

## **Mass Tourism in Indonesia: A Strategy to Achieve Pro-Poor Growth?**

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In view of a steadily increasing demand by people living in industrialized nations for journeys to pristine, unspoiled holiday destinations, the governments of many developing countries have nowadays realized that tourism might constitute a chance for economic development and an opportunity to fight poverty. As a consequence, these countries (e.g. Egypt, Indonesia, Mexico, and Thailand) have opened up to tourism and even to its extreme form mass tourism which is most commonly understood as tourism where the “holiday is standardized, rigidly packaged and inflexible” and where “large numbers of people” are involved (Vanhove, 1997: 50).

Given that the tourism sector in developing countries is very labour-intensive (Christie and Crompton, 2001), makes extensive use of semi- and unskilled labour (OECD, 2000), and has relatively high female employment rates (UNED-UK, 1999), the potential of tourism to reduce poverty can be judged as relatively high. Against this background, the term of “pro-poor tourism” has emerged, which describes “tourism that generates net benefits for the poor” (Ashley and Roe, 2001: 62). This idea was embraced by many donors as well as governmental and non-governmental organisations leading to the publication of various new studies examining under what circumstances pro-poor tourism can be achieved. However, a major shortcoming of these papers is that they typically ignore the already existing pro-poor growth literature, even though there is a significant overlap between the two fields. As a consequence, the authors do not make use of the well-developed analytical methods of the pro-poor growth literature. In addition, the papers often focus on relatively small tourism-projects which were from the beginning intended to achieve pro-poor tourism, implicitly assuming that past tourism-led growth processes were not pro-poor. This paper addresses these shortcomings by diligently reviewing the pro-poor growth literature and by making use of some widely accepted methods for the analysis of pro-poor growth. Furthermore, the question pursued in this paper is somewhat different since, on the one hand, the area of analysis is relatively large and, on the other hand, it is asked whether past tourism-led growth processes were really as anti-poor as often implicitly assumed.

Due to the seminal contributions of Sen (e.g. 1988) and in line with recent research, poverty is in this paper not understood as a one-dimensional but as a multidimensional phenomenon. This is especially important since a reduction in income poverty will not necessarily lead to a reduction of poverty in non-income-dimensions (Grosse et al., 2008). Furthermore, the exclusive concentration on the income would neglect the vast majority of the Millennium Development Goals as only MDG 1 is focused on the monetary dimension.

The empirical analysis is based on data obtained from the Indonesian National Socioeconomic Survey (SUSENAS) of the years 1999, 2002, and 2005 and consists of two major parts. In the regression analysis, it is examined how the Balinese household income changes when a household member works in the tourism instead of the primary sector. Not surprisingly, OLS regressions reveal a highly significant positive effect, i.e. the household income increases. However, it can be shown that the magnitude of this positive “tourism” effect is only slightly larger than the effect of a household member working in the secondary instead of the primary

sector, but dramatically smaller than the corresponding effect for the tertiary sector (in each case excluding tourism-related activities). The additionally conducted quantile regressions reveal that the “tourism effect” is seriously biased in favour of the rich, i.e. the income gain from working in the tourism sector is conspicuously smaller for an initially poor than for an initially rich person.

The second part of the empirical analysis consists of a pro-poor analysis in which the levels and recent developments of various poverty-related indicators are examined separately for Bali and the remaining 32 Indonesian provinces (taken as an aggregate). The reason why Bali was separated from the remainder of Indonesia is that the tourism sector is the main driving force for the Balinese economy (i.e. Bali represents the treatment province) whilst it only plays a rather limited role for the economy of the rest of Indonesia (i.e. the counterfactual). Within the analysis, three standard tools from the pro-poor growth literature are applied to the data which are: the growth incidence curves (as introduced by Ravallion and Chen, 2003), the non-income growth incidence curves (Klasen, 2005), and the opportunity curves (Ali and Son, 2007). It is shown that the growth rate of the adult equivalent expenditures of Balinese households was in the contemplated time period on average higher than in the rest of Indonesia. This can be seen as a sign that mass tourism can indeed stimulate the economy of a region. However, the gains of this tourism-led growth for the households are found to be quite volatile and even more biased in favour of the rich than in the remainder of Indonesia (i.e. distributed rather anti-poor than pro-poor). An additional disquieting finding of the analysis is that the educational level (measured in terms of the literacy rate) of the Balinese poor is conspicuously below the Indonesian average even though Bali belongs to the richest Indonesian provinces. It can be argued that this is a direct consequence of the nature of the tourism sector which makes extensive use of semi-skilled and unskilled labour and therefore does not necessarily encourage people to enhance their human capital. In sharp contrast with the previously described results for the income and the educational dimension of poverty, a pro-poor tendency can be recognized for various health and housing quality indicators since on the island of Bali a dramatically higher share of the poor had access to professional medical care at birth as well as to improved drinking water sources.