



# The Relationship Between Quality of Life and Local Economic Development: An Empirical Study of Local Authority Areas in England

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Recent academic literature has increasingly placed more emphasis on the importance of the quality of life factor to local economic development. High environmental quality, culturally desirable working and living conditions, and convenient local amenities are believed to be vital to foster economic growth and job creation by retaining local businesses and attracting inward investment. However, there is another argument that the initial attractiveness of the growing agglomeration economies will soon turn out to suffer from the negative impacts of growth in terms of a deteriorating quality of life. This paper aims to explore empirically the views of policy-makers in two English regions over the contribution of quality of life factors to the process of local economic development. It then uses a set of indicators to examine statistically the relationship between quality of life and other local economic development factors of 363 local authority areas in England. © 2001 Elsevier Science Ltd. All rights reserved.

*Keywords:* Quality of life, local economic development, local authority, England

## Introduction

Both academics and policy-makers have long been interested in finding out the key locational factors affecting investment and economic success. Owing to the failure of traditional economic development factors and neo-classical approaches to capture the large amount of unexplained variation in local growth rates (Doeringer *et al.*, 1987; Bovaird, 1993), recent research has increasingly turned to seek additional or alternative explanations from soft intangible factors. Quality of life has been strongly advocated as one of the three most important determinants of business location decisions by Schmenner (1982) and Myers (1988). High environmental quality, culturally desirable working and living conditions, and convenient local amenities are believed to be vital to foster economic growth and job creation by retaining local busi-

nesses and attracting inward investment (eg Hall *et al.*, 1987; Bosman and de Smidt, 1993; Johnson and Rasker, 1995).

However, the causal relationship between quality of life and the process of local economic development (LED) is a difficult and controversial research area. Although a lot of academic studies suggest that the level of entrepreneurial activity is positively related to the quality of living of an area, the initial attractiveness of the growing agglomeration economies could soon turn out to suffer from negative impacts of growth. The attractiveness of a place will eventually hit critical thresholds, creating stress to the local infrastructure and the natural environment, and lead to a rising cost of living and an overall deterioration in the quality of living (see Myers, 1988). Castells and Hall (1994) have documented such declining quality of living in Silicon Valley after its economic success — negative factors such as heavy traffic congestion, rising levels of pollution from the so-called clean industry and the unaffordable house prices have

become a 'dark side of the chip'. Castells (1989) (p 52) finds the notion of lifestyle subjective and ambiguous and he regards quality of life as a result of the characteristics of the industry (its newness and highly educated workforce) rather than the determinant of its location pattern. He dismisses the quality of life factor as a distinctive feature of high technology complexes since there is no evidence to show that there is economic growth in a vast number of scenic areas in America.

The complex notion of the relationship between quality of life and LED forms the central research question of this paper. The very different perspectives from past academic research over such relationship prompt for a need to explore the issues empirically. This paper aims to elicit the views of policy-makers over the contribution of quality of life factors to LED in the North West and Eastern Regions of England. It then uses a set of indicators to examine statistically the relationship between quality of life and other LED factors of 363 local authority areas in England.<sup>1</sup>

### **Methodology used to collect data from policy-makers**

A research study funded by the Economic and Social Research Council was carried out by the author to ascertain the perceptions of policy-makers over the importance of different factors contributing to the success of LED in the North West and the Eastern regions. The Eastern region is the fastest growing region in Britain with the lowest unemployment rate and an increasing share of national GDP, and its economic buoyancy is related to a concentration of hi-tech industries and service sectors. In contrast, most urban areas in the North West have suffered from serious industrial decline and unemployment problems in the last few decades. The contrasting socio-economic context of these two regions helps to provide a robust interpretation of the research findings.

A survey was carried out to elicit views from all LED organisations (103 in the North West and 80 in the Eastern region) in the two regions. A remarkably good response rate was achieved: 70% in the North West, and 80% in the Eastern region. The distribution of the final sample is representative of different types of organisations (Government Offices, local authorities, Training and Enterprise Councils (TECs), Chambers of Commerce, the Confederation of British Industry and regeneration partnerships) in both

regions. Twenty-three selective in-depth interviews were subsequently conducted to clarify and validate the survey responses.

Policy-makers were asked in the survey to rank 11 factors according to their importance to the process of LED. These 11 factors were identified from a comprehensive review of a wide range of literature (see Wong, 1998). These factors are broadly classified as 'traditional' and 'intangible'. Traditional factors in this study are defined as those generic factors that have received academic attention, especially from the neo-classical economists (eg Ricardo, 1817) and the industrial location geographers (eg Weber, 1909), over a substantial period of time. Technological change, reduced communication costs and the facilitation of inter-country flows have increasingly led to less emphasis being placed on the quantity and abundance of traditional economic factors, but more on their qualities and distinctive features. The importance of quality competition, through skills and knowledge of the workforce and technological innovation and transfer, has been the centre of discussion in recent local and regional development research (eg Saxenien, 1992; Storper, 1992). Thompson and Thompson (1987) thus argue that both the qualitative dimension of production factors as well as their costs should be included in any comparative locational indices. The classification of traditional factors here very much shares the same standpoint as this argument. The grouping of traditional factors should not, therefore, be interpreted as a dichotomy to the grouping of intangible factors.

### **Quality of life and the production/re-production space**

The rankings assigned by the survey participants to the eleven factors are listed in Table 1. With the exception of industrial structure and knowledge and technology, one can easily draw a dividing line between traditional economic development factors and intangible factors. Traditional development factors of physical resources, location, human factors, finance and infrastructure were consistently assigned higher ranks by the respondents in both regions. The intangible factors of institutional capacity, business culture, community identity and image and quality of life tended to settle towards the other end of the spectrum.

Quality of life and infrastructure were the only two factors which exhibited strong regional variations, in that participants in the Eastern region put more emphasis on them in comparison to their counterparts in the North West. Such regional differences were very much related to the specific development context in these two regions. The Eastern region is characterised by its scenic rural nature and the growth of high-tech industry and buoyant business services. The high quality of living in the region thus constitutes one of the major assets for development. More importantly,

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<sup>1</sup>Local economic development indicators were compiled for 366 local authority districts, before the 1996 local government re-organisation boundary change, in England. The pre-1996 boundaries were used because they provide a more consistent basis to compare local areas with similar population size and most data sources are available at that spatial level. The study, however, excluded three island districts (Medina, South Wight and Isles of Scilly) from the statistical analysis because of their special geographical context. Hence, only 363 local authority districts were included in the final analysis.

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