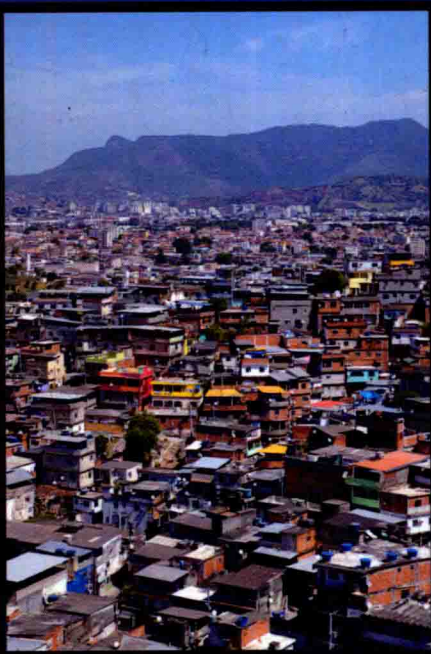


Mahmood A. Khan, PhD
Series Editor-in-Chief

ADVANCES IN HOSPITALITY AND TOURISM

Poverty Alleviation through Tourism Development

A Comprehensive and Integrated Approach



Robertico Croes, PhD, and Manuel Rivera, PhD

AAP | APPLE
ACADEMIC
PRESS

CRC | **CRC Press**
Taylor & Francis Group

Advances in Hospitality and Tourism

POVERTY ALLEVIATION THROUGH TOURISM DEVELOPMENT

A Comprehensive and Integrated Approach

Robertico Croes, PhD, and Manuel Rivera, PhD

AAP | APPLE
ACADEMI
PRESS

Apple Academic Press Inc.
3333 Mistwell Crescent
Oakville, ON L6L 0A2
Canada

Apple Academic Press Inc.
9 Spinnaker Way
Waretown, NJ 08758
USA

©2016 by Apple Academic Press, Inc.
Exclusive worldwide distribution by CRC Press, a member of Taylor & Francis Group
No claim to original U.S. Government works
Printed in the United States of America on acid-free paper
International Standard Book Number-13: 978-1-77188-141-8 (Hardcover)
International Standard Book Number-13: 978-1-4987-3271-0 (eBook)

All rights reserved. No part of this work may be reprinted or reproduced or utilized in any form or by any electric, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publisher or its distributor, except in the case of brief excerpts or quotations for use in reviews or critical articles.

This book contains information obtained from authentic and highly regarded sources. Reprinted material is quoted with permission and sources are indicated. Copyright for individual articles remains with the authors as indicated. A wide variety of references are listed. Reasonable efforts have been made to publish reliable data and information, but the authors, editors, and the publisher cannot assume responsibility for the validity of all materials or the consequences of their use. The authors, editors, and the publisher have attempted to trace the copyright holders of all material reproduced in this publication and apologize to copyright holders if permission to publish in this form has not been obtained. If any copyright material has not been acknowledged, please write and let us know so we may rectify in any future reprint.

Trademark Notice: Registered trademark of products or corporate names are used only for explanation and identification without intent to infringe.

Library and Archives Canada Cataloguing in Publication

Croes, Robertico R., author
Poverty alleviation through tourism development : a comprehensive and integrated approach / Robertico Croes, PhD, and Manuel Rivera, PhD.

(Advances in hospitality and tourism book series)
Includes bibliographical references and index.
Issued in print and electronic formats.
ISBN 978-1-77188-141-8 (hardcover).--ISBN 978-1-4987-3271-0 (pdf)

1. Tourism--Latin America. 2. Poverty--Latin America.
3. Economic development--Latin America. I. Rivera, Manuel
(Assistant professor), author II. Title. III. Series: Advances in
hospitality and tourism book series

G155.L38C76 2015 338.4'791098 C2015-908023-1 C2015-908024-X

CIP data on file with US Library of Congress

Apple Academic Press also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic format. For information about Apple Academic Press products, visit our website at www.appleacademicpress.com and the CRC Press website at www.crcpress.com

POVERTY ALLEVIATION THROUGH TOURISM DEVELOPMENT

A Comprehensive and Integrated Approach

ADVANCES IN HOSPITALITY AND TOURISM BOOK SERIES

Editor-in-Chief:

Mahmood A. Khan, PhD

Professor, Department of Hospitality and Tourism Management,
Pamplin College of Business, Virginia Polytechnic Institute and State University,
Falls Church, Virginia, USA
email: mahmood@vt.edu

BOOKS IN THE SERIES:

Food Safety: Researching the Hazard in Hazardous Foods

Editors: Barbara Almanza, PhD, RD, and Richard Ghiselli, PhD

Strategic Winery Tourism and Management: Building Competitive Winery Tourism and Winery Management Strategy

Editor: Kyuho Lee, PhD

Sustainability, Social Responsibility and Innovations in the Hospitality Industry

Editor: H. G. Parsa, PhD

Consulting Editor: Vivaja "Vi" Narapareddy, PhD

Associate Editors: SooCheong (Shawn) Jang, PhD, Marival Segarra-Oña, PhD,
and Rachel J. C. Chen, PhD, CHE

Managing Sustainability in the Hospitality and Tourism Industry: Paradigms and Directions for the Future

Editor: Vinnie Jauhari, PhD

Management Science in Hospitality and Tourism: Theory, Practice, and Applications

Editors: Muzaffer Uysal, PhD, Zvi Schwartz, PhD, and Ercan Sirakaya-Turk, PhD

Tourism in Central Asia: Issues and Challenges

Editors: Kemal Kantarci, PhD, Muzaffer Uysal, PhD, and Vincent Magnini, PhD

Poverty Alleviation through Tourism Development: A Comprehensive and Integrated Approach

Robertico Croes, PhD, and Manuel Rivera, PhD

Chinese Outbound Tourism 2.0

Editor: Xiang (Robert) Li, PhD

DEDICATION

This book is dedicated to our families. Thanks for your continuous support and unconditional love.

We also like to dedicate this book to all the beautiful people that crossed our paths and inspired us to write this book.

“Beati pauperes spiritu”

ABOUT THE AUTHORS

Robertico Croes, PhD

Robertico Croes, PhD, currently serves as the Associate Dean, Interim Chair of the Tourism, Events and Attractions Department as well as the Associate Director of the Dick Pope Sr. Institute for Tourism Studies at Rosen College at the University of Central Florida in Orlando, Florida. Dr. Croes has published two recent books, titled *The Small Island Paradox: Tourism Specialization as a Potential Solution and Anatomy of Demand in International Tourism*. Additionally, he is a contributor to several other volumes. Dr. Croes has lectured and made presentations throughout the world, including Armenia, the Netherlands, Venezuela, Colombia, Brazil, Nicaragua, Costa Rica, Aruba, Curacao, the Bahamas, Jamaica, Malta, Ecuador, Barbados, Puerto Rico, and Mexico. His research has also been presented at predominant industry and research conferences around the world.

Manuel Rivera, PhD

Manuel Rivera, PhD, is an Assistant Professor at the Rosen College of Hospitality Management at the University of Central Florida in Orlando, Florida. Dr. Rivera also serves as the Managing Editor for a tier-one research journal *International Journal of Hospitality Management*. His empirical contributions include reference to important social issues such as poverty reduction through tourism, income inequality, income distribution, economic entrepreneurship opportunities for street vendors, and improving the quality of life for locals residing in tourism destinations in developing countries. He has collaborated with tourism organizations such as the Puerto Rico Convention Bureau, the Puerto Rico Hotel Association, the Cámara de Turismo de Nicaragua, the Consejo Provincial del Guayas in Ecuador, the Curaçao Tourism Bureau, the Aruba Tourism Authority, Coca-Cola's Latin Center Business Unit, and the Kissimmee CVB, among others, in order to assist in determining how to maximize tourism's benefits for host destinations. He has instructed many different courses in subject areas pertinent to hospitality and tourism management,

restaurant management, and event management. Dr. Rivera also has experience working with music festivals in the Caribbean, more specifically the Curacao North Sea Jazz Festival, the Aruba Soul Beach Music Festival, and the Aruba Electric Festival. He has 20 years' experience working in the tourism and hospitality industry and has worked with leading national restaurant brands in the United States. He earned his educational degrees from Penn State University, Florida International University, and the University of Central Florida and also holds several certificates from Cornell University.

LIST OF ABBREVIATIONS

ADL	autodistributed lag model
BDH	Bono de Desarrollo Humano
CGE	computable general equilibrium
CIO	closed input-output
DPA	demand pull approach
ECLAC	Economic Commission for Latin America and the Caribbean
EDTC	Entrepreneurial Development Training Centre
FAO	Food and Agriculture Organization
FSI	Failed States Index
GDP	gross domestic product
GULL	Global University for Lifelong Learning
HDI	human development index
HDR	Human Development Reports
IIED	Institute for Environment and Development
ILO	International Labor Organization
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDGs	Millennium Development Goals
OLS	ordinary least square
POP	poverty obliteration paradigm
PPP	purchasing power parity
PPT	pro-poor tourism
SWB	subjective well-being
TLG	tourism-led growth
TLGH	tourism led growth hypothesis
UNDP	United Nations Development Program
WTTC	World Travel and Tourism Council

PREFACE

The premise of this book is that tourism has the potential to reduce poverty in developing countries. Tourism as a development strategy has gone through cycles of hope and myth for the poor. The cycle has shifted from tourism holding the potential to alleviate poverty to spurring dependency and deterioration of the standard of living for the population in developing countries to, currently, a renewed potential for poverty reduction. Most tourism studies do not contemplate the poverty issue and rely more on trickle-down assumptions.

After more than fifty years of modern tourism, this industry has yet to garner the sufficient consensus and support it needs to be fully utilized as a tool to free the poor from poverty. Part of the problem is that the ability of tourism to deliver to the poor depends on contextual conditions, such as the mix of incentives and organizational capabilities. These conditions define how tourism economies are structured. Recent research indicates that the impact of tourism on the poor hinges more on the structure of tourism economies and less on the types of tourists patronizing destinations.

There are numerous advantages to tourism compared to the export of goods and services. Revenue from tourism may be more stable than revenue from the sale of goods, such as agricultural and mineral commodities. Additionally, tourism products can extract premium prices due to their uniqueness and the inability to export the experience, as well as low transportation and insurance costs. Yet, despite the advantages of tourism revenue, some critics claim that tourism receipts do not reduce poverty, but instead entrench inequality. They also argue that tourism may not automatically relieve poverty. Our research has suggested otherwise.

This book offers a comprehensive and integrated approach to the topic of tourism development and evidence of its contribution to the fight against poverty. The focus of the book is on the world's poorest, and the chapters explore how tourism connects to the poor and unlocks opportunities to escape the poverty trap. The United Nations is at the eve of taking score of its aim of halving the poor in the world, according to the Millennium Development Goals (MDGs) in 2015. It is therefore a fitting moment

to assess the realization of the noble goal to alleviate this global scourge, specifically by evaluating the capacity for tourism to play a vital role in poverty reduction.

The MDGs triggered the pro-poor debate on a global scale, a debate that is centered on the notion that for growth to be pro-poor, growth has to go hand in hand with the reduction of inequality. In other words, the growth agenda should be consistent with the equity agenda. Many claim that income inequality is a barrier to poverty reduction, sows growth destruction and threatens democracy. The debate on the nexus poverty-growth-inequality has been strong, extensive, and polarizing over time, pitting those who claim that there is a positive correlation between growth and equality against those who assert that economic growth is irrelevant in reducing poverty when inequality levels remain unchanged. On the other hand, the shift in focus should change if inequality makes growth unsustainable, thereby disrupting poverty reduction strategies. The latter condition rigs the focus of economic development on how to reduce inequality.

Thus far, the tourism literature has not embraced the pro-poor debate in a comprehensive manner. This book is an attempt to do just that. It will assess the impact of tourism development on lifting people from below the poverty level as well as ascertaining if tourism development reduces the gap between the poor and the more affluent within a country. If, however, tourism development raises the income of everybody within a country, more so for the most affluent within that country, then surely tourism development may be efficient from an economic point of view but its impact would be highly inequitable. This means that tourism would help perpetuate an unfavorable development, which in the end will slow growth, thereby making everybody in that country worse off. Assessing the total impact of tourism development on the poor is therefore a rational imperative. From this perspective, the book provides a holistic look at the power of tourism development on the poverty issue in developing countries.

Tourism development is credited to be a powerful source of regional development in developing countries. According to the pro-poor movement, through economic mechanisms such as employment and social and business opportunities, as well as the appropriate distribution of government taxes to the poor, tourism development may reduce poverty. This reduction in poverty occurs in two forms that contribute to economies. The primary form spawns direct effects (e.g., jobs created by hotels and restaurants) emerging from market results and the power relations among

owners of factors of production (capital and labor). The secondary form appears as indirect effects spawned by government intervention through regulation, management of macroeconomic conditions (inflation, employment, etc.), and transfer to the poor via social policy. Thus, tourism and its economic contribution are presumed to help the poor.

WHY FOCUS ON THE POOR?

Poverty is conceived as a situation in which a person cannot meet certain pre-determined consumption requirements or experiences a failure to attain capabilities. The measurement is a head count ratio, a proportion of the population below the common poverty line established by the World Bank. This narrow definition is in contrast with a broader definition that is based on the perception of poverty as a multidimensional construct. The definition of poverty, according to the latter perspective, has shifted from it being perceived as due to unsatisfied material needs or being undernourished. A comprehensive definition would show that poverty also entails powerlessness, inequality, exclusion, vulnerability, relative deprivation, and marginalization.

The literature has attributed the persistence of poverty to issues related to resource endowments and accessibility, disease burden or geographical factors, exclusion, and inequality. Mainstream literature on development economics reveals three important conclusions. First, economic growth in developing countries is not persistent. Typically, per capita incomes do not grow steadily over time. Second, inequality levels in developing countries have persisted over time. And third, reducing inequality is a complex social assignment. Too little inequality may remove the incentives for people to work hard, save, and invest, thereby conflicting with the effective functioning of a market. Too much inequality, on the other hand, could waste talents and lives, be destructive for growth, and affect democracy. However, poverty is not only about motivation and choices; poverty is also about opportunities. Combining motivation and opportunities for the poor is the combustion that poverty programs require. However, mainstream development literature has not met the challenge of designing and delivering a specific pathway or set of pathways to enhance the lives of the poor.

The main premise in the development literature is that the poor should be helped. Reasons range from moral imperatives to the urgency to stop

the waste of lives, talents, and capital. The debate lingers around the most effective ways to remedy poverty. For example, freedom seems a powerful concept that defines and shapes choices, aligns private and social interest through the market mechanism, and provides access to private property rights to the poor. The premise that freedom and empowerment may be antecedents for escaping poverty is shared in the literature, albeit under the condition of well-functioning institutions. Other scholars posit that only the poor can decide if they will escape the poverty trap. Thereby, they insist that investigating why the poor make certain choices will enhance the understanding of why some people are poor and remain this way. Others reject the notion that the poor can escape from poverty by themselves, asserting that only foreign aid will make the poor able to escape from poverty. Despite these theories, poverty has persisted.

Poverty has enormous consequences, wasting lives, talents, and the capacity for production. This loss robs millions of people the opportunity to enjoy a better quality of life. Consider this reality: 1.3 billion live in abject poverty (less than US\$1.25/d) and one in three persons live with less than US\$2.00 a day. About 17% of the population of developing countries is undernourished. And according to UNICEF, every day 22,000 children starve to death.¹ Nearly eight million children die every year before they reach the age of five, and almost 900 million people were chronically lacking food during 2010–2012.² The poorest 20% of the world's population accounts for 1.5% of the world's private consumption and the richest 20% consume an astonishing 77% (World Bank, 2009). Within developing countries, the imbalance of the consumption of the rich and the needs of the poor is also appalling. In Brazil, the richest 10% consume 50% of the economy, while the poorest 50% of the country only consume 10% of the economy. Brazil has one of the highest Gini (0.54) coefficients in Latin America.³

This abysmal reality of the poor has wasted significant resources in many countries. De Soto estimates that were the poor not excluded from the market and certain social arrangements met, such as private property, the global economy would thrive, producing an increased standard of living for everyone.⁴ The exclusion of the poor meant a waste of about US\$9 trillion of property, what De Soto termed “dead capital”. The poor are thus trapped because they cannot use their assets (savings, houses or business) to generate capital, which they can use to increase their standard of living and free themselves from poverty.

ARGUMENTS OF THE BOOK

The main premise of this book is that the poor should be helped out of self-interest. Investing in the poor (education, health, nutrition, and infrastructure) means augmenting the productive capacity of the whole economy, thereby increasing the incomes of everybody, including that of the poor. The extension of this premise is that growth is good for the poor and reducing poverty is good for growth. However, the benefits of economic growth cannot be maximized to favor the poor by ignoring the effects of inequality. This means that in order for growth benefits to reach the poor, an assumption must be met that growth is pro-poor. For growth to matter, it has to be inclusive of all players in the market, including the poor. This relationship between growth, poverty, and inequality is shaped by the context of a country's circumstances and choices. There is strong empirical evidence that suggests tourism development may generate facets of economic growth that could change the income configuration for locals.

An important question that should be asked is whether developing countries should continue to spend their scarce resources on tourism development as a means to create "decent" jobs. However, even if the new jobs and income go directly to the poor, it does not mean that they will be wealthier or at an advantage. This is because the relationship between economic growth and equity is not always self-evident in practice. One reason why this relationship fails to materialize in developing countries could be due to the lopsided effects of economic growth on the poor. In times of recession, the poor seem to suffer the most, while in times of prosperity, the poor seem to benefit the least. Therefore, balancing equity with growth becomes a necessity and a policy matter in poverty reduction strategies.

We suggest a new paradigm, the *poverty obliteration paradigm (POP)* that provides the theoretical integration of these three elements, although recognizing that these three elements are related in a complex way. *POP* combines opportunities and motivation and takes into account objective as well as subjective elements framing poverty. This paradigm suggests that this complex relationship depends on several intervening variables, such as the pace of poverty reduction, the structure of the economy, macroeconomic policies, health, and educational status. For example, if one of the parents has a job, a child does not have to work till late at night street-vending to squeeze out a living for the family, instead of doing homework and sleeping, or having access to clean water may release time and efforts

(typically from small children) that can be used to go to school and study. Having additional resources (incomes) through poverty reduction or economic growth helps. The question is can tourism help in providing these additional resources to enable the poor to enjoy a better life and enhance their capabilities (borrowing from Sen: to lead the life they value)?

This proposition is an empirical question. While the flow of international tourism has increased significantly to developing countries during the past two decades, there appears to be little understanding on the extent to which the flow of money generated by tourism decreases poverty in the developing world. We know that in the past decade several countries have been excluded from the infamous list of "Least Developed Countries" (LDC) as they were helped by tourism development. For example, Cape Verde and the Maldives graduated from the LDC list assisted by tourism. Jobs and small businesses have been created in many underdeveloped regions of the developing world, helping to generate and distribute economic participatory opportunities. However, most studies have not examined the impact of tourism on poor people in a systematic way. The question of whether or not this population benefits from tourism development has remained elusive. In particular, the distributional effects of tourism on poverty reduction is conspicuously lacking in the tourism literature as well as research on subjective well-being of the poor in developing countries.

Therefore, the central question that this book attempts to answer is: can tourism development achieve pro-poor growth? To be exact, does growth from tourism infuse a double effect on poverty reduction, and one that is higher than average? And what choices should governments make? To focus on the poor is one thing, but choices can make things better or worse for the poor. To answer this question, this book builds on the works of Mitchell and Ashley,⁵ Scheyvens,⁶ and Saarinen et al.,⁷ using a central focus on the poor as the unit of analysis.⁸ The new book departs from the previous three studies in three fundamental ways: (1) it integrates the debate on the relationship growth-inequality-poverty reduction resonating in the mainstream development economics into tourism studies in a comprehensive way (2) it investigates the conditions that could bring about the twin effects of tourism development on poverty reduction; and (3) it embraces empiricism as its central perspective instead of a normative or ideological perspective.

This book improves our understanding of the dynamic relationship between tourism and poverty reduction in four important ways. First, it

explores poverty and its impact upon development at the macro and micro levels. Second, it focuses on tourism development and its effects on growth, inequality, and poverty reduction and how these dynamic relationships affect the most vulnerable groups of the society. Third, it documents whether the poor perceive tourism development as an important vehicle to help them escape from poverty. And fourth, it maps the conditions under which tourism reaches the poor and how the connectedness with tourism capacity defines the opportunities for the poor.

This book is the result of a decade spent studying the effects of tourism development on poverty reduction. Our interest in this topic took us to several countries, particularly to Latin America. Our search for answers also made us study through readings about countries from other continents. When visiting these countries, we would often see poor individuals roaming the streets in search of food, looking confused, weak, and helpless. In some places, people carried out their bare physiological necessities on the streets, defecating in the open by the roadside. Public safety and public health were intertwined with deleterious consequences. The streets were littered, diseases lingered, and areas were covered by a veil of insecurity and fear, instilling a sense of danger and signaling a place off limits.

We saw children aged 6 and 7 years old working late at night as street vendors instead of staying at home doing homework or studying, not aware of the dangers of the street with no future in sight. This picture was very common in the streets of Managua, the Pacific coast of Nicaragua, in the Cerros of Caracas, the Quindío coffee region in Colombia, Puntarenas in Costa Rica, Guayas, Santa Elena, Salinas, Puna, Montañita, Olon in Ecuador, and Colima in Mexico. This view of despair always provoked sadness as well as compelled us to further seek answers and better understand why people are poor, what it takes to free oneself from poverty, and the dynamics of tourism that can pave the road toward freedom from starvation.

Through our experiences, we came to realize ways in which our lives are somewhat parallel. We too strive to live our lives with passion and hopefulness, and seek to view reality with optimism. For the many individuals that we met, poverty is an intricate social phenomenon in which command over resources or commodities seemed a far cognizance when compared to procuring opportunities, respect, and a voice. Throughout our many conversations, any palpable difference between us in terms of sources of income seemed secondary. For the many courageous and magnificent individuals that we came across in some of the poorest communities in

Ecuador, Costa Rica, Nicaragua, Colombia, and Mexico, the inability to exercise choices and freedom and helpless feelings such as powerlessness and lack of attention, was vocalized to a greater extent and took precedence over any discussion about monetary wealth. This book is about these people and how tourism can help them to help themselves and attain freedom from the doldrums of poverty.

REFERENCES

- De Soto, H. *The Mystery of Capital*; Basic Books Perseus Books Group: New York, NY, 2000.
- FAO. *The State of Food Insecurity in the World 2012*; FAO: Rome, 2012.
- Mitchell, J.; Ashley, C. *Tourism and Poverty Reduction: Pathways to Prosperity*; The Cromwell Press Group: London, UK, 2010.
- Saarinen, J.; Rogerson, C.; Manwa, H.; Eds. *Tourism and the Millennium Development Goals*; Routledge: New York, NY, 2013.
- Scheyvens, R. *Tourism and Poverty*; Routledge: New York, NY, 2011.
- World Bank. *A Break with History: Fifteen Years of Inequality Reduction in Latin America, (LAC Poverty and Labor Brief)*. In *Poverty, Equity and Gender Unit, Latin America and the Caribbean*; the World Bank: Washington, DC, 2011.
- World Bank. *World Development Indicators 2009*; The International Bank for Reconstruction and Development/World Bank: Washington DC, 2009.
- You, D.; Jones, G.; Wardlaw, T. *Levels and Trends in Child Mortality. Report 2011*; United Nations Children's Fund: New York, NY, 2011.

ENDNOTES

- 1 See <http://www.globalissues.org/article/26/poverty-facts-and-stats>.
- 2 See You et al. (2011) and FAO (2012).
- 3 See World Bank (2011).
- 4 See De Soto (2000).
- 5 See Mitchell and Ashley (2010).
- 6 See Scheyvens (2011).
- 7 See Saarinen et al. (2013).
- 8 In Latin America there is a large number of people who are not technically poor but are vulnerable to external factors, such as losing a paycheck, an unexpected medical bill, or natural disasters (flooding, droughts and hurricanes) which can put them in the army of the 46 million people struggling to get by under the poverty line in Latin America.