

The Economic Ascent of the Hotel Business

9

Second Edition

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Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ

<http://www.goodfellowpublishers.com>

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Design and setting by P.K. McBride

9 The European Economies and Hotel Businesses: 1960–1980

Introduction

In Britain during the 1960s and 1970s the key driver of economic structure was government policy, which is an indication of the extent of big government during the period. Economic performance weakened during the 1970s and economic policy concentrated on limiting decline in secondary industries and expanding public services. The volume of domestic leisure demand into hotels fell as outbound packaged summer holidays to Mediterranean resorts grew apace. Disaster for the hotel business was averted by fast growth in leisure demand from foreign visitors. In hotel supply, the period was characterised by more government intervention than in any previous economic period, the reduction of hotels in coastal resorts, the expansion of hotels in cities and the on-going growth of hotel chains. Despite the challenges, the economic ascent of the hotel business in Britain continued during the two decades and at the end of the period total supply was up, total demand was up and so also was hotel concentration. Continental economies focussed on sustaining economic growth and maintaining economic structure. Thus, the development of their hotel business was more limited.

British economic structure and hotel demand

During the period there was progress in the four factors that are crucial to progression of the structure of an economy towards service businesses. The first factor was the extension of human and civil rights. During the 1960s and 1970s there was a range of laws, medical developments and social trends that expanded human rights, the most notable of which were:

- ◆ The first prescription of contraceptive pills in Britain in 1961.
- ◆ The Race Relations Act of 1965, which forbade discrimination in many

contexts on the grounds of colour, race, ethnic origin or national origin.

- ◆ The decriminalisation of abortion by the Abortion Act in 1967.
- ◆ The easing of conditions for divorce by the Divorce Reform Act in 1969.
- ◆ The Equal Pay Act 1970, which required men and women to be paid the same rate for the same job.
- ◆ The Sex Discrimination Act of 1975, which made it a criminal offence to treat a woman less favourably than a man.
- ◆ The 1976 Race Relations Act, which extended the outlawing of discrimination to employment, council housing and financial services.

These developments gave women greater control of their lives at a time when drudgery was being taken out of housework, the numbers of women in further and higher education was increasing as was the number in the workforce. The developments also provided basic protection to ethnic minorities at a time when the number of immigrants to Britain was increasing. However, there was still one area of Britain that was stubbornly primitive in human and civil rights and that was Northern Ireland. Late in the 1960s the religious, social, cultural, economic and political differences between Catholics and Protestants came to a head and resulted in almost four decades of 'the troubles' in which institutionalised sectarian bigotry created a state of civil war. For the last four decades of the 20th century the Northern Ireland economy was heavily subsidised by the rest of Britain and the economic impact of 'the troubles' was to abandon any prospect of development in its economic structure until the 21st century.

During this period, the second of the four factors, the extension of the social sciences, was achieved by the provision in universities and polytechnics of pure degrees in the social sciences and in the widespread expansion of vocational degrees that included applied social sciences. The third factor, the access to personal credit was increased as the rate of home ownership grew over the period. By 1980 around 60% of homes were owned and provided their owners with an appreciating asset. It signalled that they were in a career with a regular income. Homeowners not only held insurance policies, but also were most likely to participate in private pension plans and other forms of savings so that all of these together created a profile that lowered the risk for lenders. The fourth factor, personal travel, expanded materially over the period. Car ownership grew and the expansion of motorways made longer distance travel much easier and safer. Although the overall size of the rail system was reduced, the emphasis on intercity travel increased the volume of passengers taking longer journeys, which also became faster. The growth in foreign holidays taken by Britons and the increase in overseas visitors into Britain produced a marked increase in the volume of passengers on planes and at airports.

Although there was progress in the four factors necessary to advance the structural balance of the economy, the focus of economic policy on shoring-up secondary industries and expanding public services limited the progress of service and experience businesses and the poor economic performance of the 1970s constrained the advance further. At the start of the period, the British economic structure was less developed than the American and the gap widened over the period. Three key factors contributed to the pattern of hotel demand over the period.

1. British buyers of foreign package holidays increased and hotel based domestic holidays declined sharply.
2. The decline in domestic summer holiday demand was less than the growth in domestic business demand so that total domestic hotel demand rose over the period by four million room nights to 36 million.
3. The growth in foreign demand into British hotels was the highlight of the period. Otus estimates that room nights sold to foreign visitors in 1960 was six million, but rocketed to 31 million by 1980.

The pattern of employment in the economic segments over the period was as shown in Tables 9.1 and 9.2.

Table 9.1: Employment by segment in Britain: 1960–1980 (m)

	Agriculture	Industry	Public Services	Service and Experience Businesses	Total
1960	1.2	11.3	6.5	6.3	25.3
1970	1.0	11.0	7.5	7.1	26.6
1980	0.7	10.5	8.5	7.6	27.3

Table 9.2: Employment by segment in Britain: 1950–1960 %

	Agriculture	Industry	Public Services	Service and Experience Businesses	Total
1960	5%	45%	26%	25%	100%
1970	4%	41%	28%	27%	100%
1980	3%	38%	31%	28%	100%

Source: 1960, Groningen Growth Centre, Office of National Statistics and Otus

Over the period, the rate of decline of employment in agriculture and industrial companies, the two segments that yield lower domestic business demand, had limited impact on hotel demand and was much more than offset by the strong growth in public services and service businesses, the segments that yield higher domestic business demand.

Agricultural demand into hotels

By 1960, agriculture in Britain was already a marginal economic activity accounting for only 1.2 million employees, 5% of the workforce and 2% of domestic business demand into hotels. Over the following two decades, employment in agriculture fell by half a million and was paralleled by the progressive increase in agricultural imports. By 1980, agriculture employed only 0.7 million, 3% of the British workforce. There was some growth in concentration among agricultural firms and segment-wide use of hotels for meetings by agricultural associations, but these could not offset the reduction in hotel demand from the shrinkage of the segment. By 1980, agriculture accounted for 1% of domestic business rooms demand into British hotels and most of that was transient demand from agricultural salesmen.