Goal 10: Reduced Inequalities

Reduce inequality within and among countries

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ABSTRACT: *Projections on the basis of current and previous developments regarding inequalities show that a trend reversal is absolutely essential to accomplish SDG 10. The established and popular assumption that growth in tourism automatically leads to development and diminishes inequalities is not realistic. Sustainable Tourism is not a goal in itself. Modest socio-economic or ecological adjustments in production (this is usually understood by "sustainable tourism') will not bring the necessary change. Sustainability in tourism needs to be measured against the ways in which tourism contributes to reducing inequalities.*

Introduction

SDG 10 is one of the most progressive elements of the 2030 Agenda and an impressive and necessary step towards a transformative vision for the world in 2030. It casts a spotlight on one of the underlying causes of poverty and deprivation, not only within but also between countries. Its targets pledge action to reduce inequalities in income as well as social, political and economic exclusion and discrimination, inequalities in opportunities and outcome, key policy determinants of inequality (such as fiscal policy) and necessary reforms in global governance to curb differences in political influence.

It was an important success in the negotiations of the 2030 Agenda to formulate a specific goal on inequalities within and between countries. Nevertheless, discussions among UN member states were difficult and substantial curtailments were made before the 2030 Agenda was finally adopted by the UN General Assembly in September 2015. As is the nature of compromise amongst governments, the result is a goal that has a very progressive title, but lacks specifics when it comes to its targets (Donlad, 2016, p. 80-86).

Political commitment with respect to inequalities was long overdue. Inequality between countries has been declining for a couple of years. But “within-country inequality for the average person in the world was wider in 2013 than 25 years previously [and] developing countries tend to exhibit wider within-country inequality relative to developed countries” (World Bank, 2016, p. 10).

Reducing inequalities is not just a goal on its own, but a crucial cross-cutting challenge to be addressed in all SDGs. Failing to curb inequalities would result in failure to achieve many of the other 16 SDGs. Vice versa, the achievement of SDG 10 also depends on developments in other SDGs. In tourism there is a strong connection with >> SDG 13 on climate change and >> SDG 8 on employment and decent work.

What statistics tell us about income inequalities and tourism

A study published in 2015 by the German Tourism Association (BTW) correlates the GINI-coefficient (a measure for inequality, with 0 meaning complete equality, 1 complete inequality) with growth in international tourism in 89 developing countries and emerging economies. The study concludes that income inequality decreases with growing international tourism only in the short run, but increases permanently on the long run (BTW, 2015, p. 99ff). Academic research from countries as diverse as Thailand and Brazil found that incomes of the poor relative to the rich do not increase as a result of a ten percent increase in foreign tourist arrivals (Wattanakuljarus et al, 2008 and Blake et al, 2008, p. 3). Even though only a few studies exist, they agree that domestic tourism has more favourable effects on income equality than international tourism. Domestic tourists spend mainly on local food, transportation, and services provided by local small and medium enterprises while foreign tourists spend more on accommodation, partly connected with international hotel chains (Ebd. p. 10).

Major Challenges

Inequalities between countries

Reducing inequalities between countries is an overall aim of SDG 10. However, the goal is not very specific on what that means. Indications are only given by the tools mentioned to achieve the overall goal, for example better regulation and monitoring of global financial markets, better representation of developing countries in international decision making, etc. Tourism may exacerbate inequalities between countries rather than reduce them, if wrong measures are taken.

Foreign direct investment, for example, does not automatically contribute to reducing inequalities. Incentives to attract investments may have negative side effects, for example if countries reduce environmental and social protection to attract investments. In many countries, tourism investment has been channeled to special economic zones and investors have received tax benefits and preferable leasing contracts.

When competing for tourists and investors, destinations all over the world do not just invest in tourism infrastructure, but also in actually getting tourists. For example, in 2016 Turkey decided to subsidize every charter flight with US$ 6.000 (Reuters, 2016). Such support is also granted in other countries that want to attract tourists, even in low-income economies such as Kenya.

International tourism to economically weaker countries often makes use of structural imbalances in economic and political power. "Sea-sun-sand" tourism is the main segment from economically affluent to economically deprived countries. Their comparative advantage relies on their rigorous pricing policy and depends on low costs for local supply and services. Due to the high price sensitivity of tourism, receiving countries fear to be excluded from the tourism map if prices rise.

Tourism – especially international tourism – is an import-intensive industry and many products are shipped across long distances. While smaller companies often have deep roots in the local economy, multinational and international corporations can achieve economic advantages such as economies of scale thanks to their international supply chains. Research shows that hotels in the Dominican Republic import most of their fish because international prices are lower than local prices (Lange, 2011, p. 54). The result is that part of the foreign exchange earnings generated by tourism does not remain in the destination. This so-called leakage effect can be extremely high and is estimated to be 40-50 percent on average in developing countries and much lower in developed countries (UNWTO, 1995, p. 10). The United Nations Conference on Trade and Development (UNCTAD, 2010) points out that "high levels of leakage can seriously undermine the positive development impacts of tourism.

Inequalities within countries

Income inequalities can certainly not be effectively tackled unless the underlying inequalities of opportunities are addressed. Eventually, inequalities in outcomes such as health and education will be effective indicators to check whether the measures taken have been successful.

To reduce inequalities within countries, SDG 10 focuses on social, economic and political inclusion of all and the reduction of inequalities by eliminating discriminatory laws, policies and practices. The reality in tourism is far away from this.

Lack of inclusion of local population in tourism planning and implementation

Tourism can threaten the already precarious situation of indigenous people, as the example of the Moken in Thailand shows. The Moken's traditional area is the Andaman Sea with its long beaches and uninhabited islands, where they used to pursue a nomadic sea culture. Their lives changed dramatically after they were relocated to on-land sites. Tourism development in the region additionally threatened their livelihoods, due to increasing land values and costs of living. Today, the indigenous communities can hardly pursue their traditional lifestyles. They are exploited for their diving skills and work under precarious conditions in and around the tourism hotspots (Wongruang, 2012).

Also, self-administered tourism development around the world is hampered by unfavourable conditions regarding land rights, as the case from Nicoya in Costa Rica shows. The legal insecurity about their land tenure limits the socio-economic opportunities of local communities. They are prevented from becoming formalized tourism players, as they cannot get formal registration.

Tourist arrivals and tax revenues

Tax exemptions by governments or strategies for tax ‚optimization' by companies are among the reasons why growth in tourist numbers does not necessarily lead to an increase in public welfare. Figures from Cancún in Mexico show that corporate profits are growing while tax revenues are decreasing. Based on in-depth research, Linda Ambrosie (2015) identifies the main reason in the shift from a "lodging+" model to an all-inclusive model that allows big international hospitality companies to creatively ‚optimize' their tax payments because all operational costs from accommodation to food and services are incurred within one and the same company. Tourism also generates direct tax revenues, e.g. international departing fees and hotel taxes. In the case of Cancún, these revenues are not distributed fairly to address income inequalities (which are above the Mexican average), but to finance and support tourism promotion (Ibd., p. 141).

Relying on all-inclusive tourism means that tourists spend less in the destinations and less money reaches small shops, local restaurants, or other small-scale service providers. Aruba therefore decided to limit the percentage of hotel rooms with all-inclusive service to 40 percent (Bloomberg, 2016).

Working in tourism – no place in the sun

Tourism is not only a labour intensive low-income sector that allows relatively easy access to work for a large number of people with low levels of formal education. It is also a sector that requires high-level qualifications, namely foreign language skills and specific (international) management skills. With regard to financial benefits and social security, there is a huge gap between the large number of people working in kitchens, house keeping or laundries and the relatively small number of persons at front desks as well as at management level. And the gap is widening due to the fact that outsourcing is very common in the hospitality sector, especially in sections such as laundry, cleaning and housekeeping.

Tangible Ways Forward

Projections on the basis of current and previous developments regarding inequalities show that a trend reversal is absolutely essential to accomplish SDG 10. Without political will and a clear vision, achieving the goal is highly questionable. The established and popular assumption that growth in tourism automatically leads to development and diminishes inequalities is not realistic. Sustainable Tourism is not a goal in itself. Modest socio-economic or ecological adjustments in production (this is usually understood by "sustainable tourism") will not bring the necessary change. Sustainability in tourism needs to be measured against the ways in which tourism contributes to reducing inequalities. Unfortunately, the necessary transformation of tourism and a reversal of trends are not very likely, as they are not in the interest of the majority of decision makers in governments and companies.

Local participation in decision-making

In many destinations local people are not involved in decision making processes and tourism planning. A legal claim to involvement and participation is urgently needed and must fit the needs and realities of the local population. The governance principle of "prior informed consent", described in the UN Declaration on the Rights of Indigenous Peoples, has to be implemented and applied to all and in all tourism planning processes. Discriminatory laws, policies and practices which harm the social and economic development of individuals or specific groups have to be abolished in order to achieve a broader range of social benefits.

From leakages to linkages

To reduce inequalities between countries, a destination needs to reduce the outflow of money to other countries. Tourism needs to be embedded in an overall economic strategy to gain the highest local net product possible. This includes strategic support for small and medium-size businesses on site. Economic advantages that prevent internationally merged businesses from purchasing local products and help them benefit from global economies of scale need to be revised.

Fair distribution of costs and benefits

International competition at the expense of people and the environment leads to inequalities. Ecological costs (in long-haul tourism 80 percent of the climate impact is caused by air travel) and social costs (e.g. outsourcing or harmful recruiting practices especially of migrant workers) have broadly been ignored. There is an urgent need to tax ‚public bads', e.g. flight emissions and implement fair labour standards including living wages and social protection.

Re-distribution of revenues

Tax equity and the distribution of national revenues have to tackle inequalities in a targeted way and should reduce disparities with regard to power and opportunities. Tax exemptions and subsidies by governments divert resources needed by society, for example in education and health. “Significant redistribution of wealth, resources, opportunities and power, which in turn means robustly addressing the financial and political privileges of wealthy elites and transnational corporations” is needed to reduce inequality (Donlad, 2016).

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