African Journal of Hospitality, Tourism and Leisure, Volume 9 (1) - (2020) ISSN: 2223-814X

Introducing the Investment Redistributive Incentive Model (IRIM): A new redistribution perspective in tourism investment and beyond

Dr. Andrea Giampiccoli
Department of Hospitality and Tourism, Ritson Campus
Durban University of Technology
PO Box 1334, Durban, 4000, South Africa
Email: andrea.giampiccoli@gmail.com

Prof. Oliver Mtapuri*
School of Built Environment & Development Studies
University of KwaZulu-Natal
Howard College Campus,
Durban 4001, South Africa
Email: mtapurio@ukzn.ac.za

Corresponding author*

Abstract

Tourism holds the hopes of many in creating job opportunities for the masses of the unemployed globally. The poor growth of economies has failed to address the problems of unemployment, poverty and inequality. For growth to be impactful, foreign direct investment is considered one of the sources of the required impetuses. It is possible to incentivize both foreign (direct) and local investments. This paper, which was prepared using secondary sources of information, argues that it is possible to introduce incentives linked to investments in what is posited as the **Investment Redistributive Incentive Model (IRIM).** The IRIM rewards companies that support local ownership and control of enterprises through an incentive system *en route* to total liberation/local control of enterprises in whole geographic areas as the ultimate goal. The IRIM uses investment incentives such as tax cuts, breaks or relief as redistributive instruments to effect change through the reconfiguration of the management and ownership structures of companies. IRIM could be applied in any company, large or small, for equity and social justice. Foreign investors could also be linked to educational institutions in relation to facilitating the supply of skilled workers. Redistributive formulas become imperative to avert the various forms of societal dissonance because current trajectories are not sustainable where only a few get rich while the majority remain poor in a world trapped in a capitalistic and narcissistic modus operandi.

Keywords: Investment Redistributive Incentive Model, tourism liberated zones, community-based tourism, foreign direct investment, investment; tourism.

Introduction

Tourism is a well-acknowledged economic sector which is contributing to economic growth and development worldwide (Stankova & Kaleichev, 2013:50). Most published tourism studies stress the remarkable growth of the tourism sector over the past numerous decades (Fletcher, 2011:443). While some dissenting voices maybe heard, tourism remains "the world's largest industry…" (Fletcher, 2011:443). With all this growth, some countries show high levels of unemployment, poverty and inequality. These negative socio-economic phenomena have become tourist attractions themselves as pockets of poverty in countries are concentrated, juxtaposed with glaring and widening inequalities which are evident in terms of what the rich and poor consume and possess. While others would argue that unemployment could be the panacea to the two, it still remains high as the economic growth being recorded is not sufficient enough to absorb the growing mass of people, young and old, looking for jobs. Tourism as a service sector, does provide some hope in creating the much needed jobs as it does not need huge initial capital outlays particularly in circumstances in which poverty itself has become an attraction – in so-called poor neighborhood tours – informal settlements.

The World Tourism Organisation (UNWTO, 2017:2) indicates that tourism has grown in the last sixty years and contributes to the diversification of economies which are experiencing fast growth in the world. Tourism receipts worldwide continued to grow rising from US$ 2 billion in 1950 to US$ 1,220 billion in 2016 (UNWTO, 2017:2). Tourism has risen to become the main export sector in developing countries as it generates employment and general economic growth (Jafari Samimi, Sadeghi & Sadeghi, 2013:59). This growth in tourism appears to be benefiting a few people at the expense of the majority as poverty and inequality persist. Tourism can also have negative impacts on the environment and local communities because of the need for energy and water as well as the disposal of waste and all these place a strain on available infrastructure (Passafaro, et al., 2015:225). In this context, it is imperative to implement an array of policies that promote sustainable tourism and embrace the 'quadruple bottom line' of the environment, social, economic and climate matters, thus invoking the need for alternative forms of tourism to overcome the negative impacts of mass or traditional tourism (Passafaro, et al., 2015:225). This implies that sustainable growth in tourism should be accompanied by reduction in poverty and inequality, economic progress, care for the environment while taking into account climate matters. That type of growth is what we consider to be sustainable as it ensures the continuity of next generations while being all-embracing and comprehensive in encompassing these significant dimensions of life.

Widening inequality is a hotly debated matter in current discourses since in the last thirty years it has been widening in major economies to extents never seen before the pre-war period (Derviş & Qureshi, 2016:2). While inequality is persists in both developing and advanced economies, income inequality is usually greater in developing and emerging than in advanced economies particularly rising in the 1990s (Derviş & Qureshi, 2016:2). The World Economic Forum (WEF) also recognised that in the last five years' social inclusion is virtually stationary in 20 of 29 developed economies while intergenerational equity has dropped in 56 of 74 developing (WEF, 2018 a). The WEF suggests what it calls 'The Inclusive Development Index 2018' given that trends reflect deteriorating living standards and broadening inequality which are leading to political polarisation and deterioration of social cohesion in both developed and developing countries hence the need for a new thinking that supports a model of growth and development that improves the lives of all (WEF, 2018 b: 1).

New ways of thinking and doing can produce new results. The persistence of problems of poverty, unemployment and inequality reflects the inadequacy of current models which have isolated others while propping up a few in perpetuity and thereby reinforcing current unequal configurations of socio-economic benefits and power. United Nations (2013:25) notes that income distribution is uneven globally. Notable reductions in inequality are being experienced between countries such as in China and India and not within countries (United Nations University, 2016:1). Countries such as South Africa are experiencing greater inequality and is under pressure to redress these inequalities (Saayman, Rossouw & Krugell, 2012:464). These widening differences in consumption and possession of assets may result in dissonance in society. This dissonance manifests in violence and turmoil affecting the assets and possessions of those perceived to be rich by those who feel disadvantaged and poor. Redistributive formulas become imperative to avert the various forms of societal dissonance because current trajectories are not sustainable.

Rather attenuate equalities, liberalization of the economy exacerbated the situation because there is evidence that emerging economies experienced increased inequalities as they embarked on liberal economic reforms (Bogliaccini & Egan, 2016:209). Such current economic models include, for example, free trade and debt restructuring and it is supported by international and national agencies such as, for example, the World Bank, International Monetary Fund, G8 governments (Mowforth, Charlton & Munt, 2008). It is in this context that tourism operates within a hegemonic neoliberal global system (Chok, Macbeth & Warren, 2007:144; 4; Bianchi, 2009; Saayman & Giampiccoli, 2016). The connection between tourism and neoliberalism has been tight since the mid-1990s as tourism has played an important role in development and trasformation influenced by global capitalism in, for example, many Central American countries (Ferguson, 2011:347). Others such as Bianchi (2017:3) have argued that “International tourism in developing countries has often been likened to being ‘little different from colonialism’ bringing a plethora of social ills from crime to prostitution in its wake”. As economies liberalized, fragile small firms tend to succumb to the formidable force of international competition. The result is that some firms would close down and this is followed by masses of employees being retrenched. It can thus be hypothesized that in circumstances of neoliberalism, unemployment, poverty inequality become normalized. Put differently, poverty, unemployment and inequality become normal. When these phenomena are normalized, their occurrence does not invoke concern – at government policy level commensurate with the magnitude of the problem. Again, when these phenomena are normalized, they still affect the disadvantaged and poor emotionally, unabated. Emotions do matter because the disadvantaged translate and convert their anger into societal dissonance.

Foreign Direct Investment (FDI) is necessary for many countries for economic growth – in both developed and developing. Certainly, FDI is important for technology transfer and innovation and not merely as a factor of dominance (Abbes, Mostéfa, Seghir & Zakarya, 2015: 277). FDI is especially important for developing countries where factors of control and dominance are still present. Because of mixed results, it is not clear whether FDI is good or bad for economic growth (Davidson & Sahli, 2015:168; Mortimore, 2004:63). Other authors such as te Velde, (2004:1) query the link between FDI and development.

In addition, FDI can produce a race to the bottom (see Olney, 2013; Mehmet & Tavakoli, 2003). From a tourism perspective, FDI is a common feature in tourism investments in developing countries (Snyman & Saayman, 2009:49). The major role of the tourism sector at the global level, as well as in many localities, and the current problems related to inequality, are at the core of what prompted this paper principally the need to excogitate a model that can link the magnitude of the potential of tourism with the need to reduce inequality. Therefore, this paper proposes a new model related to tourism investment, the **Investment Redistributive Incentive Model** (IRIM). This is its major contribution. The paper uses as an example – issues of FDI in tourism (with some specific reference to matters linked to leakages) to present IRIM as a possible strategy to decrease inequality. In its constitution, the IRIM should be used beyond merely the tourism sector and FDI. In other words, while the IRIM is directed towards FDI in developing countries in this example, it can also be applied to FDI in advanced economies and to local investments. The IRIM can be applied in all sectors and in all geographic spaces. While this paper, essentially refers to private companies, there is no barrier in applying IRIM to a state company – in fact, state companies more than private one should consider implementing the IRIM given their state ownership which is supposed to favor a democratic and redistributive dispensation. These differences in applications of the IRIM can be done by adjusting IRIM to meet the specific requirements. This paper also briefly indicates the need to go beyond IRIM by proposing a new concept called Locally Controlled Tourism Zones (LOCOTOZ) which remodels the tourism sector grounded on community-based tourism (CBT) principles and practices with 100% local ownership and control. The IRIM remains this paper’s main contribution and contributes to general debates on tourism and by extension also other economic sectors, and to current discourses of development and inequality.

Literature review

The tourism and travel sectors are very relevant economic sectors in most countries around the world (WTTC, 2019:2) and in both developed and developing countries tourism is an important diversification strategy (UNWTO, 2017:6). For example, in the European context recent data show that in 2017 the direct contribution of Travel & Tourism to GDP was

USD760.1bn that correspond to 3.6% of total GDP and the sectors directly supported 14,423,500 jobs (3.8% of total employment) (WTTC, 2018:1). In developing countries tourism is also very significant (Saner, Yiu & Filadoro, 2015:236) so for the total of emerging economies tourism represents 40% of services exports, consistently higher of the 30% world average (UNWTO, 2017:6). In 2007 the UN (UN, 2007:XI; see also UN, 2008:3; Khoshnevis Yazdi, Homa Salehi & Soheilzad, 2015:15) mentions that numerous developing countries see tourism as a potentially promising way for economic and human progress. In developing economies with various problems such as significant unemployment, planned tourism make a difference in boosting the economy and creating jobs (Khoshnevis Yazdi, Homa Salehi & Soheilzad, 2017:15). Most governments are concerned about inclusive growth and the creation of good quality jobs and hence tourism, which accounts for one in ten jobs can provide the impetus for job creation such that it is postulated that nearly 100 million new jobs can be created in the next ten years (Guevara Manzo, 2018:n.p.). The tourism industry needs a specific regulatory framework because it has both positive and negative effects on host country and communities in terms of socio-economic and environmental matters.

The relationship between tourism and development is undoubtedly debated in the literature (see Du, Lew & Ng, 2016; Cárdenas-García, Sánchez-Rivero, and Pulido-Fernández, 2013), and as such requires further research (Ridderstaat, Croes & Nijkamp, 2014:479). While many international organizations positively link tourism with development, critical views argue that tourism has not brought development but a decline in the standards of living of communities (Cárdenas-García, Sánchez-Rivero, and Pulido-Fernández, 2013:1). From South Africa, Saayman, Rossouw and Krugell (2012) suggested that growth in tourism, in fact, can negatively affect the poorest strata of society if specific actions (in this case, particularly in education) are not taken. Thus, negative effects of tourism are recognized especially on local economies and livelihoods of the poor (Ashley, De Brine, Lehr & Wilde, 2007:9). These impacts can result in conflict between governments and foreign investors through leakages and damage to the environment (Saner, Yiu & Filadoro, 2015:12: Sinclair-Maragh & Gursoy, 2015:145). In Thailand, leakages are estimated at about 70% via foreign owned hotels, airlines and imported food (Wiranatha, Antara & Suryawardani, 2017:3). Leakages in other countries range from 80% in the Caribbean to 40% in India with the average leakage in small economies estimated to be between 40% and 50% of gross tourism earnings and between 10% and 20% for most advanced and differentiated economies (Wiranatha, Antara & Suryawardani, 2017:3).

Leakages are linked to foreign ownership and investment which can serve either to enlarge the local tourism sector, or leave a trail of negative consequences as they represent theft. Thus, countries may offer tax incentives for foreign direct investment, but these could end up being avenues for income loss (Wiranatha, Antara & Suryawardani, 2017:3). In this context, developing countries are not able to obtain the full benefits of tourism because of high leakages and the absence of local ownership - making foreign ownership the only way to invest in tourism (Saner, Yiu & Filadoro, 2015:11). In Africa the same scenario can be found for instance in Zanzibar, where the operations are owned by foreigners (travel agents, airlines, hotels) and food and furniture is imported from abroad resulting in leakages as much as 80% (Anderson, 2013:72).

Another example from Jamaica mentions that in terms of the Hotels (Incentive) Act of 1968, investors are given a tax relief of 15 years including duty concessions on imported items (Sinclair-Maragh & Gursoy, 2015:153). The incentives are given to foreign firms in Jamaica are too good to entrench foreign firms in the Jamaican tourism scene. While this may be good for foreign investors, it may punish local firms which do not enjoy the same benefits. As such, foreign direct investments and the accompanying incentives may make local firms uncompetitive in a competitive world. This implies governments have to develop new measures to ensure that the playing field is leveled or at least seek to ensure that local people benefit from foreign direct investments through incentivized ownership.

The tourism sector has benefited immensely multinational corporations and local elites with high socio-economic and environmental costs to communities (Telfer & Sharpley, 2008:345). The involvement of local community members is necessary to ensure that local benefits accrue to them while decreasing its negative effects through their conscious effort (Nagarjuna, 2015:14). The importance of involving local communities in tourism is well recognized in literature (Salleh et al., 2016:565). Local community members are not just the elite, but principally the community at large in a process that emphasizes and gives preference to the disadvantaged members of society.

Tourism can also be blamed for causing inequalities. The tourism sector has always contributed to producing inequality and as it expands, these inequalities become more visible (Cole & Morgan, 2010:XV). Previous researches have explored the relation between tourism and inequalities in various context such as Nicaragua, Mexico, Lesotho and USA (Reye, 2011; Manuel-Navarrete, 2012; Braun & McLees, 2012; McClendon, 2014). The participation (the control) of locals in the tourism business is important if the benefits are to broadly circulate within societies and result in the improvement of the lot of the majority on the basis that the local people provide (and control) the locale and setting, the activities, the vibrancy, the doings, the infrastructure, the happenings, the events, the actions, the products, the offerings as well as the texture of the place which they call home.

For example, in Sri Lanka, inequalities based on gender, class, age and on are disguised by projecting an oriental flavor to Western-like projections. (Kravanja, 2012:108). The relationship between tourism and inequality can also be observed in advanced economies. In the United States, for example, a study revealed that in 2000, income inequality was higher in counties which were linked to tourisms than counties linked to manufacturing (Lee, 2009:37). While many federal and local governments attempt to promote tourism development, policymakers tend to exaggerate the positive effects of tourism to validate their strategy for tourism development without giving enough attention to matters of distribution (Lee, 2009:42) with international organisations grappling to devise policies to, in essence, reduce poverty and inequality (Mowforth & Munt, 2003:267). Poverty and inequality will remain topical for as long as they are increasing in some countries even despite those countries recording positive economic growth. As such, poverty and inequality cannot be washed (you mean washed?) away from the face of the earth. Concerted efforts have to be made mainly by governments to address them as their existence reflects a failure of systems – systems of governance, rule, production, consumption and (re)-distribution. While inequalities have been observed, establishments in the tourism sector such as Hotels could be a protagonist, if committed and desired, to promote and give opportunities to all to thrive in the industry. Ideally staff profiles in hotels should reflect the diversity in the areas in which they operate (Ashley, De Brine, Lehr & Wilde, 2007:18). Certainly hotels could adopt this approach from an 'egoistic' perspective in order to improve their reputation and image within the community and abroad.

Tourism and inequality intersected with local issues and actors. While most industries can suffer from local opposition and still thrive, tourism can be stopped if violence is too high in an area causing the destination area, not just the individual hotel, to be negatively affected; and this calls for collaboration amongst various stakeholders such as tourism industry and governments to work together (Ashley, De Brine, Lehr & Wilde, 2007:11). Paltry benefits can make local people angry to the extent that they can resort to damaging products and services that belong to the big hotels which can negatively affect the hotel's reputation (Ashley, De Brine, Lehr & Wilde, 2007:11).

Neoliberalism and actual structures in tourism are perpetuating inequalities as the entities are largely foreign-owned and controlled (Saayman & Giampiccoli, 2016:148). A study by Vijaya & Kaltani (2007:83) found a negative relationship between FDI and wages and explains that FDI-inflows have a negative influence on especially female wages in manufacturing. FDI has not reduced inequality in Latin American countries (te Velde, 2004:1). From a developing countries perspective a study reveals that FDI favours those with skills thereby entrenching inequalities because they are technology based; and service orientated (Bogliaccini & Egan, 2016:227). FDI can therefore be considered as a perpetrator of skills-inequalities as those who benefit from the acquisition of the new skills gain while leaving others behind who remain technologically disadvantaged to create cumulative handicaps. As such, FDI can produces, propagates and spreads skills-inequality effects as well handicap effects as shown above.

As for the other determinants of income inequality, research (Mihaylova, 2015:38) observes that the growth of the services sector and inflation have exacerbated the problem of income inequality. Similarly, Saayman, Rossouw & Krugell (2012) suggest that growth in tourism can have a negative influence on the poorest strata of society if specific actions (in this case, especially in education) are not taken. Instead of a trickle-down effect to benefit the poor, it seems that a 'trickle-up' effect that is more proportionally beneficial to the middle and upper classes is needed through deliberate effort (Saayman, Rossouw & Krugell, 2012:485).

In OECD [Organisation for Economic Co-operation and Development] context while governments frequently 'justify' investment incentives however, their effectiveness is questionable as they tend, instead, to reinforce inequalities (Oman, 2000 in United Nations Industrial Development Organisation – UNIDO, 2009:111). Investment alone is not enough and specific measures have to be adopted to reduce inequality. It is therefore necessary to look for new ways to encourage FDI (and also local investment) in order to transform and move towards a more equal society. While all stakeholders have their own advantages, the need for an investment incentive model that reduces inequality is desirable. Incentives are necessary to attract investment, but they need to be reconfigured to take into account redistribution matters. As such, the adoption of the IRIM presents a possible way forward.

Investments incentive can include low taxes rates for investors, grants, monopoly rights, preferential loans and so on (Organisation for Economic Co-operation and Development – OECD, 2002:169). Tax holidays spanning more than five years and reduced tax rates have been introduced as fiscal incentives in numerous developing counties (Kransdorff, 2010:75). This article proposes that incentives should benefit, not just the investor, but employees of the investing company and the society at large, especially the disadvantaged members. Benefits must accrue to the investor, the local government and its communities as individuals as well as a collective.

A major issue is how incentives should be structured in relation to the workers and the community in which the investor operates. In reconfiguring incentives, it is imperative to ensure that they do not incentivize only one party while disadvantaging another. Incentives can be used both to equivalise and bring about equity. To equivalise is to find equivalences between variables and incentives, in other words, a process of matching them so that the incentives are attractive and commensurate with the proposed change. Equity is about fairness and equality between and among people and in this case as it relates to ownership of tourism enterprises and operations in the localities in which they operate as a desirable outcome of tourism development.

The debate about the relationship between FDI and tourism can be found in studies focusing on various aspects and geographical contexts (see for example Snyman & Saayman, 2009; Buckley & Papadopoulos, 1988; Santos, Brochado & Esperança, 2016; Davidson & Sahli, 2015:168; Tomohara, 2016; Li, Huang & Song, 2017; Khoshnevis Yazdi, Homa Salehi & Soheilzad, 2015; Bezić, H. & Nikšić Radić, 2017; Bezuidenhout & Grater, 2016; Williams & Deslandes, 2008; Falk, 2016; Endo, 2006; Xu, 2017; Haley & Haley, 2997; Işik, 2015; Ivanovic, Baresa & Bogdan, 2011; Boora & Dhankar, 2017; Jafari Samimi, Sadeghi & Sadeghi, 2013). Institutional documents such as United Nations documents (UN, 2007; UN, 2008) have been produced covering FDI and tourism.

Amongst the factors that can discourage investment include inadequate government support and insufficient investment incentives; and excessive time required to obtain decisions (Snyman & Saayman, 2009:50). Things have changed as competition for FDI is intense with new opportunities opening up (UN, 2007:38). This greater liberalization has arguably increased competition between countries to attract investments. There is mixed propositions on the relation between tourism, FDI and development issues. A 1988 study by Buckley & Papadopoulos (1988:386) focusing on FDI in Greece mentions that Greece offers many incentives to investors but the benefits must outweigh the costs of offering these incentives. In Croatia FDI did not live up to expectation in bringing positive impacts (Ivanovic, Baresa & Bogdan, 2011:27). There is a need for government intervention, regulation and proper policies to cascade the benefits to local communities. As such the Government should act as the primary protagonist in tourism development and not to leave it to the private sector to 'play' alone. However, the relation between FDI and a country's development is mixed. It can be argued that the elimination of poverty 'should not be regarded as 'charity' – the domain of 'bighearted' pop stars or 'enlightened' bureaucrats' (Chok, Macbeth & Warren, 2007:160), but it should comprise a restructuring of the society towards a more just and equitable distribution of power/control, resources, knowledge, capacities and benefits" (Saayman & Giampiccoli. 2016:148).

Investment Redistributive Incentive Model (IRIM) and beyond

The debate about the role of FDI in development is an open matter. On one hand, FDI is seen as a diffusion of knowledge and know-how and positive effects on growth and, on the other hand, it is seen as causing dependency and stunted economic growth. For this reason, this paper proposes the IRIM which serves to preserve and promote FDI but within a framework that favours redistribution and takes breaking dependency as the ultimate goal. Thus, a model that coalesces FDI with the need to decrease inequality is required. We called the model, **The Investment Redistributive Incentive Model (IRIM).** The IRIM leverages investment incentives such as tax cuts or relief as a redistributive measure effected through the reconfiguration of the management and ownership structure of a company. We argue that, while IRIM could be applied to any company, this is valid and relevant particularly for medium and large companies as they are the usual foreign direct investors in which size matters.

This entails recasting the management and ownership structure of a company to give effect to redistribution. This company restructuring should be associated with a tax cut or relief as well as other incentives aimed at redistribution of wealth. A company should be able to see the benefits of adopting redistributive measures in that the tax system should be proportionally lighter with an increase in the number of shares apportioned to individual workers which we term Individual Ownership (IO) as the first strand. In the second strand will be Collective Ownership (CO) which mimics an Employee Scheme. In addition, the share of profits to the company could also be applied through the inclusion of local community's members where the company operates. We propose that for example, if 5% of the company profit is given to the local neighborhood people, the company will also get IRIM incentives – proportionately at the same percentage of sharing.

Specific regulations with respect to local community shareholding should be put in place to avoid a few people benefiting at the expenses of the majority. For example, imposing a limit on shareholding by individuals or families should be a possible solution. The aim is to target as many people as possible in the community – specifically the disadvantaged community members – and to spread the benefits as much as possible. Individual (employee/worker) share ownership (IO) and COs and local community share could (should) command different values in relation to the incentives, with more weight/value being given to COs. For example, if a firm gives 10% of its ownership to workers, the Government should reduce its tax by 5%-10% as an incentive to encourage the redirection of wealth. As such, what the state foregoes in taxes is partly shared directly with the workers at the company level. The size of the company matters – the greater the size in terms of IO and CO and local community ownership, the greater the incentive. The key issue is the need to link the incentive to redistribution of resources and benefits in a manner which takes into account the imperatives of present times characterized by high levels of poverty and widening inequality, societal (dis)cohesion and rampant political turmoil and resultant migration.

While this paper focuses on tax cuts or relief as the redistributive mechanism, the IRIM accommodates other possible incentives. Another issue is the possible link to local firms (see also Velde, 2004:110). The link between FDI firm and the local firms as a supplier should also work in favour of the foreign (or local) investor as part of the matrix of incentives. This is pertinent if local firms as privately owned enterprises also institute share ownership schemes fashioned as IO s or Cos or local community - with their workers – their tax burden should also be reduced. Thus, while this model focused on FDI, – following Blomström and Kokko (2003) – local firms should be involved in this new incentive model. Thus, it is possible to have some differences between foreign companies and local companies in how this model is implemented based on the incentive types, ownership structures and importantly IOs or COs or local community shareholding.

This will allow FDIs and local private firms to participate in redistribution. What this can also entail is a new form of bureaucracy (government mechanisms) that fast-tracks the incentives to favor companies that adopt redistributive measures. In addition, an incentive can also be instituted involving a fast track bureaucracy for processing and certifying qualification by meeting the company requirements or for processing other companies' 'day-to-day' compliance needs. Foreign investors could also be linked to educational institutions in relation to facilitating the supply of skilled workers. This is a specific link with the educational sector for the development of skilled workers with the know-how to use the new technologies they introduce. This should be done at all levels of employment from the worker level to management positions. An additional skills incentive can be introduced. Finally, IRIM is also applicable to state owned companies. What this means is that it does not only become a prerogative of Government to deal with matters of redistribution – it becomes a shared 'burden' for all – the private sector, Government and any other stakeholder with a vested interest in redress.

Therefore, the IRIM could be applied to FDI companies, local companies, and State (Government) owned companies, involve IO and CO and local community considerations and consider the size of the company and the link to local companies (in the case of FDI companies). The incentives can be diverse to include tax cuts/relief in the tax system as a main incentive, but also include possibly other incentives such as, specific links to the educational sector for skilled worker requirements and the establishment of a fast-tracking bureaucracy. IRIM should be see possible for FDI (and local investment) in relation to the need to reduce inequality as a contemporary imperative for the good of all. What we propose is an Employee Share Ownership Scheme covering Individuals and a Collective linked to a tax incentive and a local community shareholding. While Principal Agency theory upheld Management Share Ownership Scheme in a top-down approach, this model upholds Employee Ownership of Shares in a Bottom-up approach for inclusivity and for reducing inequality. Those to benefit in this model include the FDI (or local) investors, the Workers, local community and the Government in a win-win-win situation.

A possible IRIM could be based on establishing various variables (which vary based on each specific context) and in which each variable is assigned a value which reflects specific IRIM incentives. For example, some of the variables could be: company size (in terms of number of employees), proportion of employee by category, turnover, profit, value of investments, specific location, and economic sector. The value and type of incentive will be linked to each variable in some form of ranking. For the differences in economic sector, for example, IRIM specificities could be linked to the GDP of the specific sector such as tourism, automotive, chemical and so on. In addition, within the tourism sector, for example, specific variables could be present in each tourism specific 'sub-sector', so for example in the accommodation sector a variable could be associated with the accommodation type (for example, hotels, lodge, Bed & Breakfast) and/or level (the number of stars). Additional criteria can be applied for FDI and local investors. IRIM could also be linked to the procurement process of each company. The more a company procures from local sources and/or from other companies participating in the IRIM, the more the firm earns more incentives. This will assist in linking and promoting linkages between the companies participating in the IRIM as more companies are attracted to participate in it.

Thus, for example, indexes could be employed for each variable. For example, the number of employees can have its specific index with associated incentives towards redistribution. Moreover, some variables could be subdivided such as the number of employees could be divided by number of employees per category so that lower level employees are accorded a higher value in terms of incentives. A specific point value is assigned so that the total number of points could determine the incentive that a company will earn. Each point will correspond to a possible type and value of the incentive.

Table 1 shows a hypothetical example based on three variables. However, the number and type of variables depends on each case. If, for example, the company's profit given to the workers is 5% and to the local community another 5%, the company will redistribute 10% profit to benefit the workers and the local community. In this case, the incentive indicated in Table 1 will mean that the company will have a total of 5% tax reduction based on the company profit after what given to the workers (5%) and community (5%). Moreover, another 5% tax reduction for 5 years will follow the same system. In our example, the total profit of the company will be 100 000 000 but the incentive is applied to 90 000 000 because the other 10 000 000 (5% + 5%) goes to the redistribution measure, in this case to the share of profits for the workers (5%) and local community (5%). Thus the company will have 5% tax cut on 90 000 000 instead of the total 100 000 000.

Table 1.

Variables	**Values**	**Points**	**Incentives**
Number of employees	100	5	• 2.5% tax reduction
Company profit	$ 100 000 000	10	• 2.5% tax reduction
Value of new investment	$ 5 000 000	3	• 5% tax reduction for 5 years • Preferential fast track bureaucracy for day-to-day company requirements

The same system should be applied to other variables. The issue is that the incentive to the company need to be calculated as a 'net' value without the shareholding (or profit or other strategies) shared for redistributive purposes. Type and value of incentives will also depend on how the redistribution is managed and applied by the company. For example, a company can prefer to share the redistribution incentive only with its workers as a collective entity, therefore specific types and values of incentives will be applied. However, it is important that redistribution includes specific core issues such as ownership and profit to be really valuable and the company must get equally valuable and tangible incentives. IRIM is about tackling the fundamental issues of redistribution of wealth and control so that ownership and profit remain the main issue that is addressed in any IRIM framework. As such, ownership and profit will boast and reflect greater value in IRIM incentives. What is important is to be aware when a company decides to share its ownership and profit with the workers, so that some incentives are medium, and some long-term, in a structure manner for the long haul. However, specific temporary structural changes can also be accepted but the incentive linked to the same timeframe. Some specific short-medium timeframe incentives could attract more companies to initially be involved in the IRIM so that they can verify the attractiveness to advance to being part of the IRIM framework and decide to make the change to their ownership and profit sharing happen.

There is the need to go beyond IRIM. In this vein IRIM should be implemented in all companies, old and new and not just *new* investments. This means companies currently considered going concerns could 'apply' to be part of the IRIM by meeting the IRIM requirements, and thus can have its own incentives. IRIM should be implemented at the national level (although it could have specific areas differences based on each area's requirements and needs). It is possible that the IRIM could initially be applied in specific areas with specific investment needs in order to address high socio-economic inequality. Specific areas could have deliberate action to amplify IRIM so that tourism comes gradually under the sole control the local population. These zones could be called Locally Controlled Tourism Zones (LOCOTOZ) where the tourism sector is solely under the control of the local population (also within a context that emphases priority for disadvantaged people and for redistributive measure) thus moving towards a community-based tourism (CBT) approach. These LOCOTOZ could resemble Free Trade Zones, which instead of favoring FDI with special 'favorable' policies, they favors ownership by local populations including their control of the tourism sector in their localities.

Within the tourism context, Saner, Yiu and Filadoro (2015:5) observe that local people can benefit from tourism but can also suffer the negative consequences of mass tourism which can be exclusionary hence governments need to adopt strategic moves that attract investments in the sector while ensuring the spread of the benefits on a long term basis. Under these circumstances, this paper argues for increasing local control and the adoption of redistribution strategies. CBT is an alternative to ownership by multinational companies with associated leakages, since CBT is the antithesis of mass tourism which has been characterized by massive leakages of foreign currency from developing countries through multinational companies (Lucchetti & Font, 2013:2). In this context CBT should be used as a tool to ensure localization of both ownership and control of the tourism sector to benefit disadvantaged community members against the powerful elite in society to ensure the closing of the inequality gaps (Saayman & Giampiccoli, 2016:166).

It is recognized that the structure of the global system needs to change because the income and wealth gap is widening between a few in the North and many in the South reflecting a structural divide different from a lag in which the South is failing to catch up (Hunter Wade 2004:583). In relation to the tourism sector and growth in general it is opined that growth alone is not sufficient to deal with poverty and inequality which requires the re-configuration of North-South economic relations in the areas of investments, technology transfer and trade against a backdrop of declining non-renewal natural resources (De Kadt, 1979:38). In a context of neoliberalism, tourism development is not working for the poor because most enterprises are foreign owned and controlled thereby exacerbating inequality and the over-use of local resources (Wearing & McDonald, 2002) as mass tourism practices seem not to care about distributive measures (Saayman & Giampiccoli, 2016:148).

Conclusion

Poverty and inequality are a major problem worldwide. Tourism is a major economic sector which can be used to address these problems around the world. Based on the reason of its value and then possible contribution to development and inequality reduction, this paper uses the example of the tourism sector to advance a new investment incentive model we termed the IRIM. However, as proposed above, IRIM embraces all economic sectors and various types of companies, but FDI and tourism is provided just as an example. In addition, this paper also introduced the idea that goes beyond IRIM towards another new concept of Locally Controlled Tourism Zones (LOCOTOZ) by remodeling the tourism sector based on community-based tourism principles. The IRIM remains this paper's main contribution which aims to contribute to the general debate on tourism, development and inequality. The paper is not about globalisation and FDI matters – that is a different debate – it opines that FDI in a country, region or territory should be associated with a set of incentives structured in such a way as to induce voluntary re-investment in the short run and be compulsory in the long run but without inculcating dependency. The FDI incentives we envisage must be emancipatory for the good of all. This is contained in the model that we propose.

The IRIM serves as a tool (with room for improvement) without negating its fundamental aim to coalesce FDI, investment incentives and reducing inequality. While comments, adjustments, corrections and improvements of IRIM are certainly welcome, this research has posited the theoretical foundation and attempted to initiate the IRIM. More research is welcome to specifically elaborate on the 'technical' aspects of IRIM such as actual percentages and timing of tax relief, development of specific tables for variable values and their corresponding tax relief and possible array of incentives linked to the various variables. The core of IRIM is to use, exploit investment for redistribution. In this context company, workers and society at large will all enjoy the benefits. A shift is required to 'exploit' investment incentives to favor redistribution. IRIM represents an investment incentive approach geared towards a more redistributive set-up that promotes the reduction of inequality. In this context, this paper opens a new line of thought on investment incentives – and investment policies in general – that seek to promote investment that favors socio-economic equality as opposed to inequality.

FDI is not abandoned but restructured to reconfigure the effects of FDI in such a way as to spur development and reduce inequality. While IRIM alone will not fully shift the structure of the tourism industry (or any other industry) to a state of complete equality, cooperation and social justice, it represents a step towards it. This paper argues that any measure that supports a shift to a more redistributive, egalitarian and social justice oriented approach is seen as a step towards structural change towards a more egalitarian and just world. It is unthinkable and possibly not sustainable to have wealth that benefits only a few. Social (dis)cohesion and political polarisation incentive people to migrate through cross border movements while inequality and poverty can be seen as a major contributors to these phenomena. It can be opined that by solving problems of poverty and inequality, some of these other problems may not arise or are at least can be mitigated.

References

Abbes, S. M., Mostéfa, B., Seghir, G. M. & Zakarya, G. Y. (2015). Causal Interactions between FDI, and Economic Growth: Evidence from Dynamic Panel Co-Integration. *Procedia Economics and Finance* 23, 276-190.

Anderson, W. (2013). Leakages in the tourism systems: case of Zanzibar, *Tourism Review*, 68(1), 62-76.

Ashley, C., De Brine, P., Lehr, A. & Wild, H. (2007). The role of the tourism sector in expanding economic opportunity. Corporate Social Responsibility Initiative Report No. 23. Cambridge, MA: Kennedy School of Government, Harvard University.

Bezić, H. & Nikšić Radić, M. (2017). Tourism foreign direct investment led tourism gross value added: a co-integration and causality analysis of Croatian tourism, *Economic Research-Ekonomska Istraživanja*, 30(1), 1443-1460.

Bezuidenhout, H. & Grater, S. (2016). The dimensions of FDI in the tourism sector in Africa. *The Journal of Applied Business Research*, 32(4), 1115-1136.

Bianchi, R. (2017). The political economy of tourism development: A critical review. Annals of Tourism Research. *Annals of Tourism Research*, 70, 88-102. 005

Bianchi, R. V. (2009). The 'Critical Turn' in Tourism Studies: A Radical Critique, *Tourism Geographies*, 11(4), 484-504.

Blomström, M. & Kokko, A. (2003). The economics of foreign direct. Investment incentives. Working Paper 9489. National Bureau of Economic Research, Cambridge, Massachusetts.

Bogliaccini, J. A. & Egan, P. J. W. (2016). Foreign direct investment and inequality in developing countries: Does sector matter? *Economics & Politics*, 29, 209–236.

Boora, S. S. & Dhankar, S. (2017). Foreign Direct Investment and its impact upon the Indian Hospitality Industry. *African Journal of Hospitality, Tourism and Leisure*, 6(1), 1-17.

Buckley, P. J. & Papadopoulos, S. I. (1988). Foreign Direct Investment in the Tourism Sector of the Greek economy. *The Service Industries Journal*, 8(3), 370-388.

Cárdenas-García, P.J., Sánchez-Rivero, M. & Pulido- Fernández, J. I. (2013). Does Tourism Growth Influence Economic Development? *Journal of Travel Research*, 54(2), 206 –221.

Chai, J. & Goyla, R. (2008). Tax Concessions and Foreign Direct Investment in the Eastern Caribbean Currency Union. IMF Working Paper. Washington D.C.: International Monetary Fund.

Chok, S., Macbeth, J. & Warren, C. (2007). Tourism as a Tool for Poverty Alleviation: A critical analysis of 'pro-poor tourism' and implications for sustainability. *Current Issues in Tourism*, 10(2/3), 144-165.

Cole, S. & Morgan, N. (2010). 'Introduction: Tourism and inequalities', in S. Cole & N. Morgan (eds.), Tourism and inequality: Problems and prospects, pp. xv–xxiii, CABI, Oxford.

Cukier J. (2002). Tourism employment issues in developing countries: example from Indonesia. In Tourism and Development Concepts and Issues, R. Sharpley and D. J. Telfer, eds., pp. 165-201. Clevedon: Channel View Publications.

Davidson, L. & Sahli, M. (2015). Foreign direct investment in tourism, poverty alleviation, and sustainable development: a review of the Gambian hotel sector, *Journal of Sustainable Tourism*, 23(2), 167-187.

De Kadt, E. (1979). Social planning for tourism in the developing countries. *Annals of Tourism Research*, 6(1), 36-48.

Derviş, K. & Qureshi, Z. (2016). Income distribution within countries: rising inequality. Brief, Global Economic and Development at Brookings.

Du, D., Lew, A. A. & Ng, P. T. (2016). Tourism and economic growth. *Journal of Travel Research*, 55(4), 454-464.

Endo, K. (2006). Foreign direct investment in tourism—flows and volumes. *Tourism Management*, 27, 600-614.

Falk, M. (2016). A gravity model of foreign direct investment in the hospitality Industry. *Tourism Management*, 55, 225-237.

Fletcher (2011). Sustaining Tourism, Sustaining Capitalism? The Tourism Industry's Role in Global Capitalist Expansion, *Tourism Geographies: An International Journal of Tourism Space, Place and Environment*, 13(3), 443-461.

Grossman, G. M. & Helpman, E. (2014). Growth, Trade, and Inequality. Working Paper, Department of Economics, Harvard University. Retrieved 17 March 2018 from http://nrs.harvard.edu/urn3:HUL.InstRepos:25586653

Guevara Manzo, G. (2018). Foreword. In World Travel & Tourism Council (ed.) Travel & Tourism Economic Impact 2018, no page. London: World Travel & Tourism Council.

Haley, U. C.V., & Haley, G. T. (1997). "When the tourists flew in: strategic implications of foreign direct investment in Vietnam’s tourism industry", *Management Decision*, 25(8), 595-604.

Hunter Wade, R. (2004). Is Globalization Reducing Poverty and Inequality?, World Development, 32(4), 567-589.

Işik, C. (2015). Foreign Direct Investment in Tourism: Panel Data Analysis of D7 Countries. *Athens Journal of Tourism*, 2(2), 93-103.

Ivanovic, Z., Baresa, S. & Bogdan, S.(2011). Influence of foreign direct investment on tourism in Croatia. *UTMS Journal of Economics*, 2(1), 21-28.

Jafari Samimi, A., Sadeghi, S. & Sadeghi, S. (2013). The Relationship between Foreign Direct Investment and Tourism Development: Evidence from Developing Countries. *Institutions and Economies,* 5(2), 59-68.

Khoshnevis Yazdi, S. Homa Salehi, K. & Soheilzad M. (2017). The relationship between tourism, foreign direct investment and economic growth: evidence from Iran, *Current Issues in Tourism*, 20(1), 15-26.

Kransdorff, M. (2010). Tax incentives and Foreign Direct Investment in South Africa. *Consilience: The Journal of Sustainable Development,* 3(1), 61-84.

Kravanja, B. (2012). On social inequality in tourism development and tourist marketing of postcolonial Sri Lanka. *Stud. ethnol. Croat*., 24, 107-129.

Lee, S. (2009). Income inequality in tourism services-dependent counties, Current Issues in Tourism, 12(1), 33-45.

Li, X., Huang, S. & Song, C. (2017). China's outward foreign direct investment in tourism. Tourism Management 59, 1-6.

Lucchetti, V. G. & Font, X. (2013). Community based tourism: critical success factors. The Internafional Centre for Responsible Tourism, 27, 1-20.

Manuel-Navarrete, D. (2012).“Entanglements of Power and Spatial Inequalities in Tourism in the Mexican Caribbean”, desiguALdades.net Working Paper Series, No. 17, Berlin: desiguALdades.net Research Network on Interdependent Inequalities in Latin America.

McClendon, R. (2015). New Orleans' tourism industry booms but income inequality remains entrenched. Retrieved 2 November 2015 from http://www.nola.com/politics/index.ssf/2014/10/new_orleans_tourism_industry_b.html

Mehmet, O. & Tavakoli, A. (2003). Does foreign direct investment cause a race to the bottom?, Journal of the Asia Pacific Economy, 8(2), 133-156.

Mihaylova, S. (2015). Foreign direct investment and income inequality in Central and Eastern Europe. *Theoretical and Applied Economics,* XXII(2 - 603), 23-42

Mortimore, M. (2004). The Impact of TNG Strategies on Development in Latin America and the Caribbean. In Velde, D.W. te (ed.), Foreign Direct Investment; Income Inequality and Poverty Experiences and policy implications, pp. 63-88. London: Overseas Development Institute.

Mowforth, M. & Munt, I. (2003). Tourism and Sustainability. Development and new tourism in the Third World. London: Routledge.

Mowforth, M. Charlton, C. & Munt, I. (2008). Tourism and responsibility perspectives from Latin America and the Caribbean. London: Routledge.

Nagarjuna, G. (2015). Local Community Involvement in Tourism: A Content Analysis of Websites of Wildlife Resorts. *Atna, Journal of Tourism Studies*, 10(1), 13-21.

OECD. (2002). The Economics of International Investment Incentives. Paris: OECD. Retrieved 17 march 2018 from https://www.oecd.org/daf/inv/investment-policy/2487874.pdf

Olney, W. W. (2013). A race to the bottom? Employment protection and foreign direct investment. *Journal of International Economics*, 91, 191–203.

Passafaro, P., Cini, F., Boi, L., D'Angelo, M., Heering, M. S., Luchetti, L., Mancini, A., Martemucci, V., Pacella, G., Patrizi, F., Sassu, F. & Triolo, M. (2015). The ''sustainable tourist'': Values, attitudes, and personality traits. *Tourism and Hospitality Research*, 15(4), 225-239.

Reye, J. (2011). The roles of sustainable tourism in neoliberal policies and poverty reduction strategies: do they adequately address quality of life? *The Applied Anthropologist*, 31(1), 23-29.

Ridderstaat, J., Croes, R. and Nijkamp, P. (2014). Tourism and Long-Run Economic Growth in Aruba. *International Journal of Tourism Research*, 16, 472-487.

Ridzuan, A. R., Ismail, N. A. & Che Hamat, A. F. (2017). Does Foreign Direct Investment Successfully Lead to Sustainable Development in Singapore? *Economies*, 5(29), 1-20.

Saayman, M. & Giampiccoli, A. (2016). Community-based and pro-poor tourism: Initial assessment of their relation to community development. *European Journal of Tourism Research*, 12, 145-190.

Saayman, M., Rossouw, R. & Krugell, W. (2012). The impact of tourism on poverty in South Africa. *Development Southern Africa*, 29(3), 462-487.

Salleh, N. H. M.., Shukor, M. S., Othman, R., Samsudin, M. & Idris, S. H. M. (2016). Factors of Local Community Participation in Tourism-Related Business: Case of Langkawi Island, *International Journal of Social Science and Humanity*, 6(8), 565-571.

Saner, R., Yiu, L. & Filadoro, M. (2015). Tourism Development in Least Developed Countries: Challenges and Opportunities. in Angelo A. Camillo (editor) "Handbook of Research on Global Hospitality and Tourism Management", IGI Global Publ., Hershey, Penn. 2015, chapt. 13, pp 234-261.

Santos, M., Brochado, A. & Esperança, J. (2016). Foreign direct investment patterns of global hotel chains. *Journal of Business Research*, 69, 5235–5240.

Schilcher, D. (2007). Growth versus equity: the continuum of pro-tourism and neoliberal governance. In M. Hall (Ed.), Pro-poor tourism: who benefits? Perspective on tourism and poverty reduction (pp.56-83). Clevedon: Channel View Publications.

Sinclair-Maragh, G. & Gursoy, D. (2015). Imperialism and tourism: The case of developing island countries. Annals of Tourism Research, 50, 143-158.

Snyman, J. A. & Saayman, M. (2009). Key factors influencing foreign direct investment in the tourism industry in South Africa, *Tourism Review*, 64(3), 49 – 58.

Stankova, M. & Kaleichev, S. (2013). The cutting edge between the mass and luxury tourism. *Romanian Economic and Business Review*, 1, 50-59.

te Velde, D.W. (2004). FDI, Income Inequality and Poverty: Experiences and Policy Implications. In Velde, D.W. te (ed.), Foreign Direct Investment; Income Inequality and Poverty Experiences and policy implications, pp. 1-9. London: Overseas Development Institute.

Tomohara, A. (2016). Japan's tourism-led foreign direct investment inflows: An empirical study. *Economic Modelling*, 52, 435–441.

UN. (2007). FDI in Tourism: The Development Dimension. New York: United Nations.

UN. (2008). FDI and Tourism: The development dimension East and Southern Africa. New York: United Nations.

UN. (2013). Inequality Matters. Report of the World Social Situation 2013. Document ST/ESA/345. New York: United Nations, Department of Economic and Social Affairs.

UNIDO.(2009). Multinational Enterprises' Foreign Direct Investment Location Decisions within The Global Factory. RESEARCH AND STATISTICS BRANCH WORKING PAPER 04/2009. Vienna:UNIDO.

United Nations University. (2016). Global income inequality has declined in relative terms, but gone up substantially in absolute amounts. Press Release 23 August 2016.

UNWTO (2015). Affiliate Members Regional Reports, Volume four – Tourism in Africa: A Tool for Development, UNWTO, Madrid.

UNWTO.(2017).UNWTO Tourism Highlights 2017 Edition. Madrid: World Tourism Organisation.

Vijaya, R. M. & Kaltani, L. (2007). Foreign direct investment and wages: A bargaining power approach. *Journal of World-Systems Research*, XIII (1), 83-95.

WEF. (2018 a). Focus on GDP Fuelling Inequality and Short-Termism. Retrieved 17 march 2018 from https://www.weforum.org/press/2018/01/focus-on-gdp-fuelling-inequality-and-short-termism/

WEF. (2018 b). The Inclusive Development Index 2018 Summary and Data Highlights. Retrieved 17 March 2018 from http://www3.weforum.org/docs/WEF_Forum_IncGrwth_2018.pdf

Williams, D. A. & Deslandes, D. (2008). Motivation for Service Sector Foreign Direct Investments in Emerging Economies: Insights from the Tourism Industry in Jamaica, The Round Table, 97, 396, 419-437

Wiranatha, A. S., Antara, M. & Suryawardani, IG. A. O. (2017). Impact of Tourism Leakage on the Growth of Economic Sectors, Employment and Income Distribution in Bali, Indonesia. *International Journal of Economic Research*, 14(8), 11-27.

WTTC, 2018. Travel & Tourism Economic Impact (2018). . London: World Travel & Tourism Council.

Xu, C. (2017). Tourism industries and tourism foreign direct investment in Wales. *Welsh Economic Review*, 25, 37-41.