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Unravelling the Tourism–Poverty Nexus

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UNRAVELLING THE TOURISM–POVERTY NEXUS

Until now, the academic literature on tourism and poverty has been disjointed.

Literature on the links between tourism development and poverty alleviation is surprisingly fragmented. A new model, the Tourism-Poverty Interdependence Diamond (TPID), from Dr. Jorge Ridderstaat and Dr. Xiaoxiao Fu, UCF Rosen College of Hospitality Management, offers a tool to unravel the complexities of this relationship. Using Honduras as a case study, this new approach clearly shows that tourism development can impact poverty, and highlights that poverty can also impact tourism development, with the links ranging from direct to indirect.

The tourism industry is responsible for a staggering 10.4% (approx. U.S.$ 9,170 billion) of the global gross domestic product (GDP) and a similar proportion of all jobs worldwide (approx. 334 million). When managed effectively, tourism can be a route to economic growth via income and job generation; in turn, this can lead to poverty alleviation via both direct and indirect pathways. Poverty levels are directly impacted by job creation and the establishment of new businesses; indirect impacts include social empowerment and inclusion, favorable tax policies, and socio-economic initiatives.

However, despite its undisputed importance to global, national, and local economies, the academic literature on tourism and poverty is disjointed. Many studies have considered the topics of tourism development, poverty, economic growth, and human development, but few have analyzed them as interrelated issues. When the body of literature is reviewed together, links between poverty and tourism become apparent, but only via inference and indirect correlations. The picture that emerges strongly suggests that this relationship is complex and not one-sided; tourism development can impact poverty, but poverty can also impact tourism development. A clearer view of the situation requires a new, and less fragmented approach.

Ridderstaat and Fu have developed a new framework to analyze the links between tourism development and poverty.

A team led by two researchers from UCF Rosen College of Hospitality Management, Dr. Jorge Ridderstaat and Dr. Xiaoxiao Fu, have taken up the mantle and developed a new integrative framework for analyzing the links between tourism development and poverty, taking into account the interrelated spheres of social and economic development. They have named their approach the Tourism-Poverty Interdependence Diamond (TPID).

TOURISM-POVERTY INTERDEPENDENCE DIAMOND

The Tourism-Poverty Interdependence Diamond, or TPID, provides a framework for exploring both direct and indirect relationships between tourism development and poverty.

The TPID framework hypothesizes that tourism directly affects poverty, and that poverty directly affects tourism development. With regards to indirect factors, the model hypothesizes that tourism development is indirectly affected by economic growth and human development, and that both of these factors are in turn affected by poverty. However, the TPID also takes it a step further, by hypothesizing that tourism development (poverty) indirectly affects poverty (tourism development) through the mediation of economic growth via human development, and through human development via economic growth.

To test these hypotheses and build an integrative model that can be applied to a given location, the TPID framework relies on the collection of a diverse dataset of relevant variables, including measures of economic development (e.g., GDP, poverty indices), social development (e.g., human development indices, human rights indices), key tourism markets (e.g., measures of demand for tourism services from other countries), and major shocks (e.g., impacts of specific natural disasters, civil or military unrest, global pandemics, global and national economic crises, etc.). A key aspect of the TPID framework and its approach is that it considers correlations across multiple sets of variables.

SITUATION ON THE GROUND: A HONDURAS CASE STUDY

To test the TPID framework, the research team applied it to the Central American country of Honduras. Despite recent growth outstripping that of neighboring countries, Honduras still faces widespread poverty, with 50% of the population considered to be in extreme poverty. Up to 75% of the population lives in rural areas, and socio-economic inequality is high. While not as widely viewed as a tourist destination as some other countries in the region (e.g., Costa Rica), prior to the COVID-19 pandemic, tourism accounted for approx. 12% of the national economy and approx. 540,000 jobs. The country boasts significant natural attractions, such as world-class diving sites, and two UNESCO World Heritage Sites. The vast majority of visitors are from the United States and four other Central American countries (El Salvador, Guatemala, Nicaragua, and Costa Rica), which together account for 75% of all tourists visiting Honduras.

In addition to basic socio-economic data (e.g., GDP; indices related to economic development, human development, and human rights), the researchers collected data on tourism demand from the five key markets (i.e., the countries listed above). In addition, data on major shocks to the country included the global financial crash of 2008–2010; Hurricane Mitch, which had a devastating impact on the country in 1998; and the September 11 terrorist attacks in New York.

TOURISM DEVELOPMENT CAN IMPACT POVERTY, BUT POVERTY CAN ALSO IMPACT TOURISM DEVELOPMENT.

The results of the analysis suggest that, in Honduras, the relationship between tourism and poverty is mostly direct; however, it is also highly market-specific. For example, when considering the U.S. market, tourism development has a direct alleviatory impact on poverty, and poverty has a direct impact on tourism development. For El Salvador and Guatemala, tourism development also directly alleviates poverty, but not vice versa.

Investigating the links between tourism development and poverty alleviation, using Honduras as a case study.

No relationships were found with regard to the Costa Rican and Nicaraguan markets. In short, the potential of the poor to drive tourism development has not been effectively harnessed, with the focus solely on the U.S. market. This represents a missed opportunity for more widespread grassroots alleviation of poverty.

Regarding external shocks, Hurricane Mitch reduced the number of tourists visiting Honduras, clearly degrading economic and social poverty-related measures. The negative impact on the U.S. market was particularly damaging, given the emphasis placed on catering to this market. Similarly, the September 11 terrorist attacks in New York also had a detrimental effect; while not directly impacting Honduras, they did reduce travel demand from the U.S. market.

The study resulted in a number of other interesting findings. For example, improvements in some social/human indices were positively correlated with increased poverty; in particular, as participation in education increases, poverty also increases, likely because people are no longer economically active. Improvements in human development were also positively correlated with tourism development; that is, as social conditions improve, people are more likely to support the development of the tourism industry (e.g., by offering tourism services). Sadly, this positive impact is not reciprocal, with tourism development having a negative impact on human development. This likely reflects massive issues of inequality across the country, with the benefits from tourism not distributed evenly and the poor profiting the least.

> THE TPID MODEL OFFERS A NEW TOOL FOR GOVERNMENTS AND OTHER STAKEHOLDERS TO INTEGRATE TOURISM DEVELOPMENT AND TOURISM DEVELOPMENT AND POVERTY ALLEVIATION.

PRACTICAL IMPLICATIONS

The research team believes that the TPID model offers a new tool for governments and other stakeholders to effectively integrate tourism development and poverty alleviation. Honduras's results clearly show that tourism development's influence on poverty (and vice versa) is market-specific. From an academic perspective, this highlights the need for market segmentation studies. From a practical perspective, it shows the importance of market-targeted policies to support positive feedback mechanisms between tourism development and poverty alleviation. By carefully selecting the right set of variables, policymakers have the opportunity to holistically view the tourism development/poverty landscape at different spatial scales (national, local, destination), allowing for a more integrated and structured approach to both developing the tourism industry and alleviating poverty.

At a national level, governments can provide a landscape that is conducive to both goals; for example, the national implementation of social programs to build capacity (e.g., childhood immunization, education, etc.) and financial reforms that capitalize on tourist income (e.g., tourist taxes). Indirectly, addressing national issues such as weak institutions and socio-economic inequality is critical. At a local level, education is vital; for example, improved levels of education would open doors to employment opportunities within the tourism sector for the poorest in society. Local policymakers should also consider existing and potential tourist markets (in terms of country of origin and types of tourists) and focus their marketing strategies accordingly. In Honduras, this might involve the development of eco- and cultural tourism promoted to new markets in Europe.

RESEARCHERS IN FOCUS

RESEARCH OBJECTIVES

Dr. Jorge Ridderstaat and Dr. Xiaoxiao Fu studied the links between tourism development and poverty alleviation, using Honduras as a case study.

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PERSONAL RESPONSE

Would the method also work for countries with higher levels of economic development?

"The Tourism-Poverty Interdependence Diamond (TPID) has the potential to be universally applied across diverse nations, regardless of their socioeconomic status. The affliction of poverty is not restricted solely to developing nations but can manifest in a variety of contextual settings."

Dr. Jorge Ridderstaat

Dr. Jorge Ridderstaat is an Associate Professor at Rosen College of Hospitality Management, UCF. His research agenda focuses primarily on the dynamics in tourism and hospitality, where he specializes in data decomposition and analysis using econometric techniques. Dr. Ridderstaat received his doctorate from the Free University of Amsterdam (Netherlands), where his dissertation focused on the determinants of tourism demand dynamics in a small island destination. He is the author of two books and many academic publications (refereed journal articles, book chapters, encyclopedia entries, and conference papers).

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