entrepreneur

A study of indigenous entrepreneurship in the Cook Islands by Fairbairn (1987) collected information from indigenous business people on the nature of entrepreneurship, business structure and performance, operational problems, and factors generating success. From the survey data Fairbairn could build up a profile of a typical Cook Islands entrepreneur. He found that entrepreneurs in the Cook Islands are mainly of mixed Maori and European ancestry (in Rarotonga the bulk of the population fit into this category). The majority are mature males who own a small family business, many of which are in the tourism industry. The entrepreneur is usually well education and well travelled. Most have been to New Zealand. The business is generally started using their own capital, with assistance from the family. The amount of capital is usually low. The entrepreneurs maintain involvement in a secondary activity such as agriculture. They are motivated to go into business for economic reasons such as improving their standard of living, and supporting the family (*ibid*, 1987).

Problems

Fairbairn identified five major problem areas encountered by Cook Islands entrepreneurs:

1. Inadequate transportation. Most business people felt that transportation needed improvement. Both shipping and air transportation were seen as irregular and lacking in sufficient cargo space.
2. Weak marketing. Marketing institutions serving exporters and the tourism sector were considered inadequate. Problems with lack of government effort to develop overseas markets and secure better prices were pointed out.
3. Shortage of capital. There was felt to be a lack of capital for business expansion, and the Cook Islands Development Bank (CIDB) and local commercial bank were criticized for their restrictive loan policies.
4. Shortage of skilled workers. Business people complained of a lack of workers with experience or technical skills. Staff motivation was also seen as a problem.¹

¹The business survey carried out by the researcher also found staff motivation to be a problem. Chapter Five contains a brief description of the theory covering motivational variance.

5. Insufficient government support. Government taxation policies were criticized, and a lack of training was pointed out. Government was also seen to be weak on monopolies and allowing competitive imports into the country.

The above problems, while being significant for Cook Islanders, also affect foreign and *Papa'a* business people. Problems (2), (3), and (5) however, are of greater significance for Cook Islanders.

In the case of problem (2) the organization of international tourism, as described in Chapter 3, works against local business operators in the tourist industry. As Milne (1987a:130) succinctly puts it:

The industry is dependent upon the promotional priorities of overseas tourist companies which assemble the package holidays bought by tourists. These companies will have two major interests when constructing a package: first, to create a demand (through advertising and promotion) which can be catered for through their interests in the local industry; and secondly, to include within the packages those operations that can offer the largest commissions.

It is inevitable under these circumstances that small operations owned by Cook Islands Maori will have difficulty tapping into the package market. It is to the advantage of tour companies to promote those businesses on the island in which they have an ownership stake, at the expense of other accommodation. Furthermore, local people find it difficult to publicize their accommodation, and must compete against larger operations who can offer tour wholesalers large commissions (*ibid*, 1987a).

For problem (3) foreigners have a distinct advantage over local people when it comes to access to capital. According to Milne (1987a:131) 'unequal access to finance has a major impact on the ownership structure of the Cook Islands tourist industry.' Milne assessed the relative importance of loan sources to foreign, *Papa'a*, and Cook Islands Maori businesses, the results of which are presented in Table 8.1.

Loans are available from the following sources: overseas institutions; the Cook Islands Development Bank (CIDB); the Cook Islands Post Office Savings Bank

(POSB); or from local branches of the Westpac and ANZ Banks.² According to Milne, Cook Islander's access to overseas finance is minimal, due to deficiency of collateral, inexperience in business, and a lack of knowledge of overseas banks. By contrast, foreigners and *Papa'a* generally have greater experience in business and can use contacts made before their arrival in the Cook Islands.

Table 8.1 Tourist Industry Access to Development Finance

Finance and Ownership Categories	Percentage of Total Value of Loans Accruing to Each Category(a)
Access to Overseas Finance	
Foreign	70
European	30
Cook Islands Maori	0
Access to CIDB(b) Finance	
Foreign	81
European	19
Cook Islands Maori	0
Access to National Bank Finance(c)	
Foreign	36
European	40
Cook Islands Maori	24

- Notes
- a) Estimates only, extrapolated from survey data which provided information on loan repayments during 1984 and the general terms of the loans involved.
 - b) Cook Islands Development Bank
 - c) Does not include overdraft facilities.

Source: Milne 1987a

²At the time of Milne's study the National Bank of New Zealand was the only bank operating in the Cook Islands. The National Bank has since closed and the ANZ and Westpac Bank are now operating on the island.

The POSB caters mainly for the small saver and small businesses particularly those in the outer islands. The bank has three major constraints. First, because the average customer has a low balance per account the POSB's costs are high in relation to its assets. Secondly, Government policies dictate how depositors' funds are invested, and this is not always where they could gain the highest return. Thirdly, staff do not have the necessary skills for future expansion of the bank (Second Development Plan, 1988).

Trading banks are the most important financial institution in any country (Fairbairn 1988). At the time of Milne's study the National Bank was the only trading bank operating in the Cook Islands. Since then the banking sector has diversified with the establishment of Westpac and ANZ branches on Rarotonga in 1988 (the National Bank has left the island) introducing competition in domestic banking for the first time in the Cook Islands. Both banks operate throughout the South Pacific and are experienced in the special requirements of the region (Ingram, 1990).

Improvements have also been made in the operations of the CIDB, of which there is a detailed discussion below. Nevertheless, lack of locally sourced finance continues to be an impediment to local ownership of the tourist industry. Chapter Five reported that thirty-one respondents from the business sample believed that lack of finance restricted local ownership in the industry. However, Fairbairn found that most of the businesses in his sample were established with the owner/family's savings, without the need for outside funds. Some businesses were established on very small amounts of capital, sometimes only a few hundred dollars. However, Government's current tourism development policy works against the small entrepreneur with very limited amounts of capital.

Government's policy emphasis brings us to Problem (5). This is significant because policy currently accentuates development in the high end of the tourism market, which calls for upgrading of existing accommodation facilities and an emphasis on 'higher quality'. In September 1992 the Prime Minister of the Cook Islands, Sir Geoffrey Henry, commented:

Backpackers really do not bring any money into the country: They are more of a nuisance than of tourism value - we have a lot of backpackers that come through Rarotonga and quite frankly they don't add to the image we are trying to create. Hostel type tourists are also one type of people we don't want here thank you very much (*Cook Islands News*, 9 September 1992).

Most Cook Islanders own businesses at the budget end of the market. While the Prime Minister continues to maintain that 'More and more of the benefits of the industry must be shared amongst the people, our own local residents' (*Cook Islands News*, 21 September 1992) the policies of his government appear to work against this. Local owners find that, because of the policy favouring the top end of the market, improvement or expansion of their property is precluded by the General Licensing Authority standards, which are too stringent for budget properties. The emphasis on higher quality will also be a barrier to prospective local investors wishing to use a small amount of capital to gain entry into the industry. The policy will mean that foreign investment is required to build new facilities after the year 2000, as they will be luxury accommodations requiring heavy capital investment.

High spending tourists can be attracted without the necessity of luxury facilities and high import bills. Small scale, off-the-beaten-track, adventure or 'alternative' tourism offers the opportunity to provide small scale, traditional facilities, for high spending tourists. The number of tourists would be low, but according to Britton (1987:134) 'those that came would be the type of visitor willing to spend large sums of money on exotic, adventurous, unusual, and authentic travel experiences.' This type of tourist may also have a lower level of sociocultural impact on the local population. Smith (1977) has developed a typology of tourists which illustrates the sociocultural advantages of alternative tourism (Table 8.2).

Butler (1990), however, argues against unquestioning acceptance of alternative tourism, saying that simplistic comparisons of mass with alternative tourism are unwise. According to Butler:

Mass tourism need not be uncontrolled, unplanned, short-term or unstable. Green tourism is not always and inevitably considerate, optimizing, controlled, planned, and under local control (1990:41).

Table 8.2 Tourism Impacts and Visitor Perceptions

Tourist type	Numbers	Adaption to local norms	Tourist Impact	Local Perception of tourists
Explorer	Very limited	Accepts fully	1(a)	7
Elite	Rarely seen	Adapts fully	2	6
Off-beat	Uncommon but seen	Adapts well	3	5
Unusual	Occasional	Adapts somewhat	4	4
Incipient mass	Steady flow	Seeks western amenities	5	3
Mass	Continuous flow	Expect western amenities	6	2
Charter	Massive arrivals	Demands western amenities	7	1

Notes: (a)1=lower, 7=higher.

Source: Smith, 1977

Butler identifies several problems with alternative tourism. It may, in the long-term, cause greater pressure on the local social structure, because it is likely to involve greater and more intensive contact between tourists and residents. The alternative tourism market may not be big enough, and by its nature is unlikely to be a repeat market. There is also the question of how a destination which has already developed facilities and an image can change the type of tourist that it attracts.

Government needs to consider carefully the implications of its present strategy for local ownership of the industry. It must be aware of alternatives to the type of tourism it is currently seeking. While an emphasis on high quality facilities will bring in more tourist dollars, it is also likely to inhibit local participation in the industry and increase leakages (see below for further discussion of Government investment policies). While not suggesting that alternative tourism is the answer, it is an option that should be investigated. Prime Minister Geoffrey Henry's comments about backpackers seem to show a limited understanding of the options for tourism development, and the need for a destination to have a range of tourism facilities.

Sociocultural pressures can contribute to the failure of indigenous businesses. As discussed above, Polynesians are family and community orientated people. This can often lead the business person to give away large quantities of goods and services, or to allow debtors to accrue debts that can never realistically be paid. Fairbairn's study suggested, however, that sociocultural pressures were not a major problem for the sample businesses. Out of a total sample of 28 only seven reported this type of problem, and none considered the pressures to be serious.

In the Cook Islands there is a lack of basic skills in marketing, accounting, and management. Many businesses are set up, not to provide a product or service for which a need has been identified, but because the entrepreneur sees it being done by someone else (McFadzien, 1986). For example, the casual observer cannot help but notice the numerous small grocery stores on Rarotonga, many of which rarely seem to have any customers. The level of budgeting skills is often very low. Many business people have difficulty distinguishing between money needed for asset and stock replacement, and profit. In terms of management there is often no overall or future planning, and general bad management of resources. A low level of technical know-how means that often machinery is not properly used or maintained, resulting in machinery breakdown and shoddy products (*ibid*, 1986).

Success factors

From a total 28 of entrepreneurs surveyed by Fairbairn, 21 were operating their businesses successfully, had done so for many years, and were confident of their business prospects in the future. Fairbairn asked the entrepreneurs to identify the factors that they considered important for their success. Most respondents considered personal qualities such as capacity for hard work, honesty, reliability, and motivation to be important. The entrepreneurs also emphasized management skills such as proper financial control, keeping good records, and maintaining good relations with staff. Fairbairn also attributes their success to their generally high level of education, and overseas exposure, particularly to gain work experience, education, and training. A further important factor was the spreading of risk through involvement in several entrepreneurial activities.

8.3 Government Policy

Development Investment Act

The Development Investment Act is administered by the Cook Islands Monetary Board, which is the central controlling body of Cook Islands financial activities.³ Under the Act all foreign enterprises are required to register with the board if they wish to operate in the Cook Islands.

Under the provisions of the Act the Cook Islands Government established an Investment Code. The Code is a statement of policy and strategy, which attempts to encourage and guide investment in the Cook Islands. It informs potential investors and those responsible for planning, promoting or encouraging investment of the criteria for investment encouragement; Government priorities for sectors; the extent of encouragement for foreign and local enterprises; and, other information to assist investors (Investment Code, 1977).

Investment Code policy states that investments are encouraged which contribute significantly to the economic development of the Cook Islands. The Code sets out operative guidelines for Government's general investment policy that seek to: encourage expansion of existing investments by Cook Islands Maori investors; to encourage further Cook Islands Maori investment; to ensure that foreign investment makes a positive contribution to economic development; and, to ensure Cook Islands equity ownership in any foreign investment.

Desired and Specific Concession Areas of Investment

The Code identifies two areas of investment: Desired Investment Areas, and Specific Concession Areas. Under the former category investment is deemed by the Cook Islands Government as desirable for the economic development of the Cook Islands, although only those enterprises so specifically designated are eligible for incentive or concessions. Among the areas listed under this category are:

³The Monetary Board is responsible for ensuring a stable monetary system; fostering a banking and financial structure; the control and adjustment of prices of goods and services, rents and other costs, interest rates, wages, salaries and other incomes.

- The establishment of new or the expansion of existing tourist accommodation.
- The establishment of new or the expansion of existing tourist support facilities.

Specific Concession Areas include enterprises or activities that are eligible for incentives and concessions and are given the greatest encouragement by Government. The list of enterprises changes according to development priorities. Among the areas listed in the 1977 document is:

- The establishment of new or the expansion of existing tourist support facilities especially high class restaurants and night clubs, fishing and cruise charters, and other specialty visitor facilities provided these have first been approved by the Tourist Authority.

Foreign Investment

Government states that its primary aim is to encourage the best local investment, however, it recognises that the ability of Cook Islanders to invest will vary. Given the constraints placed on local investors the Government acknowledges the value of foreign investment for economic and social development. Government policy then is to offer encouragement to foreign investors when their investment will be beneficial to the Cook Islands. The Investment Code states (1977:4):

...Government recognises that foreign investment can make enormous contributions to the economic and social development of the Cook Islands and therefore offers encouragement where these are clearly beneficial.

However some controls over foreign investment are necessary and will be maintained. The idea is not to discourage foreign investment but to rationalise the development of the different parts of the economy and to ensure the unrestricted or unnecessary competition from abroad does not discourage local investment.

Joint ventures are considered particularly desirable, especially if the overseas involvement leads to the expansion of exports, brings in technical or management expertise not currently in the country, or provides capital that is unavailable locally. All foreign investors are required to seek approval from Government before investing, and must be registered as a foreign enterprise before being allowed to

commence business. Government only allows Foreign investment in activities that come under the Desired Investment Areas.

Reserved Investment Areas

Reserved Investment Areas are areas in which only local investors, or enterprises predominantly owned by local investors, can invest (i.e., with two-thirds or more local ownership and control). In the tourism sector the following activities are reserved for local investment:

- screen printing of fabrics;
- garment manufacture for local sale;
- manufacture of traditional handicrafts and artifacts;
- small retail shops (including mobile);
- taxi operations;
- rental vehicles;
- passenger road transportation for the public;
- mobile food and takeaway bars;
- night clubs;
- duty free shops;
- taverns and bars; and
- motels and non-international standard accommodation.

Incentives Available Under the Development Investment Act

The Development Investment Act provides for several incentives and concessions to encourage the establishment of enterprises and development investments. These include tariff protection, import duty and import levy concessions, tax incentives, recruitment of skilled locals living overseas, counterpart training, and depreciation allowances.

The Tourism Masterplan (1991) reported on the effectiveness of the incentives package and found that it had been helpful in providing good conditions for investment. However the report noted 'that some of the foreign investment has been attracted by the lifestyle offered in the Cook Islands and may well have been made anyway' (Tourism Masterplan, 1991:2/168). There is always a problem, however, that if Government does not offer incentives the investment will go to another South Pacific country that does. The Masterplan identifies several problems with the current set of incentives: (*ibid*, 1991: 2/168).

- not tourism-orientated and, as tourism is a labour intensive industry, the Act of also not sufficiently human resource orientated;
- generally, incentives have been of more use to foreign investors than indigenous businesses because of this latter group's lack of access to finance;
- the incentives system does not address problems of indigenous and foreign businesses in many practical areas of difficulty in setting up new enterprises;
- concern has been expressed at the overdevelopment of some types of economic activity as well as the development of inappropriate types and locations of development;
- incentives have not been well promoted and publicised;
- there exists a lack of certainty about the application of the regulations - although this is inevitable if the Government needs to take a flexible approach; and
- there is no export processing or small industry centre to encourage tourism-related businesses.

Cook Islands Development Bank

The Cook Islands Development Bank (CIDB) was established by the Cook Islands Bank Act in 1978. The Act states that the Bank's general policy directive is to:

...provide finance for the establishment, development, extensions or assistance of industry and economic development in the Cook Islands and to encourage and promote investment in the economic development of the Cook Islands and to provide technical assistance or advice and to generally foster economic development (CIDB Annual Report, 1992:3).

The Bank coordinates its operations with Government economic policies, plans and priorities. It provides concessional finance to sectors of the economy considered important for the economic development of the Cook Islands, which may have difficulty attracting finance from the commercial banking sector (Ingram, 1990).

The CIDB is funded by the Cook Islands Government and receives additional funding through New Zealand Overseas Development Assistance and the Australian International Development Aid Bureau. The Bank borrows from several

institutions (Table 8.3). The CIDB's Annual Report for the year ended 31 March 1992 puts its authorised capital at ten million dollars, of which five million was paid up.

Table 8.3 CIDB Term Debt as at 31 March 1992

Asian Development Bank line of credit	814,822
Westpac Revolving term loan	931,705
DFC New Zealand Line of Credit	1,094,134
Cook Islands Land Trust Fund term loan	275,000
Total Term Debt	3,115,661

Source: CIDB Annual Report 1992

According to the CIDB 1992 Annual Report:

The Bank is committed to the national effort to increase Cook Islander's involvement in the economy and is conscious of how vitally important this is for the future progress and prosperity of the nation (CIDB Annual Report, 1992:6).

Preference is given to proposals promoted by Cook Islanders and Permanent Residents, however loans to foreign owned or controlled businesses are not ruled out (Lending Policies, 1993). Current lending priority is to focus on the commercial/industrial sector, mainly on Rarotonga. The Bank is using the Tourism Masterplan as a guide, and placing emphasis on upgrading of existing tourist accommodation. Table 8.4 shows that as at 31 March 1992 approximately 31 per cent of the Bank's loan portfolio was in the industrial/commercial sector.

Table 8.4 CIDB Loan Portfolio as at 31 March 1992

Industrial/Commercial	2,165,683
Agriculture	859,163
Housing	3,809,283
Other	24,899
Total	6,859,028

Source: CIDB Annual Report 1992

While the policy direction of the Bank is to be recommended, there continue to be problems for local investors. The Bank's interest rates are high. CIDB receives its Asian Development Bank loan from Government at an interest rate of six per cent. However, interest rates for commercial/industrial lending are currently between fifteen and seventeen percent. The CIDB is only required to on lend at a rate that will cover its administrative costs and provide a small profit. Under these circumstances an interest rate of around ten per cent might be more appropriate.

Loans to the commercial/industrial sector have decreased from 1990/91 to 1991/92. During 1990/91 a total of 28 loans were approved for this sector with a total value of \$1,235,000. During 1991/92 the number of loans approved dropped to 21, with a total value of \$859,000. In the interests of local investment in the tourist industry one would hope that the Bank's new lending policy increases the number of loans to this sector in 1993. The public are generally happy with the Bank's recent performance as opposed to its performance during the late 1980s. However, the amount of funding available through the CIDB continues to be a major impediment to increased local involvement and ownership in the tourist industry.

8.4 Advisory Services

Advisory services for small businesses are currently available from the Small Business Advisory Unit and CIDB. The Small Business Advisory Unit is staffed by a local manager and an American Peace Corps volunteer. The office provides advice and runs training courses. These are generally of eight weeks in duration and are held three times per year. Whenever it is possible, the advisory unit uses local tutors for these courses. As the Unit is still establishing itself it is too early to assess reactions from the industry on its effectiveness.

The CIDB Annual Report 1992 states that a Bank objective is, 'Providing technical and advisory services to Cook Islanders to help improve commercial knowledge and entrepreneurial skills' (1992:3). The Bank provides free advice and guidance

to persons needing financial advice covering all sectors of lending. Some services are also offered on a charge basis. These include:

- accounting for small businesses who are unable to afford public accountants. These are usually existing clients;
- assistance to applicants for commercial loans to formulate their projects, costs, cash flows, etc. so that the standard of such applications from the smaller borrower is up to standard;
- production and sale of manuals on various aspects of business;
- organization of training courses on business issues, especially those where the Bank has expertise;
- coordination of other business courses where the Bank does not have expertise (Ingram, 1990:214).

7.5 Conclusion

This Chapter has emphasized that recognition is required which identifies Cook Islands entrepreneurs as different from foreign entrepreneurs, both in terms of their culture and the strengths and problems they face in business. Traditional social structures such as extended families and chiefly hierarchies place additional demands on the Cook Islands business person. Furthermore, they are faced with the challenge of operating as peripheral actors within the international organization of tourism, with limited access to finance, and with a government policy for tourism development that tends to favour those with access to finance. A further hindrance is the relatively low level of skills in marketing, accounting and management.

To help combat these disadvantages Government has developed an investment policy that, while a step in the right direction, has several shortcomings that need attention. The financial situation for Cook Islands entrepreneurs has improved in recent years due to improvements in the operations of the CIDB and increased competition in the banking sector. However, the problem of lack of finance for local entrepreneurs continues to be a major impediment to their increased participation in the tourist industry.

Chapter Nine

CONCLUSION

9.1 Introduction

This thesis has attempted an assessment of the prospects for tourist development in island microstates such as the Cook Islands where small size, lack of resources and isolation create special development problems.

Tourism was found to be the best possible option for development because many microstates have the sun and beaches that tourists want, and tourists solve the problem of isolation by travelling to the 'product'. Consequently, for governments of island microstates tourism may appear to be the ideal solution to their development problems. Among its potential benefits are employment creation and the generation of foreign exchange. However, the experience many developing countries suggests that the benefits of tourism can be elusive. The employment generated by tourism is often disappointing. Developments may be capital intensive, create mainly unskilled jobs, and allocate higher level positions to foreigners. The need to attract foreign investment to develop international standard facilities may mean that microstates have no option but to allow foreigners to own most their industry. Foreign ownership results in leakages, repatriation of profits, and less employment for locals. The international organization of tourism allows overseas companies to direct the flow of tourists to destinations in which they have interests, and to operations from which they can gain the highest commission. Consequently, local operators may find it difficult to tap into the lucrative package tour market. Microstates are often vulnerable because they rely on one country to provide most of their tourists. Air links are frequently provided by metropolitan airlines whose business priorities may conflict with the interests of the microstate's

tourist industry. Development of a tourist industry requires investment in expensive infrastructure. Tourism can also have negative effects on indigenous lifestyles and the environment.

Despite these problems a well-managed industry can minimize the problems and ensure that benefits for the destination are substantial. The microstate can develop small scale, locally owned accommodation, and use local products as much as possible. This increases linkages between the tourist industry and the remainder of the local economy, thereby reducing the need for imports. Governments can also provide incentives to help local people to gain entry into the industry. The host population should be involved as much as possible in employment in, and planning of the industry. Planning of tourism facilities and infrastructure should be integrated with development of facilities for the existing local population, and tourism profits can be invested in other areas of the economy to ensure balanced development.

This thesis has focused on two particular problems associated with tourism development in developing countries - foreign ownership, and limited employment opportunities for locals. It sought to assess why these problems exist in the Cook Islands tourist industry, and how they could be reduced.

9.2 Review of Findings

Tourism brings many benefits to the Cook Islands. It provides more local income and employment than any other sector except Government. In 1990 Government earned an estimated NZ\$15 million from tourism, and the industry provided approximately one third of the work force with jobs. The industry in the Cook Islands dates from the completion of the international airport in 1973. Growth in the industry has been rapid. Tourist arrivals increased at an average of 11.3 per cent between 1976 and 1992. Direct employment in the industry has increased from approximately four hundred in 1979, to eleven hundred in 1993. In the same period the number of hotels and motels increased from 10 to 27. A traditional

reliance on the New Zealand and Australian markets is weakening due to growth in arrivals from North America and Europe. The construction of a Sheraton hotel currently dominates industry growth. Due for completion in late 1993, the hotel will increase the total number of rooms in Rarotonga by nearly thirty per cent and provide a further 200 jobs. Prospects for the tourist industry in Rarotonga are good. Tourism in the Asia Pacific region is growing faster than the world average. Trends in world tourism include: growth in long haul travel; increased environmental awareness; and, demand for different cultural experiences. All of these favour the Cook Islands. Arrivals are predicted to rise from 50,000 in 1992 to 68,000 by the year 2000 (Tourism Masterplan, 1991).

Total employment in the industry is approximately 1400 full-time and part-time jobs. This represents approximately thirty per cent of the workforce. The number of part-time workers is high. Forty-two per cent of jobs in direct tourism employment are part-time. This suggests an increasing trend towards part-time employment in the industry. Fifty-nine per cent of workers in the industry are female. Expatriates or *Papa'a* dominate management and administrative positions. Out of a total of 104 management and administration positions, expatriates or *Papa'a* hold 45, or 42 per cent of the total. Foreign or *Papa'a* management is particularly prevalent in hotels/resorts, self catering accommodation, restaurants, and airlines.

Ownership of the industry was found to be substantially in foreign or *Papa'a* hands. In the accommodation sector, for example, from a total of 673 rooms on the island, expatriates or *Papa'a* own 343 or 51 per cent. Local ownership is concentrated in the budget end of the market. The Government is currently attempting to sell the Rarotongan Hotel. Foreigners will inevitably buy the hotel, as its price is beyond the reach of local investors. The sale of the Rarotongan's 151 rooms will mean that 73 per cent of all rooms on the island will be in foreign or *Papa'a* hands. The situation is similar in other sectors of the tourist industry. Foreigners or *Papa'a* own just over half of travel/tour operations, over half of restaurants, and all external and internal airline services.

The study has identified several factors that may account for the observed participation patterns in the industry. Low indigenous representation in management and administrative positions can in part be attributed to the Cook Islands education system. Originally designed by and for the needs of the missionaries, and later the colonial administration, it now has little relevance to contemporary Cook Islands society. Two major reports on the system have recommended sweeping reforms. The teaching of tourism in schools has also been found to require improvement. The Hospitality Training Programme is underfunded and understaffed. Furthermore, it is restricted to nonacademic students who are unlikely to seek higher level positions in the tourist industry.

Training for tourism is in three areas. First, is Government's training organized by the Hospitality Training Board (HTB). Most tourism businesses that use the HTB's courses expressed guarded satisfaction with their quality. However, there is room for improvement. Managers described the courses as repetitious, lacking in follow-up, lacking in a logical structure, and often inappropriate for smaller operations. Improvements to the programme are currently underway, including the establishment of a Hospitality Training School. However, given the small size of the Cooks, it is not clear whether the establishment of a school is the best option for the country.

The second area of training is that provided by tourism businesses. This can best be described as patchy. Managers' generally limited personnel skills restrict in-house training. Despite this, managers show no enthusiasm to improve their skills by attending training courses. The limited knowledge expatriates have of Cook Islands culture exacerbates the problem. High emigration, and staff poaching between businesses also inhibit training. Both factors destroy managers' motivation to train staff.

The third area of training is the Overseas Training Programme. Government departments dominate the awards available under this programme. Estimates from the ADB show that between 1987 and 1991 only two per cent of awards went to

the private sector. The paucity of training that this programme offers the tourist sector is further reduced by the high student drop out rate. The ADB estimated that the completion rate of awards from 1980 to 1987 was 32 per cent.

Migration is a major concern for operators in the tourist industry. The Cook Islands has suffered heavy out-migration in the last two decades causing population to decline. The principal causes are continuing underdevelopment, with resultant low wages and unemployment, and the right of all Cook Islands citizens to live and work in New Zealand. Migration places a heavy burden on the tourist industry because it robs it of skilled and talented workers, and depletes the already small population base from which potential workers must come.

Public opinion is that the number of expatriates working in tourism is too high. Due to a lack of labour force data the study was unable to ascertain the extent to which expatriates are blocking employment opportunities for locals. This undoubtedly occurs, but given the small local population, high emigration, inadequate education, and the poor perception locals have of tourism jobs, the number of expatriates in the industry does not appear unduly high. The role that prejudice plays in job distribution is also unclear.

The dominance of the public sector in the economy is a long standing phenomenon. Employment in the public service attracts entry level recruits away from the tourist industry. Locals seek employment in the public service because it offers better working conditions and more security than the private sector. The public's generally unfavourable perception of jobs in the tourist industry increases the attraction of the public sector. High visibility of expatriate managers, their often bad reputation as employers, and the poor attention to career development by the industry, has not helped the tourist industry attract talent away from the government sector. Many parents perceive the industry to be foreign owned and therefore dissuade their children from seeking jobs in tourism. Low public awareness of tourism and of the benefits it provides the community also aggravate the situation.

It has been found that cultural factors may play a role in levels of indigenous participation in the industry. The ability of many Cook Islanders to gain a fairly comfortable standard of living from their own land can reduce their motivation to seek a career. Issues such as a cultural inferiority complex, and the tall poppy syndrome may also be barriers to locals gaining better employment. Cultural factors in poor performance can often be the result of poor management.

Expatriate managers were found to lack understanding of Cook Islands culture, and were generally unable to communicate effectively with staff.

Government's *ad hoc* localization policy is unlikely to contribute significantly to the replacement of expatriate labour. Government must commission a comprehensive human resource development plan which addresses all of the issues discussed in the preceding paragraphs. To achieve this an institution is required that can oversee HRD policy. This institution must be provided with accurate and timely data.

The thesis has found several barriers to local ownership of the tourist industry. A problem for local entrepreneurs wishing to enter the tourism sector is that the industry is dependent on the promotional priorities of foreign tourist companies and metropolitan airlines. The location of these tourist companies in metropolitan countries gives them a pivotal position between tourists and the destination. Consequently, they can influence and direct flows of tourists to particular operations, which are often subsidiaries that they own, or where they can gain the highest commission. Metropolitan airlines can undercut competition from smaller regional operators, and are often assisted in this task by metropolitan governments wishing to protect their national flag-carriers.

Indigenous entrepreneurs find that their limited capital and the lack of finance available from local institutions restrict their ability to invest in tourism. Competition in the banking industry in Rarotonga, and improvements in the CIDB has improved the financial situation for local business people, yet lack of finance continues to be a major barrier to local ownership. Until sufficient finance is made available, the

effectiveness of Government's incentives under the Development Investment Act will be reduced. Government could also enhance the effectiveness of the incentives by making them more tourism-orientated, publicising them better, and by giving more assistance to operators setting up new businesses.

Local business people have been found to have unique strengths and problems due to their Polynesian culture. As the context in which they must operate a business is overwhelmingly European, clashes between sound business practice and Cook Islands culture can occur. Generally low skill levels in marketing, accounting and management may also reduce the performance of local entrepreneurs.

Government's policy of targeting higher spending tourists is a further barrier to local ownership. Development of facilities for high spending tourists generally requires foreign investment because locals lack the expertise and/or investment capital to build and operate such facilities. It also implies a greater reliance on package tourists, which in turn increases the reliance of the industry on overseas tour operators.

The thesis upheld the first assumption that it attempted to test. The assumption was that 'given the small Cook Islands Maori population, the propensity to migrate, problems with education and training, and lack of clear career path guidance, the level of expatriate employment in the tourist industry is generally appropriate'. The thesis has established that population/migration and education and training are the most significant factors influencing local participation in employment in the tourist industry. These barriers to local participation mean that some expatriate employment is required in positions that locals cannot adequately fill. Until the barriers to local participation are removed, expatriate employment will remain a necessity. This is not to say that the level of expatriate employment in the tourism industry is entirely desirable. It is a necessary evil. While it is conceivable that a few expatriates currently employed in the tourist industry could be replaced by locals immediately, a purge of expatriates in the industry would be a temporary,

and unsatisfactory technique for increasing local participation. The best method to reduce expatriate employment in the long term is to improve the supply of local labour. Simply replacing expatriates by local people who may or may not be qualified for the job will damage the tourist industry if attempted on a large scale.

The second assumption was that 'lack of local ownership in the tourist industry is predominantly caused by the unavailability of finance from domestic sources'. Several factors have been found to affect local participation in ownership of the industry. All of the factors are important. The majority of the business sample believed that the overriding obstacle to local ownership of tourism businesses is lack of capital and finance. Fairbairn (1988), however, found that most of the businesses in his sample were established with the owner/family's savings, without the need for outside funds. Some businesses were established on as little as a few hundred dollars. While lack of local finance from domestic sources is a significant factor inhibiting local ownership, the thesis has not established that it is the predominant factor.

9.3 Unresolved Issues and Further Research

There were some issues that the thesis was unable to resolve. The study was able to conclude that the level of expatriate employment does not appear unduly high, given the barriers to local employment in the industry. Yet, undoubtedly, expatriates are blocking some positions that could be filled by locals. However, limited labour market data mean that it is difficult to assess how many positions could be localized. The study was also only able to gather fragmentary evidence on the employment practices of tourism businesses, and to what extent job distribution in tourism is institutionalized and based on prejudice. These issues remain a matter of conjecture. A more in-depth study of management practices and how they affect employment patterns in hotels and motels is needed to assess how important this issue is.

The thesis described the role of the international organization of tourism. Its exact role in the Cook Islands tourist industry has not been adequately assessed. Milne (1987c) established that the Cook Islands tourist industry depends heavily on external companies for promotional and marketing activities. Milne's findings have been used in the thesis, although changes have undoubtedly occurred in the intervening years. For example, at the time of Milne's study a group of four foreign travel companies owned forty per cent of the Rarotongan Hotel. It was clearly in the interests of these companies to promote the hotel ahead of other accommodation on the island. Government now owns the hotel (although its sale to foreign investors is imminent). Whether Government ownership of the second biggest hotel on the island has meant that smaller operations have suffered less from the competing promotional priorities of the previous owners is not known. The current promotional mechanisms for the Cook Islands tourist industry and the extent of reliance on foreign companies for promotion was not assessed.

The findings of the thesis suggest other areas for research. If Government is to use return migration as a method of increasing indigenous participation in the tourist industry, it will require data on emigrants. A study of the emigrant community in New Zealand could provide valuable information on the skills and capital that the community possesses, their aspirations, and the incentives they require to induce them to return to the Cook Islands.

A study is required of residents' attitudes to tourism. Anecdotal evidence suggests that public tolerance of tourism may be diminishing. A fall in public support for tourism would be detrimental to the industry. Furthermore, a study of contemporary Rarotongan social structure is required. This thesis was forced to use research from the island of Atiu to build a picture of Rarotongan social structure. Disintegration of the traditional household in Rarotonga is probably at a more advanced stage than in the outer islands. Many families now adopt structures based on New Zealand models. It is important that Government understands the social structure, so that it can formulate the correct policy to achieve its goals.

9.4 Recommendations

A major purpose of the thesis was to provide information useful to the Cook Islands Government. This section seeks to summarize the findings of the thesis into a set of recommendations for Government.

Ad hoc initiatives to localize the tourist industry are unlikely to be effective in the longer term. If Government's localization aims are to be realized it must develop a comprehensive HRD strategy. The following recommendations are policies that the thesis has identified as necessary components of such a strategy.

1. An effective, well resourced institution that can oversee HRD planning is required. This institution will require access to quality information on employment, overseas training awards, domestic training programmes, wages and salaries, vacancy levels, school and training enrolments, and emigration.
2. The Hospitality Training Board has tended to set its objectives and goals without consulting the industry. The Board needs to reorient its training towards the requirements of the industry and take a more consultative approach to the content of courses and their timing. It may be worth considering the appointment of three peripatetic hotel trades trainers to deliver on-the-job training as an alternative to the Hospitality Training School. This option provides a more flexible service at less cost.
3. The Hospitality Training Board should target business managers and expatriates for training to improve their personnel management abilities. This would be an efficient use of resources as the HTB can concentrate training on important players in the industry who can then spread the benefits to their own staff through better training. Efforts also need to be made to upgrade other management skills.

4. In relation to 3, tourism businesses must improve in-house training. This requires commitment from managers to improve their own management skills. A greater commitment to counterpart training is also needed.
5. The private sector must be given greater access to the Overseas Training Programme. Government should consider providing incentives for private employers to release workers for long-term training. Completion rates for the Programme are currently too low. Vocational guidance for students and better support for students while they are overseas is needed.
6. Major projects such as the Sheraton hotel should include specific proposals and plans regarding local staffing levels and training and development. Training of local staff should begin immediately the project is finalized to avoid potential justification for immigration.
7. Public awareness of tourism is generally low, and tourism jobs are considered to be secondary to other forms of employment. Government needs to make the public more aware of the benefits, and potential benefits of the industry for all Cook Islanders. Parents and children must be dissuaded from the view that tourism offers secondary jobs, offering poor conditions, in a foreign dominated industry.
8. The Hospitality Training Programme requires more funding and a greater profile in schools. The Programme is presently restricted to lower ability groups. Schools need to extend it to more academic students to attract potential managers into choosing tourism as a career. The Ministry of Education should also introduce tourism to schools as a social science subject.
9. The Ministry of Education should reinstate its vocational guidance service.

10. Government should consider greater efforts to restructure inefficient bureaucracies in the public sector. The welfare employment role of the public sector is no longer needed in Rarotonga. Overstaffing of bureaucracies now only serves to deprive the private sector of the skilled labour that it needs.

In terms of ownership of the tourist industry the following recommendations emerge:

11. The emphasis on attracting high spending tourists and developing high quality facilities should be reconsidered. Strict adherence to this policy can only be achieved at the expense of local participation in the industry. High quality facilities will require more foreign investment. Locals are more likely to participate as unskilled employees in a foreign owned industry. While not ruling out the development of high quality facilities, the concern here is that Government does not neglect the tourism budget sector. It is this sector that offers the greatest opportunity for local entrepreneurs to enter the industry. The best type of development for the country is one that includes a range of facilities, rather than concentrating on one segment of the market.
12. Lack of finance is an impediment to local entrepreneurs entering the tourism industry. Government must try to make more finance available through the Cook Islands Development Bank, and allocate a proportion of finance specifically for tourism sector development. To complement greater availability of finance, greater development of entrepreneurship is required. For example, small business work experience attachments could be introduced into secondary schools.
13. Government's investment incentives require improvement. Lack of knowledge about the incentives could be countered if Government produced a brochure that sets out what is available. The incentives need to be more tourism oriented. Incentives for training could be expanded. Repatriation

efforts could be enhanced by providing incentives for Cook Islanders returning home. Local entrepreneurs need greater assistance to set up businesses, and resale of businesses should be subject to fewer restrictions.

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APPENDIX 1

BUSINESS SURVEY

This questionnaire will contribute to a study of employment in the Cook Islands tourist industry which is being carried out under the supervision of Massey University in New Zealand and with the support of the Cook Islands Tourist Authority. Employment in the tourist industry has increased rapidly in recent years, however there is some concern that locals are filling mainly unskilled and semi-skilled positions in the industry, and therefore potential benefits of tourism development are not being realised. The study of which this questionnaire is a part attempts to identify some possible barriers to employment of locals in the tourist industry.

As an employer in the industry we would like to ask if you could give some of your valuable time to this study. We believe that the results of this study will help improve the long-term viability of tourism in the Cook Islands and therefore that your time will not be wasted.

Throughout this questionnaire the term 'local' refers to Cook Islands Maori.

1. Which one of the following best describes the ownership of this business?

Wholly foreign owned	[]
Partially foreign owned	[]
European owned (Cook Island resident)	[]
Cook Island owned	[]

2. Are you:

the owner of the business?	[]
the manager of the business?	[]

3. Is the business a:

Hotel	[]
Motel	[]
Guesthouse	[]

4. How many rooms does it have? _____

5. What was your average occupancy rate for the last 12 months? _____

6. Please complete the following questions regarding your staffing.

- a. Total number of employees? _____
- b. Number of male Cook Island Maori employees in the following job categories? (see Annex for a description of categories)

Management and administration	_____
Plant maintenance	_____
Indirect client services	_____
Direct client services	_____
Entertainment	_____
Full-time	_____
Part-time	_____

- c. Number of female Cook Island Maori employees?

Management and administration	_____
Plant maintenance	_____
Indirect client services	_____
Direct client services	_____
Entertainment	_____
Full-time	_____
Part-time	_____

- d. Number of female European employees?

Management and administration	_____
Plant maintenance	_____
Indirect client services	_____
Direct client services	_____
Entertainment	_____
Full-time	_____
Part-time	_____

- e. Number of male European employees?

Management and administration	_____
Plant maintenance	_____
Indirect client services	_____
Direct client services	_____
Entertainment	_____
Full-time	_____
Part-time	_____

7. What was your staff turnover last year in %?

8. In your opinion what is the level of supply of local labour in the following job categories? (tick one for each job category)

- | | | |
|---------------------------------|-----------------|-----|
| - management and administration | very good | [] |
| | good | [] |
| | adequate | [] |
| | inadequate | [] |
| | very inadequate | [] |
|
 | | |
| - entertainment | very good | [] |
| | good | [] |
| | adequate | [] |
| | inadequate | [] |
| | very inadequate | [] |
|
 | | |
| - plant maintenance | very good | [] |
| | good | [] |
| | adequate | [] |
| | inadequate | [] |
| | very inadequate | [] |
|
 | | |
| - indirect client services | very good | [] |
| | good | [] |
| | adequate | [] |
| | inadequate | [] |
| | very inadequate | [] |
|
 | | |
| - direct client services | very good | [] |
| | good | [] |
| | adequate | [] |
| | inadequate | [] |
| | very inadequate | [] |

9. Do you recruit some staff from overseas?

yes []

no []

Go to question 10

10. Do you recruit from overseas because: (tick all those that apply)

- | | |
|--|-----|
| a. there is a lack of suitably trained local personnel? | [] |
| b. it is easier and cheaper than training local staff? | [] |
| c. it is company policy to obtain the best staff possible? | [] |

d. other reasons? (please state below) []

11. In this question we would like to find out your opinion on the availability of training for locals. Please tick the box which best describes the availability of training for each of the following jobs.

	very good	good	average	poor	very poor
Management & admin	[]	[]	[]	[]	[]
Accounts	[]	[]	[]	[]	[]
Trades (electrician, mechanic etc)	[]	[]	[]	[]	[]
Receptionist	[]	[]	[]	[]	[]
Gardener	[]	[]	[]	[]	[]
Restaurant staff	[]	[]	[]	[]	[]
Bartender	[]	[]	[]	[]	[]
Housemaid	[]	[]	[]	[]	[]
Storeman	[]	[]	[]	[]	[]
Chef	[]	[]	[]	[]	[]
Kitchen staff	[]	[]	[]	[]	[]

12. Do you feel that:

a. the training available fits your staffing needs?

yes []
no []
not sure []

b. the training available is of a good standard?

yes []
no []
not sure []

c. the government should provide more tourist industry training?

yes []
no []
not sure []

d. tourism businesses should do more to train locals?

yes []
no []
not sure []

13. Do you have in-house training for: (*tick those that apply*)

Management and administration []
Plant maintenance []
Indirect client services []
Direct client services []
Entertainment []

14. Do you think that it is important that as many locals as possible fill:

- management/supervisory jobs in the tourist industry?

important []
quite important []
not sure []
not important []

- non-management/supervisory jobs in the tourist industry?

important []
quite important []
not sure []
not important []

15. Does your business consider localisation of jobs an important issue? (i.e. that locals fill as many jobs as possible)

important []
 quite important []
 not sure []
 not important []

16. Does your business consider that a policy of positively encouraging local employees to become managers and supervisors is important?

important []
 quite important []
 not sure []
 not important []

17. Do you think that locals are generally interested in working in:

(a) Management/supervisory positions in the tourist industry?

very interested []
 interested []
 not sure []
 uninterested []
 very uninterested []

(b) Non-management/supervisory positions in the tourist industry?

very interested []
 interested []
 not sure []
 uninterested []
 very uninterested []

18. Do you think that more could be done to promote jobs in the tourist industry as a career option for locals?

yes []
 no []
 don't know []

Thank you very much for your help with this survey.

Annex

- (a) **Management and administration:** includes accountants and decision-making management occupations.
- (b) **Plant maintenance:** security guards, gardeners, labourers, mechanics, electricians, painters, carpenters.
- (c) **Indirect client services:** storemen, laundry staff, switchboard operators, cooks and kitchen staff.
- (d) **Direct client services:** reservation clerks, receptionists, tour desk clerks, tour and entertainment guides, restaurant staff, bartenders and staff, and housemaids.
- (e) **Entertainment:** musical band members.

Face to face interview questions

1. What is your policy on promotion?
How do you select people for promotion - what are the criteria?
2. How is a manager normally recruited?
3. Why do you think that relatively few locals are in management positions?
4. Do you have anything else you would like to say regarding training? How do you think the situation could be improved?
5. What are your main problems with labour?

APPENDIX 2

STUDENT QUESTIONNAIRE

This questionnaire is part of a study looking at tourism employment in the Cook Islands which is being carried out with the support of the Cook Islands Tourist Authority. We would like to ask you to help us with the study by answering the following questionnaire. As you will be leaving school soon, we would like to know whether you want to work in the tourist industry, and what you think about employment in the tourist industry. Thank you very much for your assistance.

1a. Would you like a job in the tourist industry? (tick one box)

yes []
no []
not sure []

Please say why you gave the answer you did:

If you answered "no" or "not sure" go to question 2 after you have completed 1a.

1b. What specific job would you like to have? (tick one)

Hotel manager []
Hotel accountant []
Service supervisor []
Receptionist []
Gardener []
Housemaid []
Musician/Dancer []

Restaurant Manager []
Dining Room Manager []
Chef []
Cook []
Bartender []
Waiter/Waitress []
Kitchen hand []

Tour guide []
Travel agent []
Airline pilot []
Driver

(continued on the next page)

Shop Manager []
 Shop Assistant []
 Handicraft maker []
 Other (please state below) []

2. What job would your parents like you to do? A job with:

Government (public servant) []
 The tourist industry []
 Offshore Banking []
 Other (please state below) []

3. This question is designed to find out if you agree or disagree with some statements. Please put a tick in the box that best describes how you feel about each statement.

DO YOU AGREE OR DISAGREE THAT...	Disagree	not sure/ no opinion	Agree
Tourist industry jobs are well paid compared to other jobs.	[]	[]	[]
Papa'a workers in the tourist industry are promoted faster than locals.	[]	[]	[]
Tourist industry work is interesting.	[]	[]	[]
The tourist industry tends to offer unskilled jobs with little future.	[]	[]	[]
There are good opportunities for locals to obtain management jobs in the tourist industry.	[]	[]	[]

(continued on next page)

	Disagree	Not sure/ no opinion	Agree
Tourist industry jobs have good promotion prospects.	[]	[]	[]
Tourist industry work leads to loss of dignity for local people.	[]	[]	[]

4. In these questions we would like to find out a little about you.

Which island were you born on? _____

How old are you? _____

Are you: male [] or female []

Which school do you attend? _____

Thank you for your help with this study.

APPENDIX 3



P.O. Box 14, Rarotonga, Cook Islands. Telephone 29435. Cables: 'Cooktour'. Fax: 21435.

TO WHOM IT MAY CONCERN

Mr Steven Bailey is a postgraduate student at Massey University studying towards a Masters of Philosophy degree in Development Studies.

He has received permission from the Cook Islands Research Committee of the Prime Minister's Office to conduct a study into the employment generating status of the Tourism industry at present as well as to assess its potential for future employment generation.

Steven's study will focus on a cross section of tourist operations and the role they play in creating employment in the Cook Islands, labour supply/demand issues and the general perception of Cook Islanders towards employment within the tourism sector will also be addressed.

I would appreciate your assistance in providing him with relevant information that might enable him to complete this study.

Steven will be making contact with you over the next few of days to set a time and date for an interview and your co-operation in this exercise would be greatly appreciated.

Kia Manuia.

Chris Wong
DIRECTOR OF TOURISM.

Dear prospective researcher,

Kia orana. The Government through the National Research Committee is interested in knowing about researchers who intend to undertake research in the Cook Islands.

Researchers are those who visit the Cook Islands with the direct or indirect intention of collecting information or physical samples to produce results for special interest groups or the mass media. In this sense, researchers may be scientists, historians, economists, news reporters, novelists, documentary makers, photo-essayists, university students, or enthusiastic laypeople. Researchers are **not** visitors who photograph a few plants and birds, make a video for home use, or purchase recently crafted artefacts.

In the "Office use only" section of the application, there is a reference to "Cook Islands Associate(s)". In some cases the Research Committee will appoint a Cook Islands Associate to confer with or work with you in the Cook Islands. In most cases the Associate will be a senior member of a Department/Ministry/NGO who is interested in your work. Sometimes a second Associate may be appointed to actually assist you with your fieldwork and learn more about how to do such work. The Research Committee may or may not require reports from the Cook Islands Associate(s).

Consultants

Many researchers are contracted by organisations working in association with governmental or non-governmental groups within the Cook Islands. In such cases, despite the fact that the request for the research may have originated within the Cook Islands, the details of the research proposal still need the approval of the National Research Committee. In such cases, the application may be submitted by the requesting group within the Cook Islands or by the consultant.

Importation of special equipment

If you are bringing special equipment you will need to submit a list with values to the Customs Department to obtain a Re-export Certificate and be exempt import levies.

Importation of biological materials

If you are bringing any dead or live biological material please make a list for consideration by the the appropriate organisation(s), such as Quarantine, Conservation and Public Health.

Importation of dangerous chemicals

If any dangerous chemicals are required for your research please include a detailed list for consideration by the appropriate organisation(s).

South Pacific Research Register

To assist the Pacific Information Centre at the University of the South Pacific to maintained their regional register we ask you to complete their enclosed form, and return it to us with your application.

Yours sincerely,

Tere Bishop
(Chairman, National Research Committee)

Permit to undertake

Research in the Cook Islands

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This is to certify that MR STEVEN BAILEY

has/have permission from the National Research Committee to carry out research in the Cook Islands from 4 JUNE to 2 AUGUST 1993

The topic of research is:

TOURIST INDUSTRY EMPLOYMENT IN RAROTONGA

The Cook Islands Associate Researcher(s) is/are:

DR TAKIORA PAMELA INGRAM

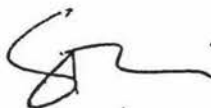
The following special conditions apply to this research:

Permit issued on: 19 APRIL 1993

Issued by: TERE BISHOP

Reference number: 17/93

Signed:



For any inquiries concerning this permit please quote the Name of the Researcher and the Reference Number to the:

Chairperson, National Research Committee, Prime Minister's Department, Rarotonga, COOK ISLANDS, South Pacific. Phone: (682) 29 304 Fax: (682) ~~20 856~~ 22 856

BASIC COURSE: A

APPENDIX 4

Introduction

The continued growth of tourism is very much dependent on an infrastructure that is of a high standard, and services that are of a high quality. For the latter, relevant and quality training courses are vital.

In recognition and in support of this, the Department of Education is embarking on a series of courses to be offered in-school to address the expressed needs of the various sectors of the industry.

The first of these is the Hospitality Services Basic A Course. This is being offered at Form 5 level (lower) to provide basic skills training in the areas of accommodation and catering which would lead into employment and further training in tourism services.

This 'in-school' programme will provide the foundation for future training and specialisation according to the interests and ability of the individual and the employment opportunities that exist.

General Aims

The course will prepare students to acquire basic skills and attitudes in preparation for participation and future employment in the tourist industry.

Objectives

On completion of the course the student will be able to:

- communicate effectively and courteously with tourists;
- work cooperatively with colleagues;
- carry out basic tasks in the preparation of food;
- serve a meal using accepted techniques;
- apply the principles of hygiene in a practical way;
- clean and service a hotel/motel unit;
- identify the various sectors of the tourist industry and their function;
- identify and describe the main cultural and historical sites of interest on their island; and
- prepare and present suitable crafts for sale to tourists.

The course has a theory component as well as a comprehensive practical component. Where possible students will be given the opportunity to have practical 'on the job' experience.

The Home Economics teacher will be responsible for teaching the programme and for coordinating the 'on the job training'.

In addition persons already employed in the tourist and related service industries will assist in the teaching of contents areas related to their experience.

Resources

Tourism Council of the South Pacific Manuals.
Literature as available from CITA.
Material prepared by the Cook Islands Hospitality Training Board Tutor.

Essential Equipment

Basic Home Economics equipment.
Dining table and four chairs.
Crockery, cutlery, glassware and linen for serving four guests.
Gas stoves.
Bed and bedlinen.
Cleaning agents and materials.

Assessment

During the course of the programme students will cover a variety of skills which will be recorded.

Regular assessment will take place after the teaching of each topic to ensure students have understood the theory and acquired the necessary skills. This will also determine the need for remedial or follow up work.

Grades for the awarding of the Certificate will be allotted on the basis of:

Examinations	25%	
Mid Year		10
End of Year		15
Attitude	10%	
On-going tests	25%	
Students' practical work	40%	

The end of the year examination will be a National examination similar to Cook Islands School Certificate moderating tests.

Certification

On the completion of the course the student will be issued with a Cook Islands Certificate in Hospitality Services with the course title, students name and grade typed on it.

This is a one year course to be offered at Lower Form Five level as an option subject. This course is open to any student at this level.

Numbers

The number of students able to be enrolled in this course will be limited initially.

Time Allocation

The minimum time per week shall be 150 minutes (2.5 hours) or three teaching periods. The total minimum hours per year of effective teaching is 87.5 hours or 105 teaching periods.

Course Outline

The course will consist of seven Core Topics and four Specialisation topics:

<u>Core Topics</u>	<u>Periods</u>
Tourism Awareness	5
Communication	5
Safety Sanitation and Hygiene	5
Cultural Studies	5
Local History Environmental Awareness	5
Business Mathematics	5
Computer Awareness	5
<u>Specialisation Topics</u>	
Basic Food Service	20
Basic Food Preparation	20
Basic Housekeeping	20
Business Craft	10
	<hr/>
	105
	<hr/>