



**DEVELOPMENT OF TOURISM AND HOSPITALITY INDUSTRIES IN NIGERIA: A
PANACEA FOR POVERTY AND UNEMPLOYMENT REDUCTION**

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Abstract

Review of development of tourism and hospitality industries in Nigeria on impact of poverty and unemployment reduction has been made. The results indicated that tourism sector of Nigeria has been an important sector for many decades in generating foreign exchange and employment in the country. It is a growing sector with huge potentials for investment and development in tourism sector is not growing and information on the demand and supply ideas of tourism is poor. Tourism cannot provide employment and income to all the people in a destination and but it can be a panacea for economic development. But where there are potentials to develop this sector, there is scope to provide opportunities to a larger number of people, given its labour intensive nature. The result clearly indicates local areas adjacent to tourism destinations appear to have a comparative advantage in employment and poverty reduction and should gradually move to specialize in their activities. Although not examined by the present study, it can be said that tourism can also provide income and employment opportunities in other sectors e.g., public transport, wildlife safari, elephantrides, tour guides, restaurants, furniture, and various types of shops etc. In many places local people are able to perform cultural shows, and besides earning incomes some are able to promote their local culture as well. It is argued that tourism employs a relatively high proportion of women and thus contributes to gender equality. Tourism can help the poor improve their livelihoods, but this will require concerted efforts – strategies that help establish strong linkages with the tourism sector. Scope also exists to provide more training to local people so that they are able to get better paid jobs. Overall, the study results clearly indicate that tourism contributes to the local economy providing direct employment and indirectly by purchasing food and nonfood items from local producers.

Key Words: *Tourism, Employment, Poverty reduction, Hospitality*

Introduction



The importance of tourism for job creation and poverty reduction cannot be overestimated. Today, tourism is beginning to be recognized as a major source of economic growth especially in poor countries. However, tourism is a force for poverty reduction. To international aid organization staff, to Government, Employers' and Workers' groups who are constituents of the International Labour Organization and people who work for the ILO in regional and national offices, as well as for all those who are interested in how to reduce poverty. Recent developments in tourism provide a clear framework that correlates decent work with the Millennium Development Goals in the context of tourism, as well as outlining ways to Mainstream pro-poor tourism in major strategies aimed at poverty reduction.

There is enormous scope for the tourism industry to contribute better to less poverty in the world. It is still not widely recognized that travel and tourism is one of the world's biggest

The wider travel and tourism industry now accounts for more than 10 per cent of global Gross Domestic product (GDP) and creates more than 230 million jobs. For developing countries, tourism generated foreign earnings of more than US\$260 billion in 2007, more than six times higher than in 1990. Tourism is one of the major export sectors of poor countries and the leading source of foreign exchange in 46 of the 49 least developed countries (LDCs). Yet, to date the link between tourism and poverty reduction has lacked focus in the development plans of many poor countries. Many development plans accept that tourism contributes significantly to economic growth. However, economic growth does not necessarily lead to less poverty. Equally, while many small-scale projects have been developed to link tourism with poverty reduction, large-scale poverty reduction from tourism depends upon clear strategies consulted, articulated and monitored through national poverty reduction strategy plans.



Tourism targeted interventions

Economic growth is an essential but not a sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor. It includes changes in institutions, laws, regulations and practices that help create and perpetuate poverty. It includes targeted interventions to enable poor people to better integrate into economic processes and take advantage of opportunities to improve their economic and social well-being. It means ending harassment of the poor, and eliminating restrictions on how they make their livelihoods. This especially applies to the tourism sector. Interventions must be made to help poor people become part of the processes that drive the industry. Tourism jobs Travel and tourism is itself human-resource intensive due to the service nature of the industry (Buckley and Casale 2006) The wider travel and tourism economy creates (both directly and indirectly) more than 230 million jobs, which represents about 8 per cent of the global work force. Half the workers in the industry are aged 25 or younger. Women make up between 60 and 70 per cent of the labour force in the industry. This gender dimension can be especially important: according to the United Nations Development Programme (UNDP), empirical evidence suggests that developing countries with less gender inequality tend to have lower poverty rates. Paid work by women reduces overall poverty and inequality. In fact, eliminating barriers to women's participation in paid work (as is typical of the tourism industry) has a much stronger effect on poverty and economic growth than ending wage discrimination. Further, there are three workers indirectly dependent on each person working in hotels, such as travel agency staff, guides, taxi and bus drivers, food and beverage suppliers, laundry workers, textile workers, gardeners, shop staff for souvenirs and others, as well as airport employees.

Tourism and poor countries



Pro-poor tourism

According to the Pro-Poor Tourism Partnership, PPT is “tourism that results in increased net benefits for poor people. PPT is not a specific product or niche sector but an approach to tourism development and management. It enhances the linkages between tourism businesses and poor people so that tourism’s contribution to poverty reduction is increased and poor people are able to participate more effectively in product development. Links with many different types of “the poor” need to be considered: staff, neighbouring communities, land-holders, producers of food, fuel and other suppliers, operators of micro tourism businesses, craft-makers, other users of tourism infrastructure (roads) and resources (water), etc. There are many types of PPT strategies, ranging from increasing local employment to building mechanisms for consultation. Any type of company can be involved in PPT – a small lodge, an urban hotel, a tour operator, an infrastructure developer. The critical factor is not the type of company or the type of tourism, but that an increase in the net benefits that go to poor people can be demonstrated”.

Even this detailed definition has its limitations, however. Its weakness is that it remains oriented to single operations, rather than to the wider industry. Because tourism is such a large and growing industry, and so important to poor nations, large-scale strategies should now be emphasized in order to make real inroads into poverty.

Poverty

Who are poor people? The United Nations defines extremely poor people as those who live on less than the equivalent of one US dollar per day. This is measured in purchasing power parity (PPP), which is based on the cost of a similar basket of goods



in different countries, expressed in United States dollars. Merely poor people are those who live on less than US\$2 per day PPP (www.propoortourism.org.uk)

To go further, who are the poorest of the poor and how they can benefit from PPT? It has been pointed out that often the poorest are not subsistence farmers as is often assumed, but rather landless informal agricultural workers and their families. However, the real meaning of poverty goes beyond just lack of money and its arbitrary measurement. The box opposite the beginning of this chapter puts it succinctly.

Benefits in employment

Tourism is human-resource intensive due to the service nature of the industry. It is among the world's top job creators and allows for quick entry into the workforce for youth, women and migrant workers. The wider tourism economy provides, both directly and indirectly, more than 230 million jobs, which represents about 8 per cent of the global workforce. Women make up between 60 and 70 per cent of the labour force in the industry and half the workers are aged 25 or younger (ILO 2008). In developing countries, sustainable tourism investment can help create job opportunities, especially for poorer segments of the population. The move toward more sustainable tourism can increase job creation. Additional employment in energy, water, and waste services and expanded local hiring and sourcing are expected from the greening of mainstream tourism segments. Furthermore, an increasing body of evidence suggests significantly expanded indirect employment growth opportunities from segments oriented toward local culture and the natural environment (Cooper et al. 2008, Moreno *et al.* 2010, and Mitchell et al. 2009). Tourism creates jobs directly and leads to additional ("indirect") employment. It is estimated that one job in the core tourism industry creates about one



and a half additional jobs in the tourism-related economy (ILO 2008). There are workers indirectly dependent on each person working in hotels, such as travel-agency staff, guides, taxi and bus drivers, food and beverage suppliers, laundry workers, textile workers, gardeners, shop staff for souvenirs and others, as well as airport employees (ILO 2008). These relationships influence the many types of workplace relationships that include full-time, part-time, temporary, casual and seasonal employment and have significant implications for employment opportunities within the sector. A study of South Africa shows that direct employment in the core tourism sector only accounts for 21 per cent of total employment creation due to tourism spending in 2008 (Pan African research& Investment Services 2010). Available data indicate that every new job in tourism can have multiplying effects in the whole economy.

For the EU 27, GHK (2007) estimates direct and indirect employment multipliers for environment-related tourism at between 1.69 and 2.13. This means that for every 100 jobs directly created in the sector, 69 more are created elsewhere in the economy as a result of indirect effects and the figure increases to 113 when induced effects are taken into account. The authors define environment-related tourism (ERT), as activities where the natural environment (not the built environment) is responsible for influencing the choice of destination for the tourism activity, including visits to hills, mountains, coasts, farmland, woods, forests, springs, lakes and wildlife and the activities of fishing (sea, game and coarse), walking, climbing, golfing, skiing, cycling, bathing/swimming, etc. It is estimated that sustainable tourism in Nicaragua, a destination that focuses very prominently on its culture and natural environment, has an employment multiplier of 2. That is, for every job in the tourism sector, an additional local employment is created, with higher wages than the national averages (Rainforest Alliance 2009).

Local economic development and poverty reduction
Local economic development
Tourism is an important and effective driver of local economic development. Tourist



spending enters the local economy to varying degrees depending principally on the structure of the tourism business and its supply chain at a destination. The economic contribution entering the economy is the “local contribution” and is typically measured as an average amount per tourist, and as a percentage of the total tourism spending that stays in the local economy. That which is not retained in the local economy is “leakage.” Multiplier effects are limited by leakages, which reduce the positive economic impacts of tourism. Wells (1997) reports values of leakage as a percentage of gross tourism receipts ranging from 11 per cent (Philippines) to 56 per cent (Fiji). The “income multiplier” is used to describe the amount of the indirect economic activity resulting from the local contribution. The economic development potential of tourism is a direct function of the local contribution and multiplier—larger local contributions and larger multipliers each lead to greater economic activity in the local economy and there are important synergies between them. From a global perspective, Mill and Morrison (2006) review the literature on income multipliers and present a list of estimations from different countries and regions. Income multipliers can be relatively low for specific destinations such as the City of Winchester (0.19) and higher for a country such as Turkey (1.96). According to Cooper (2008), tourism impacts income in different ways depending on the country or region where it develops. Every US dollar spent by overnight tourists’ impacts income in the economy between 1.12 to 3.40 times. This high variability indicates that local economic impact development will depend on particular characteristics of the tourism business “model”, in particular the quantity and type of products and services sourced from the local economy. In destinations where a large percentage of tourist needs are locally supplied (beds and linens, food and beverage, equipment and supplies, labour, tour and transportation services, souvenirs, among others), local contribution and multipliers tends to be high, and the resulting economic impact



correspondingly greater. In destinations where substantial income is not captured locally, economic impact from tourism is less

Net impact

Tourism can have both positive and negative effects on poor people. There are three main ways that tourism can impact on vulnerable people:

- (1) Through direct effects on the poor, such as tourism jobs and small tourism enterprises;
- (2) Through secondary effects, such as earnings from supply chain industries (for example, food and construction) as well as from tourism workers who spend their earnings in the local economy; and
- (3) Through dynamic effects on the economy such as entrepreneurship, wages and prices, infrastructure development, other export sectors, skill development and the natural environment.

There is no destination where poverty impact has been assessed in all three of these ways. Assessing tourism poverty effects in future needs to look at all three areas of impact. It is most important to be aware that tourism, like any other activity, can have both positive and negative effects on people, especially the poor. It should not be assumed that PPT strategies will have only positive effects. For example, the introduction of new tourist resorts can benefit the poor through job creation, but may have negative effects through increased prices for land and commodities, or reduced access to beaches and fishing grounds. Strategies that aim to reduce poverty must assess the net impact in order to give a true picture. Future approaches' need to consider net effects as well as benefits.

Growth versus share



As with broader debates about national and global economies, the issue of absolute growth as against equitable share of that growth is often heard in relation to tourism. The underlying assumption behind this issue is that the two goals are in conflict with each other. However, expanding tourism overall with a bigger share for the poor is achievable. In destinations where tourism is already pro-poor, studies suggest that the poor will benefit from a combined approach: expanding the overall size of the sector, while simultaneously tackling the bottlenecks that prevent the poor from earning a greater share.

The relative value of either one varies by destination. In Da Nang, Viet Nam, for example, removing blockages to growth in upmarket coastal accommodation was the main short-term priority. This was more effective than the traditional pro-poor policy goal of strengthening local linkages. This was due to the inherent pro-poor characteristics of tourism and extensive existing linkages in the destination, and also to government tourism land supply policy which had held back the expansion of the sector. By contrast, in Ethiopia existing supply chains are disconnected from the local economy. Interventions that enable the poor to participate must be integrated into expansion of the sector for tourism growth to reach the poor (A. Pleumarom, third world network, 2007-2000)

Why persistent poverty when tourism can help?

There is a lack of systematic and documented monitoring of changes in poor people's livelihoods due to tourism. Neither the full range of impacts of tourism development on poverty levels, nor the before-and-after impacts of specific pro-poor measures have been rigorously assessed. Despite plenty of literature that suggests various pro-poor strategies to adopt, there is little that actually quantifies results. Technical assistance. The level of technical assistance available to help develop pro-poor tourism is still less



than ideal. However, the international community is beginning to recognize the importance of tourism as a potential driving force in the social and economic development of poor countries. This is because tourism development makes for much better trading opportunities. Accordingly, it is one of the most effective ways of avoiding marginalization from the global economy. Because it can be a catalyst, tourism is one of the few economic sectors able to guide a number of developing countries to higher levels of prosperity and for some, to leave behind their LDC status. The UNWTO's ST-EP Programme began in 2002, and is a good example of how technical assistance to the industry can work. It provides technical assistance to developing countries on sustainable tourism development. Based on the recommendations resulting from missions, the help it offers can include product development, marketing, strategic planning and skill enhancement for business and national and local government relevant to tourism. Its recommendations can result in funding from international development agencies. ST-EP also facilitates research and identifies models of best practice.

This includes seven mechanisms for poverty reduction through tourism that were identified by the UNWTO after detailed analytical research. These mechanisms have proved to be useful to parties working on development and poverty reduction, including governments, international organizations and NGOs, and community-based organizations. While ST-EP is still relatively new, it builds on work by the increasing number of agencies that have policies linking tourism with poverty alleviation. These include the Asian Development Bank, the World Bank, the British DFID-ODI, the Netherlands' SNV, UN technical agencies such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), and the World Commission on Environment and Development (WCED), international tourism organizations such as the Pacific Asia Travel Association (PATA)



and some international NGOs. However, tourism development that includes poverty reduction cannot be left to the private sector alone in many developing countries. This is due to lack of money and weak institutional capacity of the private sector in such destinations. Design and implementation of an effective strategy usually needs strengthening of partnerships between the private sector and national tourism authorities. Help from international agencies is usually needed to achieve objectives (Madrid, UNWTO, 2004).

Collaboration

The report stresses that the industry should provide value beyond jobs and shareholder returns, as this is of increasing importance to consumers, governments, civil society and even business itself. It says that the industry is in a unique position to make a positive difference to the quality of life, due to its importance as an economic generator and employment provider, as well as because it brings people together. This means that industry leaders must go beyond traditional day-to-day business. Leaders must also improve individual lives and freedoms by collaborating with governments and civil society to address national and global issues. The competitiveness report says that today's key challenges, such as poverty, climate change, terrorism, disease and corruption, are not part of any one discipline for study, nor can government, business or society solve them on their own. It calls for cross-sector leadership to solve them.

Foreign direct investment

Whilst tourism is a highly globalized industry, it is not so in terms of foreign direct investment (FDI). This means there is a lot of potential for FDI in poor countries. Conversely, poor countries can take advantage of FDI to improve the industry and benefit development. A recent UN report on this issue cites a growing support from



donor and development communities for PPT. The report points out that much of tourism's development potential results from its links across multiple goods and services activities, as well as from the diversity of enterprises involved. "... the fact that the consumer comes to the producer ... enables even the smallest transaction to be part of the global economy: every sale to a tourist, be it a fruit or a haircut, represents an export. This is an opportunity for small enterprises that would otherwise find it hard to break into the global supply chain. Tourism should offer significant opportunities for poverty reduction through income generation and job creation effects alone." ((New York and Geneva, UNCTAD, 2007)

– United Nations Conference on Trade and Development * FDI in tourism: The development dimension, Executive Summary (New York and Geneva, UNCTAD, 2007). Tourism accounts for no more than one or two per cent of outward FDI from main source countries, such as the United States, United Kingdom, Spain, France and Canada.

Local supply

According to the UNCTAD report, the main advantages of attracting FDI in tourism for poor countries are:

(1) The attraction of new skills, systems and technologies FDI in tourism: The development dimension (New York and Geneva, UNCTAD, 2007) that international capital can bring;

(2) Greater product diversity;

(3) Slightly higher wages

than those paid by local enterprises; and, surprisingly, (4) better linkages with local suppliers than local enterprises. In order to take advantage of FDI, UNCTAD advises policies that promote linkages and raise local supply standards.



Decent work

Emphasizing the relationship between decent work and PPT is a significant challenge for the ILO and its constituents. While not specifically focusing on PPT, the ILO has been more closely engaging with the poverty reduction strategy process for several years. There are three main challenges for the ILO in this:

- (1) The need for PRSPs to include a more thorough analysis of employment and decent work;
- (2) The need for labour ministries, employers' and workers' organizations to take greater part in the process; and
- (3) The need for equity as well as growth to be considered in PRSPs.

The ILO has produced several publications to help in this, including a manual on decent work and poverty reduction strategies. As a result, it has made good progress with 15 PRSP processes, and poverty reduction measures increasingly highlight decent work and equity. But because PRSPs are a "crowded marketplace" for ideas and resources, it needs a sustained effort to make sure that decent work continues to get the attention it deserves. Decent work related to PPT is an even greater challenge.

Mainstreaming poverty reduction through tourism.

Mainstreaming in this context means that sustainable tourism development should be included in wider poverty elimination programmes. Conversely, mainstreaming means that poverty reduction measures should be part of the sustainable development of tourism. It also implies that PPT should be on a big scale rather than a piecemeal microenterprise approach. All forms of decent work should be considered in assessing value chain benefits to the poor.

Participation



A country's poverty reduction strategy paper is the center of development action, and it is where the ILO and its constituents need to take part. A PRSP should be created through wide participation and the process should encourage governments to answer to their own people, rather than to external donors. The World Bank sourcebook on PRSPs sets out the process and how it should involve different stakeholders. A stakeholder is any organization or group with an interest in the PRSP process, and may include government ministries, including NGOs, religious bodies and donors. Employers' and union organizations are recognized stakeholders who have a right to be involved.

Opportunities

A PRSP is an evolving document that must be regularly reviewed. How often it is reviewed depends on local conditions, but a PRSP must be implemented, monitored and evaluated. At each stage in the PRSP cycle, there are opportunities for stakeholders, including employer and union bodies, to provide input. It is important to see the PRSP as a long-term, ongoing process. Often one cycle lasts three–five years. Wherever the country is in the cycle, organizations can still be usefully involved. Even if issues do not get picked up in the first cycle, organizations can still push for them in a later cycle by lobbying for their priorities to be included.

Benefits

Aside from benefits to the poor and to the industry, there are also considerable wider benefits for the social partners to get involved in PRSPs. Some of these benefits are listed below.

Direct effects

A PRSP is the key to many policy and programme decisions in a country. It sets the framework for decision-making for years to come on economic and other government policy, Programme and spending priorities. It will cover things like sectorial trade and



private sector development, as well as social justice initiatives. These decisions will directly affect employers and workers. This especially applies to tourism, which is usually the main source of economic growth in poor countries.

External shock

Tourism in particular destinations has suffered external shocks such as tsunamis, severe acute respiratory syndrome (SARS) and the threat of bird flu, as well as the wider effects of terrorist attacks, climate change and air travel fuel cost increases. However, it is remarkable how quickly tourism can regain lost ground after catastrophe. Infrastructure and accommodation may need to be repaired and improved. Security may need to be tightened. New marketing strategies may need to be developed. If these things are well-planned, and if local labour is used where possible, the harm to the industry and to the poor can be reduced to a minimum.

Profits

Arising from locally-owned enterprises with links to the tourism industry. This would require an estimation of the amount and proportion of profits accruing from the tourism linkage. Again confidentiality guarantees would be critical to its raw collection.

- Collective income from community enterprises, land rental or joint ventures. A starting point for accessing some of this data could often be local government who should be aware enterprise development in their area.
- Improvement of living and working conditions in the tourism sector, plus improvements in living and working conditions in linked sectors. Much of this information would have to be subjective or qualitative. For example respondents might be asked to rate their living and working conditions on 10-point scales relative to several criteria. Working conditions criteria could be based on core international labour standards and also include wage rates, hours worked and non-wage benefits.



Conclusion and Recommendation

Review of development of tourism and hospitality industries in Nigeria on impact of poverty and unemployment reduction has been made. According to the Pro-Poor Tourism Partnership “well managed tourism activities will result in increased net benefits for poor people. It enhances the linkages between tourism businesses and poor people so that tourism’s contribution to poverty reduction is increased and poor people are able to participate more effectively in product development. The critical factor is not the type of company or the type of tourism, but whether an increase in the net benefits that go to poor people. Aside from benefits to the poor and to the industry, there are also considerable wider benefits for the social partners to get involved in tourism activities: Direct employment, profit, development and benefits in participation, the attraction of new skills, systems and technologies in tourism: The development dimension that tourism participation can bring include; greater product diversity; slightly higher wages than those paid by local enterprises; and, surprisingly, better linkages with local suppliers than local enterprises.

Tourism is human-resource intensive due to the service nature of the industry. Advantage in its participation cannot be overemphasized. It is among the world’s top job creators and allows for quick entry into the workforce for youth, women and migrant workers therefore, full participation and collaboration in tourism participation is highly recommended

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