



annexes

ANNEX 1: THE ECONOMY OF COASTAL TOWNS

Introduction

The economies of coastal towns in the UK have been relatively under-researched and often misunderstood. **Government does not treat coastal economies as a discrete group**, so there are few directly targeted economic policies; there are no official disaggregated statistics for coastal towns; and there are no dedicated funding streams for coastal regeneration at the national level (although some RDAs including SWRDA have established targeted programmes and budgets). The explanation for this has always been the diversity of coastal towns, in terms of size, geography and economic vitality. This is certainly true, but coastal towns do share certain characteristics that can inform planning and regeneration. This annex outlines the common features of coastal towns, and it includes a more detailed examination of the tourism industry, and the wider labour market.

Key features of coastal towns

Local geography and topography are crucial in determining the **problems and opportunities** faced by coastal towns. The New Economics Foundation describes the sea as “largely economically unproductive in its own right”.¹ Indeed, employment in agriculture and fishing fell by 68% in coastal towns between 1981 and

2001.² The sea also creates a 180° hinterland that halves the economic catchment area of a town. A coastal location can also mean a challenging **topography** that reduces the land available for residential or commercial development.³ SEEDA found that a lack of suitable business premises was a significant barrier to entrepreneurship in South East coastal towns.⁴ The sea is, however, a valuable asset for the tourism industry, and it makes coastal towns **desirable places to live and work**. But the sea is often cut off from the business, retail and residential areas of towns by busy roads, leaving this geographic asset underexploited.⁵

One of the most serious challenges for coastal towns is **transport**. Coastal towns are often isolated from the surrounding region because of their physical location and poor links to the wider transport network. Public passenger services may be expensive, unreliable and slow. This lessens the appeal of a coastal town as a tourist destination, or as a commuter or business base. But it also has ramifications for social inclusion and the labour market: 54% of job seekers in coastal towns have no private transport.⁶ Congestion on major roads has similar consequences, compounded for local businesses by the lack of alternative rail freight services. The quality of transport links is a major determinant of successful regeneration. Brighton, for example, is able to thrive as both a commuter and tourist town because of its fast rail link with

2 Beatty and Fothergill, *Seaside Economy*, p46.
 3 HCCLGC, *Coastal Towns*, p9.
 4 SEEDA/NEF, *Coasting Along*, p25.
 5 Geddes, ‘The Last Resort’, p69; SEEDA/NEF, *Coasting Along*, p13.
 6 Beatty and Fothergill, *Seaside Economy*, p77.

London.⁷ SEEDA also found that road transport links were integral to decisions over business location.⁸

The **demographic structure** of coastal towns is distinctive. In the period 1971-2001, the working age population of coastal towns grew by 19%: faster than the UK average of 14%. This increase was primarily a product of **in-migration**, which has been more pronounced on the coast than elsewhere. But in-migration has been skewed towards older people: just 15% of working age migrants between 1971-2001 were aged 34 or under. As a result, coastal towns have an ageing demographic structure. 57% of the coastal population is of working age, compared with 61% in the UK; and there are fewer children than the national average. The working population is also older: 40% of working age males are aged 45-64, compared with 34% in the UK.⁹ Trends in in-migration are reinforced by the out-migration of the young, especially the higher-skilled young. This age structure places pressure upon public welfare services, especially because many retiring in-migrants move away from family support networks.¹⁰

Fothergill and Beatty concluded that coastal towns “actually have quite a robust economy”.¹¹ **Employment** in coastal towns grew by 20% between 1971 and 2001. This headline figure, however, obscures more worrying economic data. The coast has pockets

7 HCCLGC, *Coastal Towns*, p9.
 8 SEEDA/NEF, *Coasting Along*, p17.
 9 Beatty and Fothergill, *Seaside Economy*, pp17, 30, 35.
 10 HCCLGC, *Coastal Towns*, pp13, 18.
 11 Beatty and Fothergill, *Seaside Economy*, p101.

1 SEEDA/NEF, *Coasting Along*, p12.



of severe deprivation, and coastal economies consistently underperform compared with the surrounding region.¹² **Labour markets** (examined in greater detail later) also face challenges: economic inactivity is higher than the UK average; among the economically active, unemployment is more likely to be long-term and entrenched; and the job market is tilted towards low-skill, part-time work.¹³ The **tourism sector** is a mainstay of coastal economies, and it has seen particularly strong employment growth from 1971-2001. Today, 11.7% of coastal employment is directly tourism-related, compared with 8.2% nationwide.¹⁴ But, despite this, coastal tourism has undergone relative decline and structural change; the consequences for coastal towns are examined below.

Tourism

Coastal towns were the main beneficiaries of the rise of mass tourism in the 19th and 20th centuries, when urban workers routinely holidayed at British seaside resorts. But the primarily domestic nature of UK tourism was challenged in the later twentieth century. In 1968, 75% of the holidays taken by Britons were within the UK; this fell to 68% in 1985; and again – sharply – to just 44% in 1999.¹⁵ This trend was driven first by the rise of **mass-market**

package holidays abroad; and, more recently, the **falling costs of independent air travel**. The demographic balance of the UK has also shifted away from the C2DE social grades, towards the wealthier ABC1 social grades: and rising prosperity has increased demand for more expensive foreign holidays.¹⁶

Coastal towns face particular challenges because of parallel changes in the nature of domestic tourism. Foreign holidays have not, in fact, entirely eclipsed domestic tourism: instead, leisure travel within the UK has been refocused on **short holidays** – which increased by 60% in the 1990s – and on **day-trips**.¹⁷ But the coast has become less important as a destination for British tourists: over the last 25 years, the number of trips to the coast has fallen from 32 million to 22 million per annum.¹⁸ Foreign visitors are also drawn in overwhelming numbers to inland destinations: only 5% stay overnight on the coast; and only Brighton is among their top twenty destinations.¹⁹ Tourist visits to the coast are also less valuable than visits to inland destinations. Day-trippers spend less than holiday-makers, and **visitors spend less at the coast** than in other UK destinations: daily spends in the countryside are 12% higher; and, in cities, 66% higher.²⁰

These shifts have been driven by social trends, and exacerbated by

the **failure of many coastal towns to adapt to a changing market**. Cheap and readily available foreign alternatives have decreased the demand for ‘sun and sea’ resorts. Greater private car ownership has also lessened the advantage of towns served by major public transport arteries and by package operators. Coastal towns in the South West have benefited most from these trends, due to their favourable climates and a consumer preference for smaller tourist destinations.²¹

The wider problem is that coastal towns have generally not invested enough in the tourist infrastructure to meet the expectations of modern visitors: this is a product of the shrinking market, but under-investment has exacerbated rather than reversed this trend. The Consumers’ Association noted that the coast generally offers **“ageing infrastructure, tired ideas and low quality accommodation”**.²² Tourist accommodation is often sub-standard, and offers poor value when compared with alternatives in major cities.²³ Public places like piers and promenades are often poorly maintained; and seafronts blighted with unattractive modern developments.²⁴ Leisure and retail facilities are dated and low quality. The coast is subsequently perceived as a “cheap day out” by consumers: coastal tourism generally fails to compete in the contemporary market, or to add full value to the wider economy.²⁵

12 HCCLGC, Coastal Towns, p8; Beatty and Fothergill, Seaside Economy, pp20,

23.

13 Beatty and Fothergill, Seaside Economy, pp68-76, 101.

14 HCCLGC, Coastal Towns, p25.

15 David Geddes, ‘The Last Resort’, Locum Destination Review, (Autumn, 2003), p68; South East England Development Agency/New Economics Foundation, Coasting Along: A study of business impacts and regeneration in south east coastal towns, (August, 2005), p8.

16 Geddes, ‘The Last Resort’, p68.

17 Geddes, ‘The Last Resort’, p68.

18 SEEDA/NEF, Coasting Along, p8.

19 SEEDA/NEF, Coasting Along, p8; House of Commons Communities and Local Government Committee, Coastal Towns: Second Report of Session 2006-7, (February, 2007), p26.

20 HCCLGC, Coastal Towns, p26.

21 Christina Beatty and Stephen Fothergill, The Seaside Economy: The final report of the seaside towns research project, (June, 2003), p54.

22 SEEDA/NEF, Coasting Along, p17.

23 SEEDA/NEF, Coasting Along, p17.

24 HCCLGC, Coastal Towns, p38; Geddes, ‘The Last Resort’, p70.

25 HCCLGC, Coastal Towns, p26.

A local economy with a significant tourism component also has some inherent drawbacks. One of these is **seasonality**: 51% of domestic tourist spending occurs in just three peak months. This skews the labour market towards seasonal or temporary jobs: in 2005, 15% of coastal employment was seasonal compared with 6% in England as a whole.²⁶ **Part-time jobs** are also more prevalent: in 2001, 38% of jobs in coastal towns were part-time, compared with the UK average of 30%.²⁷ But seasonality has effects beyond the labour market. The pressure on the road and rail network is increased at peak times, and **seasonal congestion** makes it harder for some coastal towns to attract new business start-ups, and to access wider markets.²⁸ And the closure of many facilities during the low season contributes to **social exclusion**, especially among the young.²⁹

Tourism also imposes **additional net costs** on local public services. Above-average visitor numbers mean that local government must provide extra money for street cleaning, or the maintenance of an extensive and highly visible public realm.³⁰ The government acknowledges that this is not reflected in the central funding formula, but a lack of reliable alternatives will slow down any reform.³¹

Despite these problems, the most significant economic study of

26 HCCLGC, Coastal Towns, p28, n179.

27 Beatty and Fothergill, Seaside Economy, p47.

28 SEEDA/NEF, Coasting Along, p12.

29 HCCLGC, Coastal Towns, p29.

30 HCCLGC, Coastal Towns, p41.

31 HMG, Cm 7126, Government Response to the Communities and Local Government Committee Report on Coastal Towns, (May, 2007), pp19-20.

coastal towns concluded that tourism “should be nurtured, not written off as a lost cause”.³² And when tourism has adapted to modern leisure markets, it has been a successful catalyst in regenerating coastal towns. Brighton, for example, has relegated traditional seaside pursuits to the Pier; the sophisticated and modernised Esplanade is now an attraction for both tourists and residents.³³ Other smaller towns have been successful in developing high-profile tourist niches: Newquay, for example, is known for surfing; and Whitstable has a strong culinary reputation.³⁴ The ideal solution is to **support and strengthen tourism** but, at the same time, to **diversify coastal economies** away from dependence on that sector.

Labour Market

Coastal towns have “quite robust” economies, but do face significant and distinct challenges.³⁵ The single most important statistic on coastal economies is that **job creation has not kept pace with in-migration**. Between 1971 and 2001, coastal towns created 320,000 jobs, but saw a net in-migration of 360,000 people of working age.³⁶ This has led to slightly above average levels of unemployment and economic inactivity. **The key determinant of job creation is the economic health of the surrounding region**: South West coastal towns, for example, have seen a 34% rise in

32 Beatty and Fothergill, Seaside Economy, p106.

33 Geddes, ‘The Last Resort’, p69.

34 HCCLGC, Coastal Towns, p26.

35 Beatty and Fothergill, Seaside Economy, p101.

36 Beatty and Fothergill, Seaside Economy, pp5-6.

employment from 1971-2001, compared with 14% in the North West.

Second, the job market is tilted towards “**relatively low-skill, low- productivity and low-wage**” jobs.³⁷ Coastal towns have an above average proportion of jobs in consumer services (including leisure and tourism), and in the public sector (servicing the ageing population); and a below average proportion of jobs in banking and finance, despite strong growth in these sectors nationally. Third, the local job market has a higher than average proportion of **part-time jobs**, especially in the service sector.³⁸

Unemployment is close to national levels: but this fact disguises underperformance in coastal towns, the entrenched nature of much unemployment, and the poor prospects and low motivation of many of the economically inactive population. Unemployment in coastal towns was 4% in 2002, but this figure rises to 10.4% once “hidden” unemployment is taken into account; these levels are only slightly higher than the UK average, and have consistently followed national trends. But coastal towns generally under-perform compared with their surrounding regions: Devon, for example, has 3% unemployment, but 5.4% in Torbay and 6.2% in Ilfracombe. The diversity of coastal economies means that a minority of towns do marginally better than the wider region: Dawlish, for example, has lower unemployment (2.6%) than Devon.³⁹

37 Beatty and Fothergill, Seaside Economy, p101.

38 Beatty and Fothergill, Seaside Economy, pp43-7.

39 Beatty and Fothergill, Seaside Economy, pp17, 20, 23.



There is also a high level of **economic inactivity** due to ‘permanent sickness’ – although only 10% of this group says that disability stops them working altogether. In 2001, 9% of working age men in coastal towns were out of work because of long-term sickness, compared with 7.6% in the UK. Coastal areas consequently have a high level of **benefit dependency**: 15.2% were claimants in 2006, compared with 12.65% in the UK; strikingly, the number of disability claimants in coastal towns has increased by 12.3% in the last decade, compared with a 2.2% national rise.⁴⁰

Fothergill and Beatty concluded that the composition of the economically inactive population was similar to the UK as a whole: higher rates of unemployment are therefore explained by in-migration out-pacing job creation; and, in particular, **high in-migration by economically inactive people**.⁴¹ . **Migration to coastal areas is more likely to be motivated by non-economic reasons**: coastal towns are

pleasant places to live, work and retire; and it is this, rather than employment opportunities, that prompts people (including the non-employed) to relocate.⁴² **Out-migration, however, is driven primarily by economic factors**: young people leave to find jobs or education, and don’t return.⁴³ These trends have had a profound impact on the labour market balance in coastal towns: **low-skilled workers are moving in, and high-skilled or aspirational workers**

are moving out. The shortage of skilled working age people is a major limiting factor for **local entrepreneurship**.⁴⁴

Coastal towns are pleasant places to live, but bad places to be unemployed. Half of non-employed men and a third of women had their last job in another location. **Long-term unemployment** is entrenched: 44% of men and 51% of women have been jobless for five or more years; the level for the long-term sick is 61%. **Economic aspirations** are also low: although 60% of the non-employed want a job, less than half that number are looking for work; and just 7% of the long-term sick are actively job-seeking. Obstacles to finding employment include ill-health; a lack of suitable work; competition for seasonal jobs from in-migrants including overseas workers; lack of childcare; and the expense and availability of training. These factors have all reinforced the low-skill, low-wage labour market cycle.⁴⁵

Housing has also had an important impact on local labour markets in coastal towns. The decline of the tourism industry has seen the closure of many hotels and guest houses; empty stock has then been released into the residential market, primarily as multiple-occupancy houses for rent. The main occupants of these converted properties have been retirees or recipients of housing benefit, often in-migrants. The availability of **cheap rented accommodation** is a significant factor in the in-migration of the low-skilled, non-

employed.⁴⁶ The private rental sector also suffers from poor quality stock, tilted towards the housing benefit market rather than aspirational skilled workers.

In the **owner-occupier sector** affordability is a major problem, and it has been exacerbated in coastal towns by competition from second home-owners and wealthy retirees; rising prices are an important “push” factor driving out-migration among young people.⁴⁷

Conclusion

Coastal towns are diverse but have a number of common features that need to be considered in formulating policy. Coastal towns’ geography places natural limits on development and market access; these factors are exacerbated by the often poor linkage to wider transport networks. Coastal towns have an ageing demographic structure that strains public services. Coastal towns have relatively strong economies but face two difficult challenges: the decline of tourism and a distorted labour market.

Tourism is an important economic sector in coastal towns, but domestic tourism has declined relative to foreign travel; and within Britain, trips to the coast have declined in both popularity and economic value. This has been driven by the availability of more attractive and affordable alternative destinations, and the **poor state of coastal tourist facilities**, following prolonged under-

40 HCCLGC, Coastal Towns, p23.

41 Beatty and Fothergill, Seaside Economy, p92.

42 Beatty and Fothergill, Seaside Economy, pp84-5.

43 HCCLGC, Coastal Towns, p18.

44 SEEDA/NEF, Coasting Along, pp16, 25.

45 Beatty and Fothergill, Seaside Economy, pp68, 70-2, 74, 77; SEEDA/NEF, Coasting Along, p14.

46 Beatty and Fothergill, Seaside Economy, p92.

47 HCCLGC, Coastal Towns, pp19-20.

investment. Tourism also introduces the problem of seasonality and further strain on public services. But tourism does have great regeneration potential, as demonstrated by the **successful reinvention of a number of coastal towns.**

Coastal towns also face a troubled labour market. Job creation has not kept up with in-migration, and the job market is skewed towards lower-skilled and part-time work. Unemployment is slightly above average, and generally higher than the surrounding region. There is also significant economic inactivity due to disability – this is often simply disguised unemployment. Economic inactivity is driven by excessive in-migration for non-economic reasons: by retirees and people seeking low cost accommodation. Long-term unemployment is then encouraged by a lack of jobs and skills. The prevalence of low-skilled workers is a significant barrier to attracting new businesses to the coast, and the subsequent lack of opportunities motivates young, skilled workers to migrate elsewhere. The skill-shortage is also reinforced by the housing situation, which attracts low-skilled benefit claimants, and pushes out the skilled or aspirational young.