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TOURISM ACTIVITY AND ECONOMIC CONDITIONS IN BRITAIN

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This study examines the impact of tourism activity on local business and economic conditions in local economies in Britain. The empirical investigation focuses on whether or not tourism activity is beneficial to local rural and urban economies and informs policy makers aiming to maximise their tourism potential. The analysis differentiates local authority areas into two distinct groups according to the intensity of tourism employment (below and above average). Whilst the empirical evidence suggests that tourism exerts positive benefits to local economies in the form of entrepreneurship, these benefits may not accrue to the tourism sector itself because in the act of "moving on" the labour force takes its improved human capital with it. This means that the promotion of tourism alone as a policy for regeneration may not be as successful as some policymakers might perceive. It is clear that a "one size fits all" prescription is inappropriate.

Keywords: *Britain, Entrepreneurship, Local Economies, Regeneration*

JEL Classification: *L83, M1, O1*

INTRODUCTION

Over the last few years, the British government has started to press towards the need to develop a strong and vibrant tourism sector (SEEDA 1999; 2005). The underlying objective is the belief that the tourism sector could act as a catalyst to propel economic growth. That is because tourism is an economic sector, with multiple linkages to other parts of economic activity in national and regional economies. Efforts to evaluate the role of tourism activity on regional economic development date back to the beginning of the 1980s (Travis 1980, Clarke 1981). Also, the effort to quantify the role of tourism activity on regional economics development

stems across a broad range of contexts. Inter alia, the literature considers the role of tourism activity in both developed (Clarke 1981, Xie 2006, and Jackson and Murphy 2006) and developing (Travis 1980, Ludger and Guillermo 2002, and Briedenhann and Wickens 2004) countries. In a British context, the discussion regarding the role of tourism led economic growth has heightened during mid-1980s and the beginning of 1990s (Novelli et al. 2006, Porter 1998, Agarwal 1999). The reason for that was the recent economic decline across British tourism areas.

This paper aims to make a theoretical contribution to the area of tourism led regional economic development and tourism policy. As such, the research question addressed in the paper considers how tourism activity affects economic development across rural and urban local authorities in Britain. The paper will evaluate the impact of tourism activity through the consideration of a series of economic conditions in local areas in Britain. Agarwal and Brunt (2006) stress that problems encountered in businesses and economic conditions may result in social and economic exclusion in tourism dependent areas. This paper attempts to identify and capitalize upon some of the positive business factors that might be found in a tourism dependent local economy. The resulting evidence should help tourism policy makers to adjust decision making accordingly. The investigation has a practical value to practitioners and tourism decision makers alike since it can be used to inform policy making. The paper will offer an insight on the role of tourism development in local and regional government planning. In particular, the contribution of the present work lies in the attempt to illustrate how tourism activity functions as a mechanism of change for local business and economic conditions in British local authority areas. Thus, the main objective of the paper is to record and illustrate the dynamics of tourism activity in a rural–urban tourism nexus.

The paper considers a number of indicators (such as entrepreneurial activity, formal qualifications, median wage rates and unemployment variations) and their role in stimulating growth. Entrepreneurial activity and formal qualifications are taken as proxies for the local business environment, whereas the wage rate and unemployment variation are taken as proxies for labour market flexibility.

In the following section (section 2), the paper analyses the methods used to collect the data and built the dataset. Section 3 describes the rationale behind the selection of the various business and economic indicators (explication of the conceptual framework). Section 4 deals with the descriptive analysis of the data and the results. Section 5 discusses the

results and provides some directions for policy making in the tourism area. Finally, section 6 concludes the discussion.

THE CASE STUDY AREA

The spatial focus of this study is the unitary and local authorities in Great Britain. The principal difference between local and unitary authorities is that unitary authorities generally have larger populations and are responsible for the provision of all government services whereas local authorities share administrative responsibilities with county authorities. The study includes Scotland and Wales but excludes Northern Ireland. In total there are 408 unitary and local authorities in Great Britain (hereafter collectively referred to as LAs). The LAs range in population size from 2,200 to over 992,000. For the purpose of the analysis two LAs, the City of London and Isles of Scilly have been excluded from the sample because they both have very small populations and thus the sample data for these areas is unreliable. The LAs can be further sub-divided into urban and rural locations, with rural locations classified as those with population densities of less than 400 people per sq km. By this definition 185 LAs are classified as rural (45.5%) and 223 as urban (54.5%).

Following the Department of Culture, Media and Sports (DCMS) Evidence Toolkit (2004) recommendations, tourism is usually defined by the activities of the consumers (i.e., the demand characteristics). However, the available data on employment and output is rooted in the Standard Industrial Classification (SIC), which is based on industry group activity, otherwise the supply side. For practical purposes this study adopts the definition of tourism used by the UK National On-line Manpower Information System (NOMIS) as a part of their labour market profile. This definition includes the following 3-digit SIC categories: hotels; camping sites etc; restaurants; bars; activities of travel agencies etc; library, archives, museums etc; sporting activities and other recreational activities.

The next step is to define tourism dependency. The approach adopted here is to use a simple location quotient (LQ) approach to define dependency. The location quotient is an index comparing the proportion of employment (or any other suitable variable) in a single industrial sector in one spatial location in relation to some benchmark, usually the national economy. For example, a figure of 1 indicates that the industrial sector has the same weighting in the local economy as it does in the national economy. Figures greater than 1 suggest a local specialisation in that sector. For instance, a figure of 1.5 would suggest 50% more employment

is a specific sector as compared to the average employment in the national economy. The problem is how far from the norm constitutes dependency? Initial investigations suggested that an LQ figure of 1.25 might be appropriate. It could be argued that this is significantly above the national average and it certainly contains some of the LAs most usually associated with tourism in Britain such as Bournemouth, Brighton and Hove, New Forest and Stratford-on-Avon. By this measure, 87 LAs (21% of the total) were characterised as tourism dependent. However, following this approach the main problem was that amongst those excluded were Bath, Edinburgh, Warwick, Chichester, Southend-on-Sea and Portsmouth. Not only there were some key LAs missing, but there was also a very strong bias in favour of rural LAs. The solution was to use an LQ of 1.05 or 5% above the national average. This definition produced a list of 166 tourism dependent LAs (40.7%).

LITERATURE REVIEW

The variables that form the basis of the investigation are all drawn from secondary data sources that are easily accessible. Whilst the list used in this study is by no means exhaustive, they do have the advantage of being reasonably well tried and tested in the literature. More importantly they can be applied in other settings. In all cases the analysis used population-weighted data which was then transposed into indices to discover dispersal around the national mean.

Tourism and entrepreneurial activities are closely related because they share a number of key features and characteristics. Both entrepreneurship and tourism prosper in small-scale projects (Lerner and Haber 2001; Karmakar, 2011). Recent trends in tourism indicate increased interest in smaller-scale tourism development. Although there isn't a clearly set definition of entrepreneurship, the paper considers it as the incorporation of all the necessary skills and knowledge that would allow an individual to pursue economic and business opportunities in the tourism field (Skuras et al. 2005). Cunningham and Lischeron (1991) go on to suggest that entrepreneurship may encompass a wide range of activities such as creating, founding, adapting and managing a business venture. Others such as Benneworth (2004) stress the quality of entrepreneurship emphasising the importance of "Schumpeterian entrepreneurs" as the driving force behind successful regional economies.

Post–Fordism influences have resulted in a profound transformation in tourism demand patterns. In a world where the potential visitor is spoiled for choice, and getting more sophisticated, tourism destinations

have to renew and reinvent themselves in order to compete and survive. Increased levels of competition have generated pressure among tourist destinations to achieve long–term survival, by being more competitive, offering quality tourist products, and attracting more visitors (Garrod and Fyall 2001, Poon 1994). Thus, tourism destinations need to be entrepreneurial to diversify and innovate their product in order to survive. This suggests increased opportunities for small and medium sized firms (SMEs) where, throughout the economy, the majority of entrepreneurial activity takes place. Consequently, those local and regional economies where entrepreneurial activity thrives are most likely to be successful regarding tourism led economic growth (Novelli et al. 2006, Michael 2003).

The literature (Lordkipandze et al. 2005, Ripsas 1998) suggests that one clear way of maximizing the potential for tourism led economic growth is through the promotion and cultivation of tourism entrepreneurship. According to Lordkipanidze et al. (2005: 791), "Within tourism, entrepreneurship has gained an increasing importance". Several authors divide entrepreneurial activity into a rural–urban nexus (Weaver and Lawton 2001) in order to capture the distinctiveness between man-made attractions, usually found in urban locations, and natural attractions, usually in rural locations. In other words, urban tourism reflects city tourism products built around the themes of festivals, exhibitions (culture, heritage, short breaks etc.) and built attractions, whereas rural tourism destinations depend on natural features, climatic and environmental conditions.

The tourism sector, as any service-based industry, relies on service delivery and service quality in order to compete successfully in the marketplace. One of the determining factors behind the quality of tourism services is the effective and adequate management of the industry's human resources. Agarwal and Brunt (2006) suggest that training of personnel in the industry is a paramount objective for tourism destinations. Thus, the attainment of formal qualifications (and training) by the labour force employed in the sector should guarantee the quality of the tourism product on offer, and consequently contribute towards tourism led growth and development. It is also well documented in the literature (Baum 2007, Liu and Wall 2006, Westwood 2004) that the tourism industry as a whole faces chronic problems regarding the recruitment of skilled and trained personnel. The issue of recruiting and retaining a skilled labour force, in turn affects adversely the potential for tourism development. There are clear policy conclusions that can be drawn from the above statement, in the way that tourism enterprises and

businesses emphasise on training and acquisition of formal skills and qualifications as part of an employee retention strategy, which can positively affect tourism led development (Akal, 2010; Furunes 2005, Enz and Siguaw 2000).

Another factor that is going to have a negative impact on tourism development is pay conditions. Tourism work is generally viewed as low paid with a significant proportion of people working part-time and a tendency towards long periods of inactivity and lay-offs during the winter months. Generally speaking there is an inverse relationship between the degree of tourism dependency and wage rate levels. Most of the traditional seaside resorts in Britain such as Great Yarmouth, Bournemouth, Torbay, Eastbourne and Blackpool exhibit below average wage levels. There are a number of different perspectives to consider low pay. On the one hand it means that business costs are generally lower, a fairly useful saving in a labour intensive industry. On the other hand, it means that the workforce is likely to be transient (moving on to more rewarding jobs over time). It is highly likely that there will be significant differences between rural and urban tourism dependent areas because in urban areas tourist firms are in competition with firms from other sectors many of which will pay significantly more for their labour.

The seasonality of employment is one of the major features of the tourism industry in Britain. As tourism employment rates increases over the summer period (May to September) the unemployment rate declines sharply. The reverse occurs during the winter months (October to April). Also, the nature of the tourism product can be expected to heighten unemployment seasonality. This is true for particular products that are weather dependent such as, beach and rural camping holidays. Others, such as all-year-round attractions or city break tourism with a significant portion of their activities located indoors might be expected to experience a more even pattern of employment. Viewed from a slightly different perspective, the variance in unemployment between winter and summer months might be taken as an indication of slackness in the local labour market. In this view, labour markets with a high unemployment variance between summer and winter periods have significant reserves of labour to call upon and should be less susceptible to higher business costs through wage inflation. The analysis in this paper measures the proportional difference in unemployment rates between the tourism off - season (January) and the high season (July). When these employment differences are significantly above the national average it is reasonable to assume that this is likely to be due to changes in tourism employment.

EMPIRICAL RESULTS

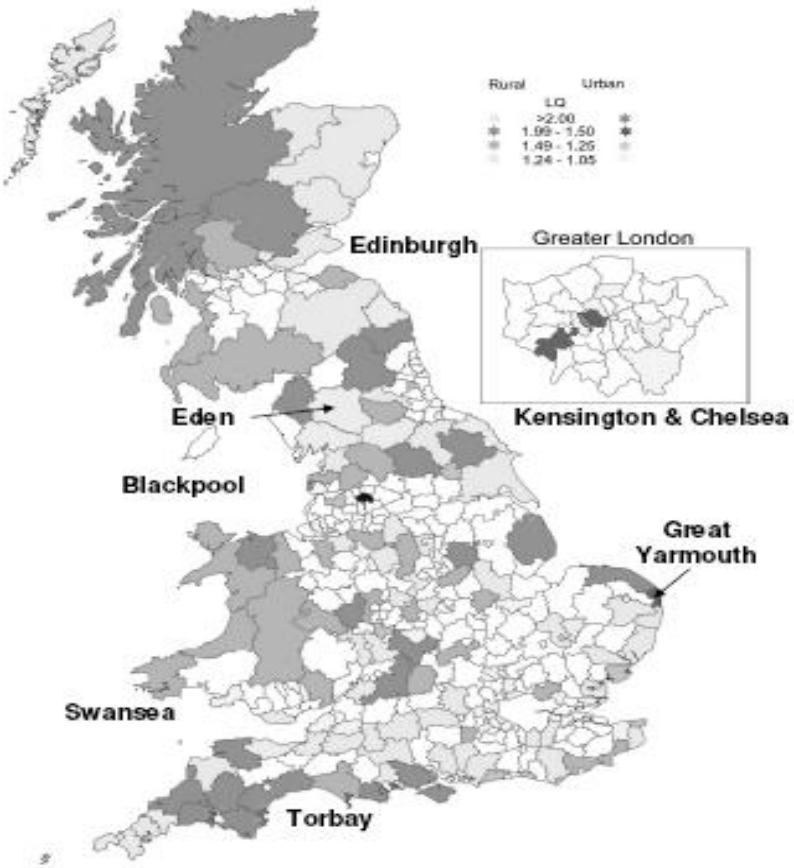
Having discussed the rationale behind the selection of the various business and economic indicators the paper turns next to the initial description of the data and presents the results as a series of maps (more detailed data table can be available, upon request to the authors).

Tourism dependency

The regional dispersion of tourism dependency across Britain is quite illuminating. Nationally 41% of LAs can be defined as tourism dependent. Three regions, Scotland (66%). South West (67%) and Wales (45%) have above average concentrations. At the other end of the scale only 8 (24%) of London's 33 Boroughs are tourism dependent, the corresponding figure for the East Midlands is 28% (Map 1 below). The urban-rural split is also interesting, with over 90% of tourism dependent areas in East Midlands, Wales and Yorkshire and Humberside combined classified as rural. On the other hand, more than 50% of tourism dependent areas of East, London and the South East of England are classified as urban. Overall, around 65% of all rural tourism dependent local authorities are concentrated in the northern parts of Britain. Thus, the nature of tourism dependency in Britain follows a North–South divide, with rural tourism dependent LAs concentrated in the North (65%), and urban tourism mainly concentrated in the South (31%).

Correspondingly, this division between the rural tourism dependent North and the urban tourism dependent South generates a substantial differentiation on the nature of the tourism product on offer. As far as Great Britain is concerned, the development of rural tourism is perceived in many parts of the country as a policy panacea (Briedenhann and Wickens 2004). Recent food scares (including the 2001 foot and mouth epidemic) have significantly hindered the economic viability of small rural and farming communities in Britain. As a result, rural communities have identified tourism as a catalyst for revitalization and generator of economic growth (Briedenhann and Wickens 2004, Opermann 1997, Kinsley 2000, Long et al. 1990). In fact, in many rural areas, tourism is considered as a natural part of the socio–economic environment in the area (Fleischer and Tchetchik 2005).

Figure 1 Tourism Dependence



In contrast, urban tourism is seen as an important element in the regeneration of some of Britain's older historic cities. City breaks and short weekend trips in major urban centres in Britain are also envisaged in contributing towards combating social inclusion and improving social cohesion. An example of the above strategy is the British Museum and the role it strives to play in improving the quality of life in the capital. For instance, Bayliss (2004) demonstrates the role of the arts and cultural development, using the example of Cork and numerous other European cities. Indeed a key strategic objective of the Merseyside Objective One program was to develop cultural, media and tourism activities in order to

attract more visitors (Evens, 2002). Hall (2000) suggests that for Glasgow and other cities cultural tourism or creative industries may provide the basis for economic regeneration.

Entrepreneurial activity

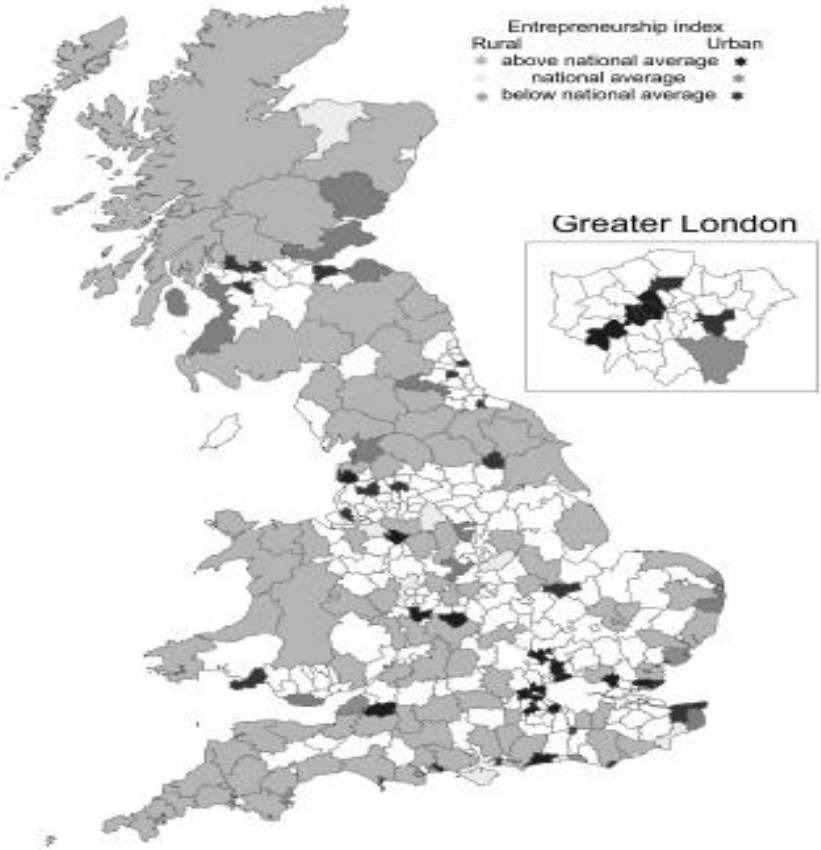
In the practical world quantifying entrepreneurship comes down to a measurement of the number of firms. For the purpose of this paper the stock of firms is used on the basis that this represents both current and past entrepreneurial activity. This selected measure indicates the number of businesses per 10,000 working age residents. Whilst this gives a relative measure of business activity and compensates for the wide variance in LA size, it also has the advantage of being the standard used by the UK Department of Trade and Industry's (DTI) Small Business Service (SBS) and is thus widely accepted and easy to use for comparative purposes. In order to smooth out any spikes in the data, seven years of data (1997 to 2004) were analysed and the average dispersion around the mean was taken (the same methodological approach is replicated in all the other indicators used in the paper). The resulting hybrid index permits LAs to be categorised as more or less entrepreneurial when compared to the national average. Hence, those LAs with an entrepreneurial index of five or more percentage points above the mean were classified as more entrepreneurial.

The tourism literature suggests that the degree of development and innovation in rural tourism areas is falling behind urban tourism areas (Bennett and Errington 1995, Skuras et al. 2005). This is because some of the key elements for the development of entrepreneurial activity in urban tourism areas are not yet found in rural areas (a positive business and economic climate, existence of infrastructure, network services and access to finance). This is not particularly surprising given the tendency of large companies to cluster in agglomeration economies.

Map 2 shows that overall rural locations exhibit higher levels of entrepreneurial activity in relation to the national average than what urban areas to the national average do. Rural tourism dependent areas are more likely to have above the national average rates of entrepreneurial activity compared to urban areas with a low tourism dependency and almost twice more likely as compared to all urban LAs. Rural tourism dependent LAs are 12% more likely to have higher than average entrepreneurial activity rates than rural low tourism dependent LAs. The suggestion is that these higher levels of innovation should work through to improve the quality of the tourism product in these areas, thus instigating further improvements

and innovation. This suggests that tourism activity in rural LAs is an additional stimulus for further innovation, whereas in the urban settings, tourism activity does not appear to provide a significant boost to innovative activity.

Figure 2 Entrepreneurship Index

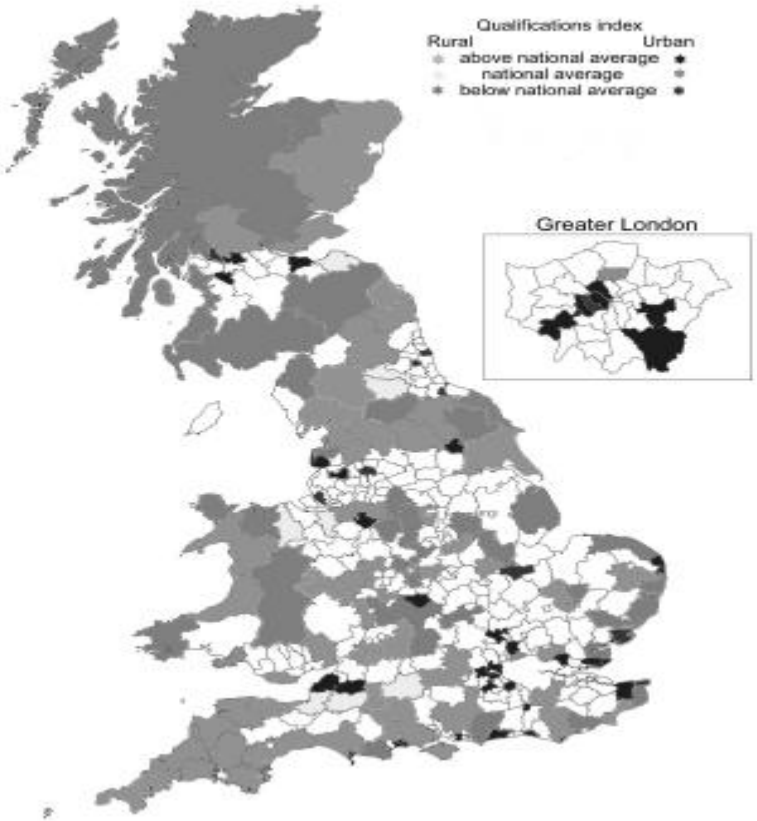


Qualifications

The decision to distinguish between qualifications in the rural and urban local authorities in Britain is based on the suggestion that there are substantial differentials in training and qualifications within the hospitality / tourism industry in Britain (Informing Our Future 2005). The data underpinning Map 3 is derived from the UK Labour Force Survey for the years 1998 to 2004 inclusive. Specifically, it compares the proportion of the working age population who achieved formal qualifications against the national average. Overall around 90% of the working age population employed in the tourism industry has some form of qualifications. This varies considerably across the country, ranging from 97% in Richmond-on-Thames to as little as 73% in the town of Corby.

There are several points that are apparent from Map 3. First, overall there are proportionately more LAs in rural areas with above the national average levels of qualifications than in urban areas. Second, the empirical results suggest that the proportion of tourism dependent rural LAs with above the average qualification levels is similar to the proportion of non – tourism dependent rural LAs with above the average qualification levels (approximately 55% in both cases). Third, urban tourism dependent areas have a significantly higher proportion of LAs with above average qualification levels as compared to urban non – tourism dependent LAs. The most likely explanation is that better qualified people seek out attractive locations in where to live. These attractive living conditions are more likely to be found in attractive older southern cities where there is a relative concentration of urban tourism activity.

Figure 3 Qualifications Index



Pay differentials

In order to distinguish between pay differentials in LAs the analysis has used workplace-based weekly gross median pay data from the UK Annual Survey of Hours and Earnings (ASHE) for the years 1998-2004 inclusive. This is then converted into an index based on the national weekly median pay for each year and averaged over the seven-year period. The rationale for using the median measure rather than the mean is that this reduces the tendency for the average measure to be highly

skewed by a relatively small number of high earners in a LA. In turn, this could have inflated median pay rates by as mush as 30%. The results are displayed in Map 4 below.

Overall, out of the 50 most tourism dependent local economies only three have above the average median pay levels and a further three have similar to the national average levels. Or to put it in another way, 80% of the 50 lowest wage earning LA's in Great Britain are tourism dependent. The most obvious feature depicted in Map 4 is the difference in median pay levels between rural tourism dependent LAs. 77% of rural tourism dependent LAs have below the average pay levels as compared to only 6% of rural tourism dependent LAs that have above the average pay levels. On the other hand, urban tourism dependent LAs have similar profile to that of non – tourism dependent LAs as far as the wage rate is concerned. In turn, this implies that tourism dependency in urban locations in Britain is not as disadvantageous for LA economies as it is in the case of rural LAs. In only seven rural LAs is workplace median pay rates above average and all of these, save one, are in the South.

The conclusion is fairly clear that workplace gross median pay has a tendency to be lower compared to the national average in tourism dependant economies and this is far more pronounced in rural areas located in the North. Also related to the above, tourism firms and enterprises dealing with urban tourism activities (short trips, city breaks etc) have a much higher opportunity for greater pay as compared to those dealing with sea – side or environmental tourism activities (higher added value). In remoter rural areas both qualification and pay levels are likely to be lower because these areas are dominated by low value-added industrial sectors. In rural areas adjacent to commercial centers median pay rates are higher. This is because these areas are highly desirable places to live, and anecdotal evidence suggests that a fairly high proportion of tourism sector workers also commute in. There is also a regional explanation in that almost all tourism dependent LAs with above average median wage rates are located in the South.

Figure 4 Median Pay Index

Unemployment variance

The tourism industry often leads to seasonality of employment patterns. The data used for this part of the analysis is claimant count unemployment for January and July in each year from 1998 to 2004, based on the working age population. The variance of the local rate of unemployment from the national rate is calculated and indexed. This is then averaged over the full seven-year period. Overall, rates have drifted down over the seven year period with the highest decline in some of the London Boroughs and the lowest in rural locations such as Rutland,

Purbeck, Ribble Valley and Salisbury. Nationally the variance between the winter and summer rates is around 10% but this varies considerably from more than 50% above the national average in East Eastbourne to a handful of cases such as West Somerset) where unemployment is actually lower in the winter than in the summer.

With regards to rural economies, overall around half of all LAs exhibit higher than the national average unemployment variance. The evidence presented in Map 5 below indicates a clear difference in unemployment patterns between rural and urban tourism dependent local economies. Indeed, more than 60% of urban tourism dependent economies exhibit higher than average unemployment levels. Six out of ten tourism dependant LAs (61%) in a rural setting have a higher than average seasonal unemployment variance. What is more, it appears that there is a clear positive relationship between the degree of tourism dependency and unemployment variance. Eleven, of the top twenty LAs by unemployment variance are also amongst the top twenty, tourism dependant LAs, including all the top seven. Out of these eleven, just three (Blackpool, Great Yarmouth and Weymouth and Portland) are predominantly urban and all seven are seaside resorts. Thus, tourism activity in rural areas appears to be closely associated with seasonal unemployment patterns. A possible explanation for this association could be the size (and subsequent number of employment opportunities) of rural economies. In addition, it is reasonable to assume that other land based economic activity (such as employment in agriculture), that is also highly weather dependent, will accentuate unemployment seasonality. It is thus clear that tourism activity (in a rural setting) does not help to level out the fluctuations in seasonal employment.

As far as urban local authorities are concerned, the evidence in Map 5 also suggests a link between urban tourism dependence and higher than average unemployment variance. However, the problems among urban LAs are less serious. Out of the top twenty urban tourism dependent areas eight of them are also amongst the top twenty urban areas with the highest seasonal unemployment variance and all of these are located in coastal areas. These include locations in the South, Southwest, East of England and Northwest regions. The findings are consistent with those of Agarwal and Brunt (2006) who examine deprivation in English seaside resorts. Conversely, LAs with more diversified or less weather dependent, tourism products tend to exhibit low seasonal unemployment variance. The best examples include Kensington and Chelsea, Westminster, Brighton and Hove, Bath and North East Somerset and the City of Edinburgh, which are amongst some of the most tourism dependent LAs

in the UK. In other words, tourism induced unemployment patterns are higher among sea-side LAs (both rural and urban) and lower among LAs with less weather dependent tourism industry.

Figure 5 Seasonal Unemployment Index

CONCLUSIONS

This paper has looked at the contribution of tourism activity in British local economies, based on a number of business and economic indicators. Whilst there is no such entity as a typical tourism dependent local economy there are a number of general features that are likely to

manifest themselves; these include higher than average levels of entrepreneurial activity and qualifications coupled with low median wage rates and higher than average unemployment variance. If we were able to design the ideal tourism economy, this would show itself in our dataset as higher than average levels of entrepreneurial activity and qualifications, whilst median pay and unemployment variance would be around the national norm. At the other end of the scale we suggest that the least viable tourism dependent economies would exhibit low levels of entrepreneurial activity, qualifications and pay with high unemployment variance. The question is do such locations exist in the UK? The answer is yes, and these are identified in Table 6 below.

Table 1 Most and least viable tourism dependent local economies

Most viable tourism economies		**Least viable tourism economies**	
New, city – based destinations		***Seaside traditional tourism destinations***	
Ribble Valley	North West	Waveney	East of England
South Bedfordshire*	East of England	Blackpool*	North West
Bath & North East* Somerset	South West	South Tyneside*	North East
Epping Forest	East of England	Eastbourne*	South East
Stroud	South West	South Derbyshire	East Midlands
Sevenoaks	South East		
Macclesfield	North West		
Brentwood*	East of England		
Warwick*	West Midlands		

*Note * denotes urban areas*

As Table 6 demonstrates there is no clear pattern emerging. There are both rural and urban areas amongst each grouping and they are not concentrated in any one particular region. The common features are that all have mid sized labour forces between 30,000 and 60,000 people and economic activity rates are generally above the national average in the best performers and below in the worse. In addition all the most viable are inland locations whilst the four of the five least viable are coastal. There are however other combinations that do have a regional flavour. Southwestern tourist dependent LAs are typified by high levels of entrepreneurship, qualifications and unemployment variance and low

levels of pay, whilst in London half exhibit high levels of entrepreneurship, qualifications and pay and low unemployment variance.

The real message from the analysis is that tourism dependent LAs are not all the same, but that the differences are perhaps more subtle than most researchers seem to realize. These findings suggest that policymakers do need to consider carefully the structure and attributes of each LA before embarking on economic development initiatives. And more importantly because "one size will not fit all" development programs need to be tailored carefully if they are to have any hope of being successful.

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