

# The Economic Impact of All-Inclusive Resorts in Jamaica

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Jamaica is described as everyone's idea of a tropical paradise. Its sunshine, blue Caribbean Sea, white sand beaches, and breathtaking scenery attract more than a million visitors each year and make it one of the popular destinations in the Caribbean (Jamaica Tourism Board [JTB], 2007). According to the Caribbean Tourism Organization (2007), Jamaica welcomed an estimated 1,678,905 tourists in 2006. The tourism industry is an important economic sector in Jamaica, which is represented mostly by the development of all-inclusive resorts.

This paper examines all-inclusive resorts and how they affect the economy of Jamaica. Despite their popularity and profitability, a closer look at all-inclusive resorts reveals that the revenue they generate brings limited benefits to locals. The research explores the problems that all-inclusive resorts are facing, including the negative consequences of enclave tourism, high leakage rate, the structure of ownership, low employment generation as well as cost of infrastructure. The result demonstrates that the benefits that all-inclusive resorts bring to Jamaica do not live up to their claims, and their contribution to the Jamaican economy needs to be greater. The paper concludes, however, by predicting that all-inclusive resorts will stay in Jamaica by finding a way to be sustainable and to share their benefits with the host country.

## Introduction

Abraham (1999) sarcastically describes Jamaica's all-inclusive resorts as "islands themselves, deliberately separate from the life of the tiny nation" (p. 1). Once seen as everyone's paradise destinations, all-inclusive resorts in Jamaica are now viewed as a form of tourism with little benefit for locals. Tourism

represents the biggest industry in the world, and has been a source of economic development of many developing countries, including Jamaica. After Jamaica's export agriculture declined sharply during the depression in the 1930s, tourism gradually became the industry that held the promise of jobs, income, and development (Pattullo, 1996). From the early stages of its tourism development, all-inclusive resorts have been part of Jamaica's tourism product. Indeed, Jamaica's own Gordon "Butch" Stewart was one of the founders of the Sandals chain of all-inclusive resorts. These resorts have become an entrenched part of Jamaica's tourism product, and with the island increasingly dependent on tourism, it is hard for the government and tourism proponents to accept that the economic benefits of all-inclusive resorts to local Jamaicans are limited.

Turner and Troiano (1987) define all-inclusive resorts and enclave tourism:

In general, an all-inclusive resort offers the traveler lodging, meals, and recreational activities for a single price that also includes airport transfers, service charges, and gratuities (tipping is usually discouraged). In theory, travelers can be entirely carefree during their stay to enjoy the vacation without worrying about additional costs for such things as meals, windsurfing lessons, or the services of a tennis pro (pp. 25-26).

In short these resorts charge their guests a fixed price for all the necessary products and services needed for an entire stay. All-inclusive resorts are based on enclave tourism which represents all types of travel that provide independent areas with all the products and services needed by tourists (Roessingh & Duijnhoven, 2004). Cruise ships and other all-inclusive vacation packages also fall into the category, and the major characteristic of enclave tourism is an isolation of tourists from local environments.

## Overview

Located in the Greater Antilles, Jamaica is the third largest island in the Caribbean and is surrounded by the Caribbean Sea on all four sides (McCoy, 2003). Although Jamaica is still classified as a developing country, its excellent natural environment, year-round warm climate, white sand beaches, and beautiful landscapes attract over one million tourists each year (JTB, 2007). Today, the tourism industry in Jamaica is one of the most important economic sectors, and its impact on the country is enormous.

Tourism in Jamaica, however, differs from tourism in other countries. It is represented and dominated by all-inclusive resorts along the island's coast. The origin of all-inclusive resorts in Jamaica goes back to 1976 when John Issa opened Negril Beach Village in Negril, now known as Superclubs (Eversley, 2003). Five years later, in 1981, Jamaican native Gordon "Butch" Stewart opened up his first Sandals Resort in Montego Bay (Eversley, 2003), now known as one of the Sandals chain. As both Superclubs and Sandals expanded their business to other islands in the Caribbean, many other all-inclusive resorts such

as Couples, Sunset, and Riu Hotel & Resorts opened up their properties in Jamaica. In 2004, PricewaterhouseCoopers announced that there were a total of 39 all-inclusive resorts in Jamaica, which accounted for 53 percent of the island's hotel rooms. Additionally, all-inclusive resorts accounted for 79.4 percent of the hotels with 100 rooms or more (PricewaterhouseCoopers, 2004).

All-inclusive resorts have been developed over decades, and have clearly been a big part of Jamaica's tourism product. All-inclusive resorts have played a critical role in the tourism development in Jamaica and have led the trends for the industry. Since they first appeared in the 1970's, all-inclusive resorts have become a significant segment of Jamaica's tourism.

### Negative Economic Impacts of All-Inclusive Resorts

However, at the same time, all-inclusive resorts in Jamaica have been unable to maximize the tourism industry and find long-term solutions to improve Jamaica's standard of living. A strong and frequent argument is that little of the revenue generated by all-inclusive resorts goes into the local economy. All-inclusive resorts and enclave tourism absolutely influence the amount of money that flows into the local economy, but keep local Jamaicans at a distance from tourism benefits. The issue here is very complex and is intermixed with many aspects of Jamaica; Jamaica's historical, social and political background strongly affect the way that the profit from all-inclusive resorts slip from its economy.

Leakage is the big cause of this phenomenon. Leakage is the unwanted leaving of money from a country as a result of taxes, wages, imports, and profits that are paid outside the country. The leakage rate for all-inclusive resorts in Jamaica is estimated relatively higher than ones in other countries (United Nations Environment Program [UNEP], 2002).

Although Jamaica gained independence from Britain, Jamaica's colonial past remains a burden. In colonial times, Jamaica was reliant to a large degree on mining, and imported many other types of products from other countries, particularly from Britain. Even now colonial rule weighs on Jamaica; mining is still one of the country's important economic sectors but many other resources are imported into Jamaica. In fact, the country's resources are limited and Jamaica still finds it necessary to depend on other countries. Therefore, Jamaica remains unprogressive and needs to import many products from other countries to satisfy tourists' needs and wants, which results in leakage.

Although the data for Jamaica's leakage is unavailable, a study by UNEP (2002) estimated leakage for the Caribbean as a whole at 80 percent. This rate indicates that only about \$20 will remain locally when tourists spend \$100 on their vacation in the Caribbean. Like most developing countries in the Caribbean, Jamaica suffers in effect from a new form of colonization and does not have enough of its own resources, or its resources do not meet tourists' standards. Indeed, most guests at all-inclusive resorts expect the same high-quality products and services as they can receive in their advanced home

countries. As a result, many resorts often must import food and drinks, furniture, cooking equipment, and even building supplies.

Sandals Resort in Negril, Jamaica, demonstrates well the need for importing products from other countries. Dining and restaurants are one of the most important features of all-inclusive resorts, where guests enjoy unlimited food and drinks any time of day. Like other resorts, Sandals Negril is proud of its six different restaurants and the food it offers: Jamaican, American, French, Italian, and Japanese (<http://www.sandals.com>). However, where on earth do they buy caviar for French dishes' toppings, prosciutto for pasta, or dried seaweed for sushi rolls? It is clear that the resort needs to purchase those and many other products from companies in other countries, because Jamaica does not have the industries to supply these goods. As the resort purchases imports, much of tourism's income leaves the country by means of leakage.

To reduce leakage, it is suggested that all-inclusive resorts offer more products that are local. For example, instead of highlighting American, French, Italian, or Japanese foods, resorts can emphasize Jamaican food, using local vegetables and fish. However, many resorts are afraid that they will lose their guests with only Jamaican products and services. Thus, it is hard for many all-inclusive resorts to accept that providing Jamaican products benefits both the resorts and the local economy. As a result, all-inclusive resorts in Jamaica keep importing products, and are unable to keep a significant amount of tourism income within the country.

Moreover, the ownership of all-inclusive resorts affects Jamaica's high leakage rate. Most all-inclusive resorts in Jamaica are owned and run by large multinational corporations that operate in other Caribbean islands or other countries. The examples include Sandals, Superclubs, Riu, Couples, Sunset and Wyndham Resorts (PricewaterhouseCoopers, 2002). Some of them are Jamaican-owned, but they all have their properties expanded elsewhere in the world. When multinational corporations dominate the country's tourism, leakage arises because the profits are taken back to their home countries; ownership by multinational corporations encourages taking money away from the local companies and the economy.

### Positive Economic Impacts of All-Inclusive Resorts

However, proponents of all-inclusive resorts point to the fact that these all-inclusive resorts bring large numbers of visitors to the country, who must travel through local airports and towns to arrive at the resorts. It is also argued that all-inclusive resorts provide jobs in areas that are economically impoverished and away from the major centers.

Furthermore, in 2005, Gordon "Butch" Stewart, a founder of the Sandals Resort chain, received the Caribbean Hotel & Tourism Investment Conference Lifetime Achievement Award for his accomplishments and contributions to the community (Boodram, 2005). The Sandals Montana Bay, for example, is one of the resorts that are pioneering new ways to work with local communities by

launching the Mafoota Farmers Market. The Market takes place rent-free every Friday by the taxi stand on the property; local farmers bring and sell their fresh produce there (Boodram, 2005). This market demonstrates that all-inclusive resorts can significantly increase the amount of money which reaches local hands by supporting local farmers (Boodram, 2005).

#### The Reality of All-inclusive Resorts in Jamaica

Even so, little or no definitive data is currently available to prove that all-inclusive resorts do affect Jamaica's economy positively, and the degree of their economic contribution is still questionable. Positive economic impacts are limited, and many experts and reports cannot deny the negative evidence of all-inclusive resorts in Jamaica.

Another problem of all-inclusive resorts, in addition to high leakage and the ownerships, is that they tend to decrease the multiplier effect, an effect in which an increase in spending produces increased income and consumption greater than the first amount spent (Schuster, 2006). In other words, money spent by guests at all-inclusive resorts does not always flow into the economy, stimulating growth in other sectors. When a new hotel is set up, for example, it usually creates jobs directly in the hotel. The hotel also needs to purchase supplies from local business, which will bring more businesses to the area. Moreover, as the workers in the hotel or local business people spend some of the money they earn, it will result indirectly in creating jobs elsewhere in the economy. This is how every dollar spent by tourists has a long positive impact on the whole economy unless it leaves the country as a form of leakage. For all-inclusive resorts, however, the money does not circulate through the economy as it does in the given example.

A study by UNEP (2002) states, "in most all-inclusive package tours, about 80 percent of travelers' expenditures go to the airlines, hotels and other international companies, and not to local businesses or workers." This means, of course, only 20 percent of the profits are received by the host country. Because tourists buy most of their products or service together with their accommodation before they arrive at the country, little of the money they spend flows into Jamaica's economy. The only time tourists find themselves spending money is when they purchase food or souvenirs at the airports, or when they take transportations to their resorts. Other than that, they enjoy activities or lessons offered in the resorts, not worrying about spending another penny, or they simply spend all afternoon tanning poolside with their gossip magazines and glasses of piña colada handy.

Although much needs to be done to improve economic standards, all-inclusive resorts can increase the amount of money that reaches the Jamaican economy by promoting local tours and encouraging guests to visit local attractions. Unfortunately, however, few all-inclusive resorts in Jamaica are currently highly involved with local communities, and it is still far-off in the future for them to coexist with local communities.

As reported by Abraham (1999, p. 1), Stephen Raphael, a taxi driver, spoke out in response to a recent fare cut due to pre-paid airport transfers; “Tourism is our main industry, but with the all-inclusives, the tourist dollar is circulating only there, and tourists who come to our country don’t see its beauty.” His claim reconfirms that tourists’ expenditures do not flow and spread to other sectors of the country and encourage growth throughout the economy. All-inclusive resorts actually shut out local business from accessing tourism income.

Furthermore, a job for a local Jamaican at an all-inclusive resort does not help to improve money generation into the economy. Although no statistical data is currently available for the number of local people employed at all-inclusive resorts, a UNEP study (2002) concludes that all-inclusive resorts hire fewer people than other types of hotels. Additionally, the working conditions aggravate the situation. Many of the best-paid managerial positions at all-inclusive resorts are taken by people outside of Jamaica with only entry-level jobs for locals, for example, housekeepers who make an average of \$8 a day (Abraham, 1999). The seasonal character of the jobs at all-inclusive resorts also creates economic problems that include job insecurity. Many of the workers are not promised employment from one season to the next. These facts reveal that little of the tremendous amount of money generated by all-inclusive resorts actually goes into Jamaican households.

Lastly, the infrastructure development stimulated by all-inclusive resorts costs the Jamaican government a lot of money. Because all-inclusive resorts bring a large number of tourists into the country and the resorts are usually located far away from cities, the government finds it necessary to build physical infrastructure. However, infrastructure is not inexpensive. Building airports, roads, and other facilities can easily cost millions of dollars, and the development costs result in the need for borrowing and high debt service charges.

The World Bank has been working closely with Jamaica to help the country’s economic growth and development. The total lending to Jamaica is US\$150 million as of 2007, and the Bank spends US\$29.3 million of the money specifically on the Inner City Basic Service project, designed to improve the quality of communities by providing access to basic infrastructure, such as airports, roads, sewerage and water supply (World Bank, 2007).

Ironically, the Jamaican government runs into debt as they welcome visitors for all-inclusive resorts. Moreover, spending an enormous amount of money on infrastructure may reduce government investment in other critical areas such as education and health. Hence, building infrastructure does not always help to improve the quality of local Jamaicans’ lives, but rather has unfavorable economic effects on the country.

## Conclusion

The tourism industry is supposed to generate economic benefits to host countries. In developing countries, Jamaica included, the tourism industry is the main sources of the economic improvement. However, all-inclusive resorts,

considered Jamaica's primary tourism product, have many hidden negative consequences and provide limited local economic benefits.

At the same time, there is considerable scope for all-inclusive resorts in Jamaica to improve the benefits to local communities, and increase the money generation into the economy. In fact, according to Hawkes and Kwortnik (2006), locals, governments and other hospitality organizations put a great deal of pressure on Jamaica's all-inclusive resorts to coexist with local communities. Promoting and selling tours of the community by local people or employing qualified local persons wherever possible helps the resorts to be involved in community contribution and ease the pressure. Slowly this is beginning to happen, and all-inclusive resorts will find a way to stay in Jamaica with a new vision of sustainability and community contribution.

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