

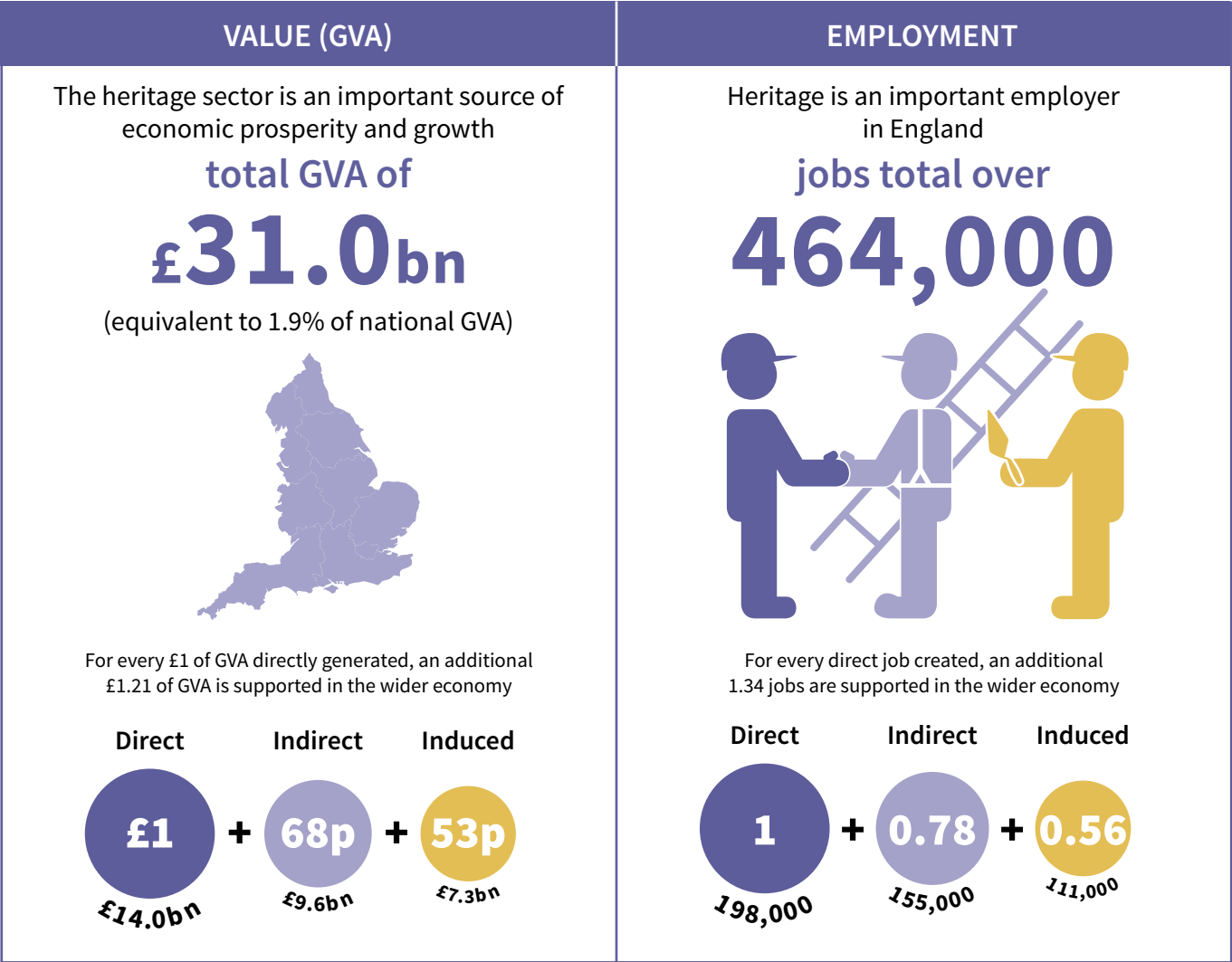
HERITAGE AND THE ECONOMY 2019



HERITAGE COUNTS

HERITAGE AND THE ECONOMY 2019

England



Source: (Cebr, 2019)

HERITAGE AND THE ECONOMY

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The historic environment is intrinsically linked to economic activity, with a large number of economic activities occurring within it, dependent on it or attracted to it.

Heritage and the Economy examines the economic aspects of heritage conservation and presents evidence on the numerous ways that the historic environment contributes to the national economy and to local economies.

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The evidence presented here includes recent research findings as well as past seminal pieces, forming part of the heritage sector’s rich, multi-dimensional knowledge base. The evidence is presented as brief bite-sized facts with links to the detailed evidence sources for more technical readers, or those with more specific evidence needs.

Together with *Heritage and Society*, *Heritage and the Economy* can be used by anyone to make the case for heritage.

I. Heritage and the economics of uniqueness

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“In my generation as retailers, we successfully cloned every town in Britain so they all looked the same, but clearly that doesn’t work. All towns have a heritage and history and their reason for uniqueness needs to be brought to the fore”
(Bill Grimsey, former head of Wickes, Iceland and Focus DIY (BBC, 2018).

- Historic buildings, monuments and spaces shape how our towns, cities and rural areas look and feel. They form a vital part of our nation’s infrastructure providing homes, amenities, utilities and premises for businesses. They add to the unique character of places, signifying the culture of places and playing an important part in shaping peoples’ perceptions and authentic experiences of a place.
- The Nobel Prize winning economist, Robert Merton Solow stated that *“over the long term, places with strong, distinctive identities are more likely to prosper than places without them.*

Every place must identify its strongest, most distinctive features and develop them or run the risk of being all things to all persons and nothing special to any” (in [Licciardi et al. 2012](#)). The historic environment provides a sense of authenticity, beauty and distinctiveness. This attracts people, businesses and investment, and can provide places with their competitive advantage. “Using the historic environment as an asset, and giving it new life, has also been one of the cornerstones of the economic and social revival of our towns and cities” ([Deloitte, 2017](#)).



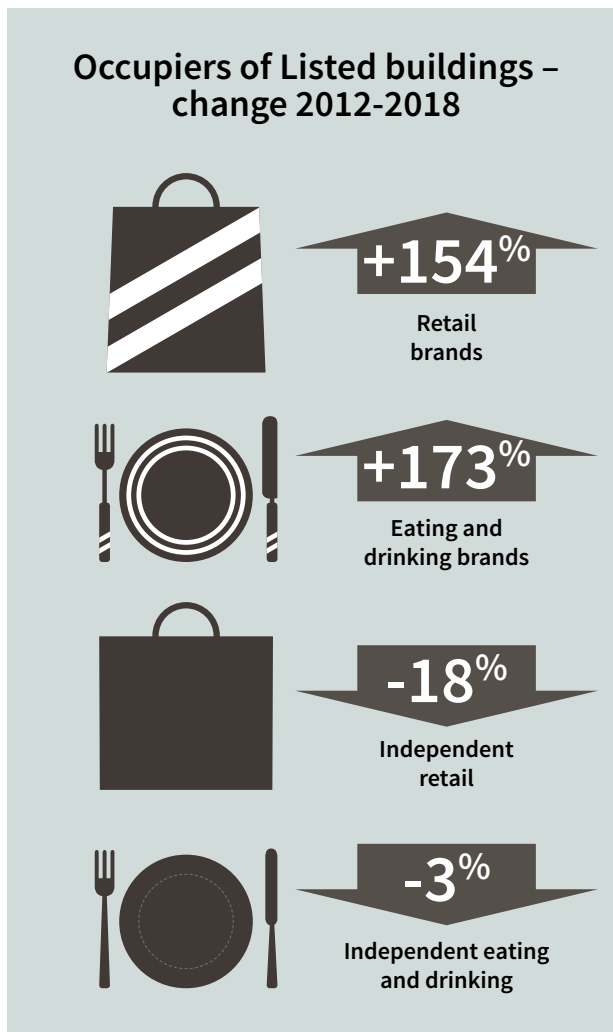


Think Green
The original plan was to build a new abbey on the site of the old one. But the monks decided to build a new one on a different site. This was because the old site was too small for the new abbey. The new abbey was built on a larger site, and it was called Battle Abbey. The monks who built the new abbey were called the Battle Monks. They were very famous and they lived in the abbey for many years. The abbey was destroyed in 1538, but the ruins are still there today. The Battle Monks were very important people in the history of England. They were the first to introduce the printing press to England. They were also the first to introduce the book of hours to England. The Battle Monks were very good at their work and they were very respected by the people of England. The Battle Monks were very important people in the history of England. They were the first to introduce the printing press to England. They were also the first to introduce the book of hours to England. The Battle Monks were very good at their work and they were very respected by the people of England.

1. Investing in heritage creates places for businesses to grow and prosper

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Many of our local shops, hotels, offices, warehouses and industrial units are located within historic buildings. Distinctive and characterful place and working spaces attract businesses and customers contributing to the competitiveness of businesses and places.



Source: [Heritage Counts \(2018\)](#)

Abbey Road Studios, St John's Wood, Greater London.



HERITAGE IN COMMERCIAL USE: DRIVING THE REVITALISATION OF OUR TOWNS AND CITIES

Heritage assets in commercial use play a vital role in the prosperity of local economies. In the retail sector, experts refer to the growing importance of “*experiential retail*” where consumers increasingly demand immersive and unique experiences instead of routine shopping. Places must now also provide emotional and human connections to attract consumers. Heritage assets play an increasingly important role in helping places differentiate themselves from others thus contributing to the competitive advantage of places (Moore, 2018).

Research for [Heritage Counts, 2018](#) examined the commercial use of heritage in towns and city centres locations.



Madison Square, Liverpool, Merseyside.

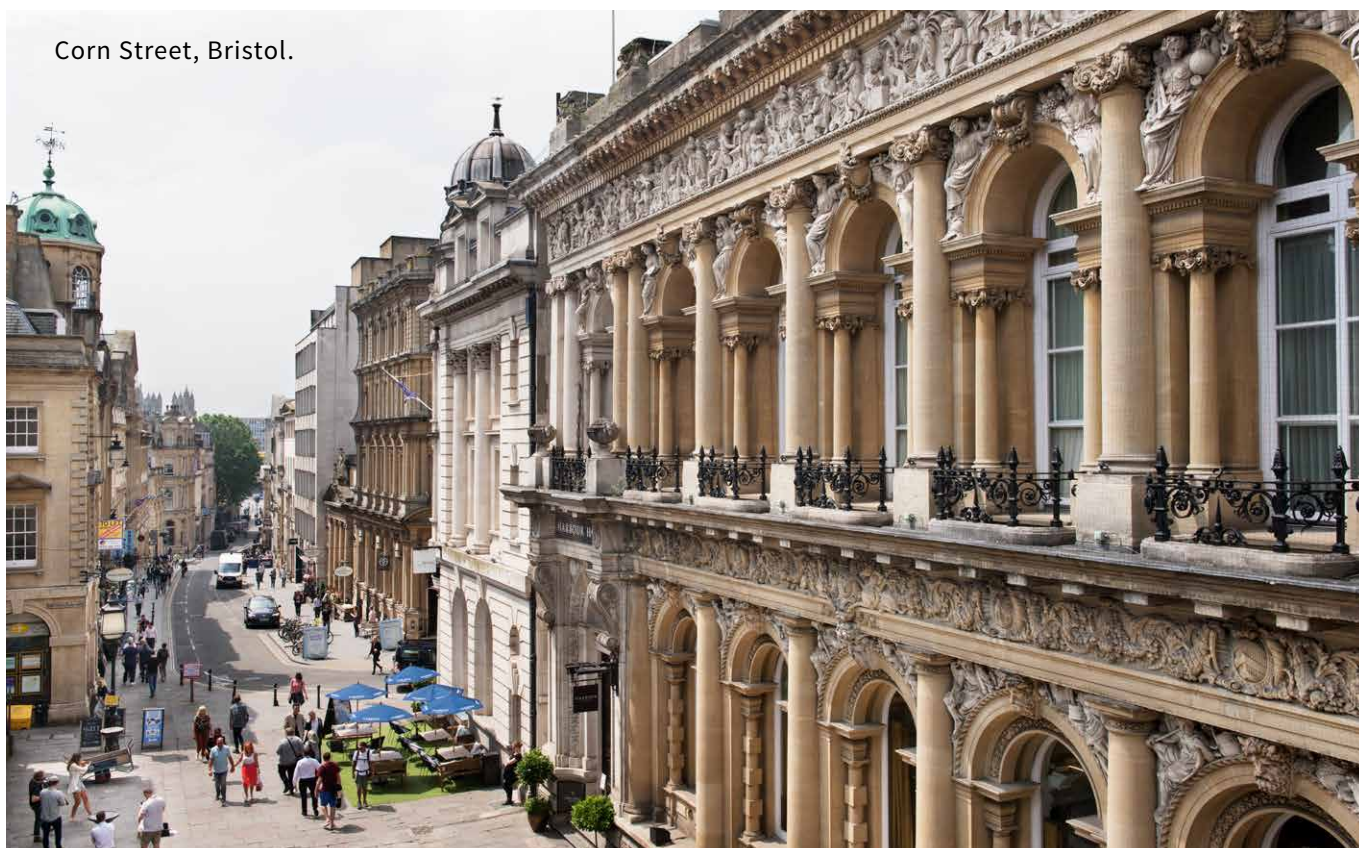
The research shows that there are approximately 142,000 retail, hospitality and commercial operations in listed buildings. Independent retail and hospitality sectors are the largest and most likely occupiers of listed buildings. However, over the past 6 years the number of independent businesses occupying listed buildings has declined, while the number of branded retailers and branded food and drink establishments located in listed buildings has grown by 173%. Today, branded pubs are the largest single type occupiers of listed buildings, followed closely by large coffee chains

Evidence from a survey of 509 commercial businesses occupying listed buildings also shows that the main advantage of occupying a listed building is that it “*contributes to the positive atmosphere of the surrounding area*” and it “*provides a positive exterior appearance*”. Amongst surveyed businesses, “*ambience*” and “*attractiveness*” are highly competitive features of the built environment. Heritage brings authenticity and a sense of uniqueness to places ([Heritage Counts, 2018](#)).

The research concluded that towns and cities must protect their historic environment as a key resource for emerging and existing economic activities. Heritage assets in commercial use are vital contributors to economic growth in local economies to day and in the future.

- **Heritage density is positively and strongly related to the overall movement of businesses into an area.** Using cross-sectional and longitudinal local authority data, researchers conclude that heritage assets are important ‘pull’ factors influencing business location decisions ([TBR, 2016](#)).
- **The density of heritage assets is highly and positively related to the concentration of firms in a local economy.** An econometric analysis using local authority cross-sectional data for the year 2013 and using a fixed effect model for the period 2003-2013 found a correlation between heritage and firms ([TBR, 2016](#)).
- **Historic places are increasingly attractive to businesses.** Since 2012 the number of listed buildings occupied by a brand has increased by 154%. This is based on a research carried out in 55 cities and town centres ([Heritage Counts, 2018](#)).
- **Heritage influences the location choices of businesses.** One in four businesses in a survey of 122 businesses that had received investment in the historic environment agreed that the historic environment is an important factor in deciding where to locate ([AMION and Locum Consulting, 2010](#)).
- **A survey of 1,345 listed building residential owners found that a fifth of respondents (21%) undertake some sort of commercial activity within their properties:**
 - 12% of respondents indicated that they had office space at their property.
 - 9% indicated that they provided accommodation such as bed and breakfast or cottage rental, while 3% provided accommodation at their property through Airbnb/One Fine Stay or similar.
 - Around 7% of respondents were self-employed or running a business from home.
 - Over 2% were involved in farming or agriculture.

([Ecorys, 2017](#))
- **Heritage enhances business opportunities.** In a telephone survey of 509 businesses located in listed buildings, 62% of the respondents replied that the historic nature of their building improved their business ([Historic England, 2018](#)).





CASE STUDY: AGILE WORKING IN HISTORIC BUILDINGS

Research by **Ramidus Consulting** in 2018, shows that the purpose of the workplace has changed in recent years and it is argued that this is likely to continue to change in the future. Modern workspaces encourage innovation by creating an environment that promotes trust and team-work. They connect people and promote social and professional networks. They achieve a vast array of

functions as the separation between work and life becomes increasingly blurred. In essence, modern workspaces are being transformed from being the place where works happens, to becoming a business driver.

Knowledge workers have more transferable skills, which makes them less dependent on a single employer and also places greater demands on employers. Evidence shows that workers increasingly demand quality and collaborative workplaces (**Ramidus Consulting, 2018**).



To attract and retained highly-skilled workers, workplaces increasingly need to provide an experience. This goes hand in hand with the spread of “agile working”, which involves working in a variety of settings and a in a more mobile and interactive atmosphere than in traditional working places.

In this sense, **workspaces themselves have a role to play in recruitment and in retention**, in improving productivity and well-being and in promoting collaboration and innovation. This means that office

buildings will become less generic and in the future they will need to offer “experiential workplaces”. The uniqueness, character and flexibility of historic buildings, especially those formerly in industrial use such as warehouses and factories, have great potential to provide successful office space for the future (**Ramidus Consulting, 2018**). The historic environment not only provides competitive advantages to places but also to businesses.

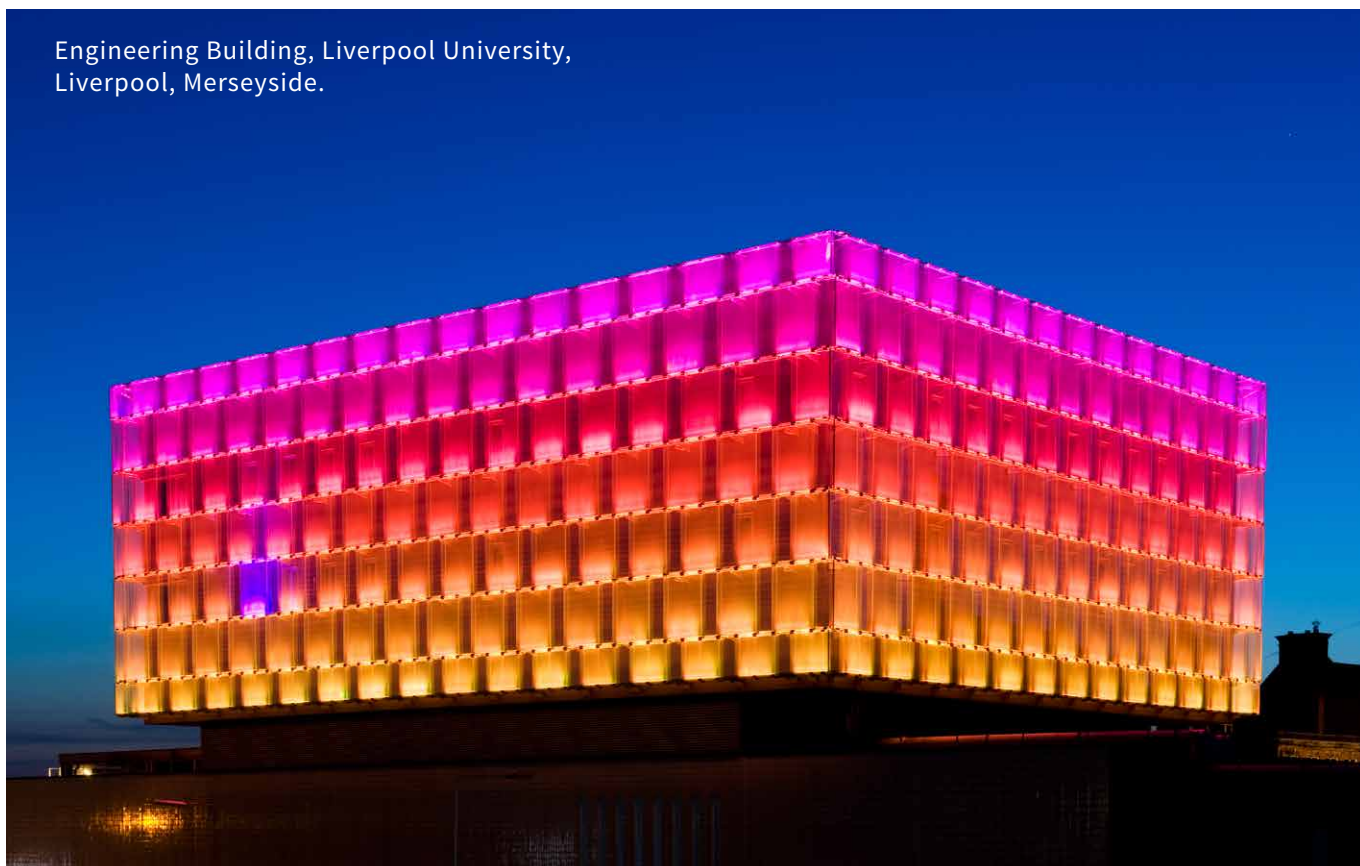
2. Heritage and the creative economy

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Over the past decade, creative industries have been among the fastest-growing sectors in the UK and globally. Many historic buildings offer flexible, distinctive and characterful working and studio spaces that are attractive to creative businesses.

- **Creative industries are concentrated in areas with a high heritage density.** A recent study into the role of culture and sport in place shaping found that the greater the density of cultural and heritage assets, the better the performance of the creative industries and the greater the level of specialisation towards the creative industries. This is based on longitudinal and cross-sectional econometric analysis for the period 2003 and 2013 ([TBR, 2016](#)).
- **Creative and cultural industries are more likely to be found in a listed building than in a non-listed building in England** – this difference is particularly pronounced in England’s core cities, where creative industries are more likely to be found in a listed building than a non-listed building ([National Lottery Heritage Fund, 2013](#)).
- **A very high proportion of creative industries based in historic buildings are start-ups.** A telephone survey of more than 200 businesses in listed buildings demonstrated that over 60% were established in the past 3 years ([National Lottery Heritage Fund, 2013](#)).

Engineering Building, Liverpool University, Liverpool, Merseyside.

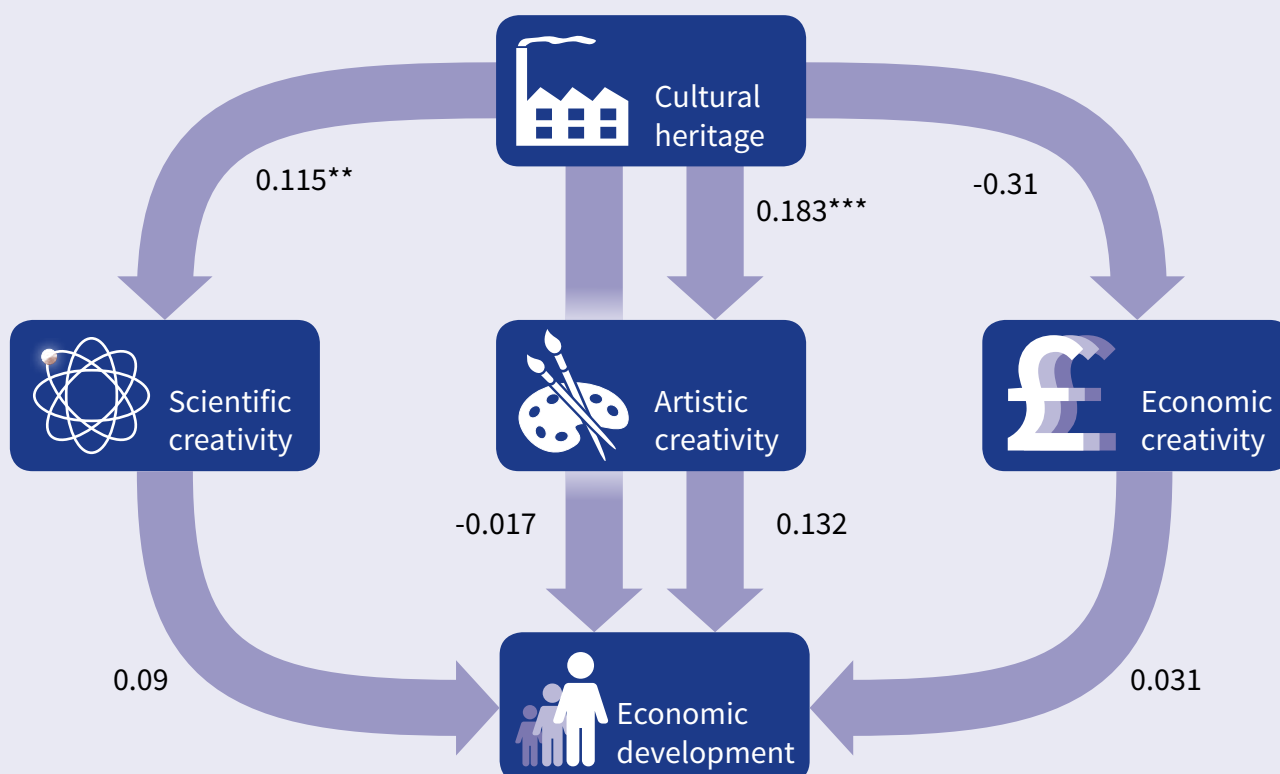


THE IMPACT OF CULTURAL HERITAGE ON ECONOMIC DEVELOPMENT THROUGH CREATIVITY AND INNOVATION

Creativity, defined as new ideas based on different types of talents, may have an artistic, scientific or economic nature (Cerisola, 2019). The effect of cultural heritage on different kinds of creativity and, in turn, on economic development is analysed in the article *A new perspective on the cultural-heritage development nexus: the role of creativity* by Cerisola, (2019), published in the Journal of Cultural Economics. The study used a standard linear maximum likelihood structural equation model for two periods (2001-2004 and 2011-2014) for Italian

provinces (NUTS3 level) with a total of 206 observations (Cerisola, 2019).

The study finds that **cultural heritage is a source of inspiration that fosters scientific and artistic creativity**. The statistical analysis demonstrates that cultural heritage has a positive and significant effect on artistic creativity (0.183***), a lower but still positive impact on scientific creativity (0.115**) and no significant impact on economic creativity. The relationship between cultural heritage, creativity and economic development is presented in the diagram below.



Source: Cerisola, (2019)

Figure 1: The impact of cultural heritage and of scientific, artistic and economic creativity on development. All the results presented in the graphs are standardized coefficients with the following significance levels: *10%, **5%, ***1%.

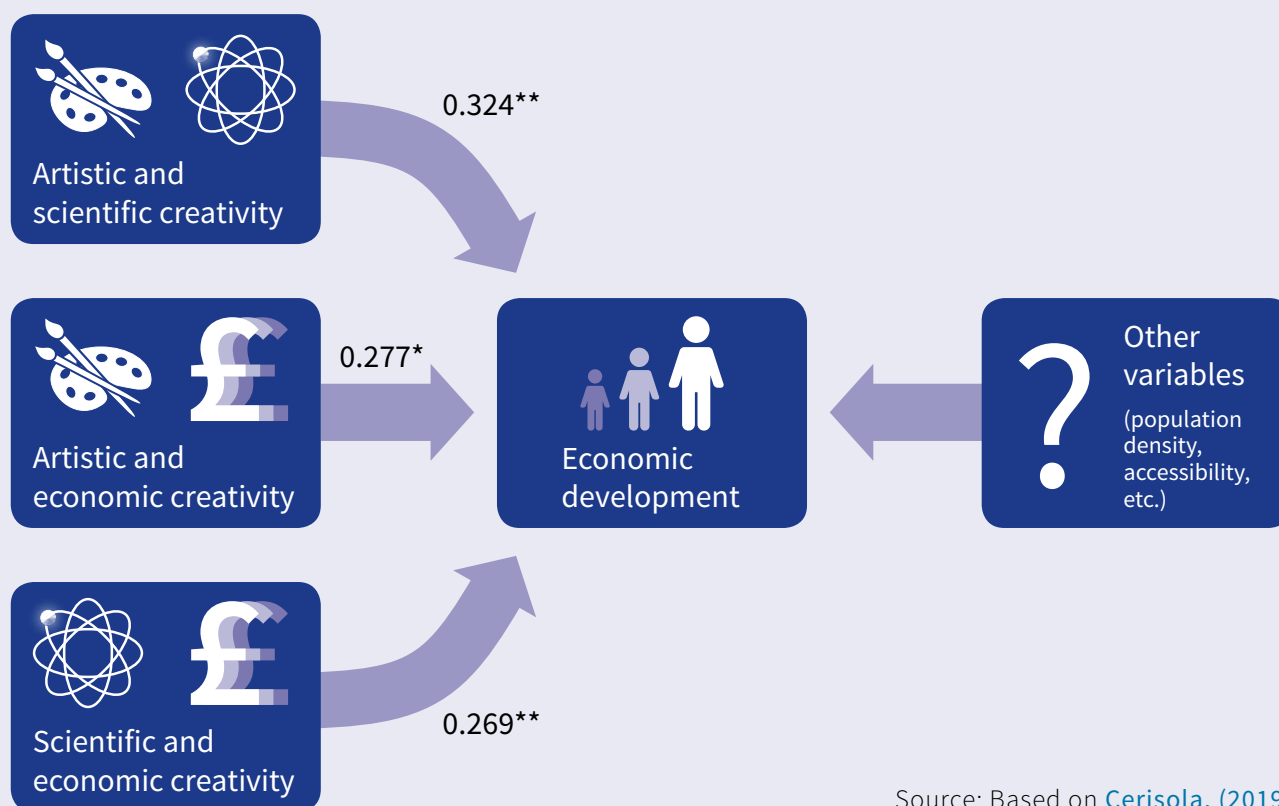
The author argues that cultural heritage and each type of creativity (artistic, scientific or economic) do not lead to economic development individually as demonstrated by the statistical insignificance of the coefficients in Figure 2 (-0.017, 0.132, 0.09, 0.031 respectively). The author instead finds that **it is the combination between the different types of creativity (artistic, economic and scientific) that drive economic development.**

The research argues that it is in fact the interplay between artistic and scientific creativity; scientific and economic creativity; and artistic and economic creativity that have

a positive and significant effect on economic development.

The research concludes that **cultural heritage contributes to local economic development indirectly by fostering scientific and artistic creativity (Cerisola, 2019).** It is the complexity of this relationship in measurement terms that often leads to the exclusion of cultural heritage from this equation however in qualitative terms a vast body of heritage evidence confirms this relationship.

The study concludes that policies aimed at protecting and improving cultural heritage would at the same time be contributing to economic development.



Source: Based on Cerisola, (2019)

Figure 2: The interplay between different types of creativity leads to economic development. All the results presented in the graphs are standardized coefficients with the following significance levels: *10%, **5%, ***1%.

CASE STUDY: CREATIVE INDUSTRIES IN CONSERVATION AREAS

Creative industries are a crucial part of economic growth and prosperity. This sector has experienced fast-paced growth with GVA rising more than a third between 2010 and 2015, which was twice the rate of growth of the UK economy during that period (DCMS, 2016).

Research for [Heritage Counts 2018](#) studied a sample of 35,000 creative businesses in conservation areas across England. The study found that **26% of all creative industries are located in conservation areas**. The findings show that businesses are highly concentrated in London's conservation areas (approximately two thirds) and in the South East. Overall 87% of creative industries located in conservation areas are located in just 20% of the 10,000 conservation areas in England ([Colliers International, 2018](#)).

The research estimated that **creative businesses in conservation areas employ 460,000 to 530,000 people and generate a GVA of £22 to £25 billion per year** ([Colliers International, 2018](#)).

The research highlighted the importance of the historic environment particularly for creative businesses with examples of warehouses or former industrial buildings transformed into creative hubs. Many firms in creative industries are young and ambitious, and often choose to locate in historic buildings and restore them with panache creating and projecting a unique image for potential clients ([Colliers International, 2018](#)).

One of the main insights of the research ([Colliers International, 2018](#)) is that as places change, economic development policies must take into account and prioritise the historic environment to promote societal and economic prosperity.



Showroom Cinema, Paternoster Row, Sheffield, South Yorkshire.

3. Heritage shapes peoples' perceptions and authentic experiences of places

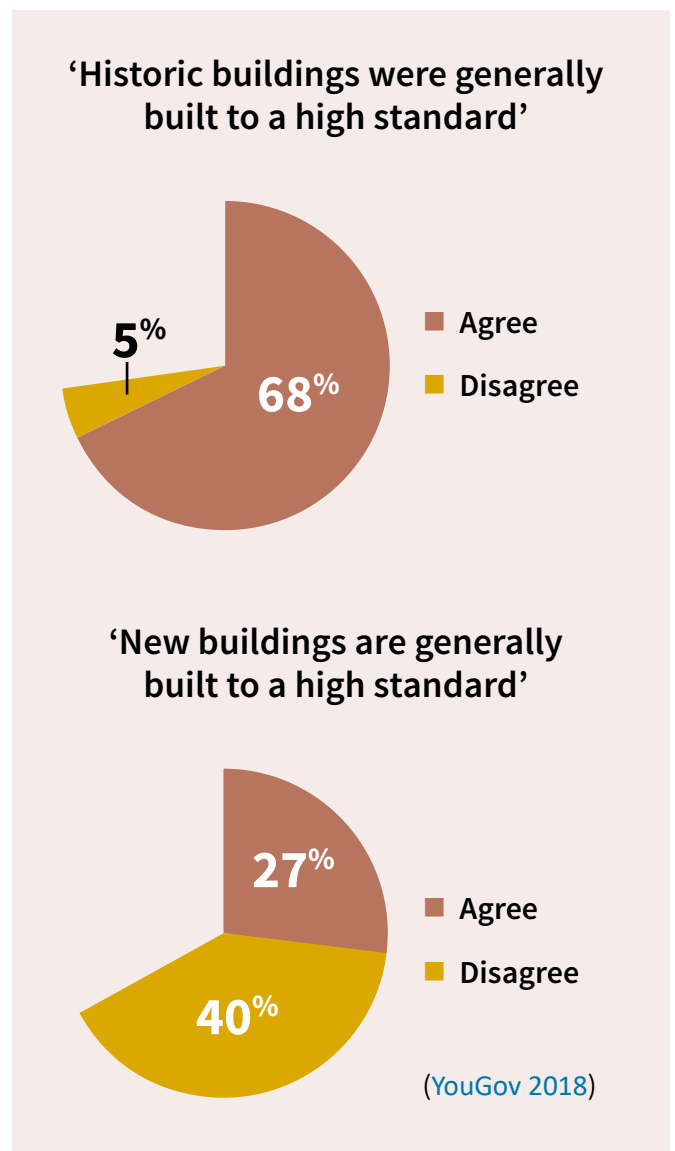
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The unique character of heritage assets and historic places creates the desire amongst members of the public to conserve and protect heritage for current and future generations. Places that are aesthetically pleasing have an attractive power that encourages people to congregate there. (**National Trust 2017**).

■ **Beauty is a symbol of mutual belonging and social harmony.** In a national omnibus survey of 1,043 adults across England conducted by Ipsos Mori, 81% of respondents agree that everybody should experience beauty on a regular basis ([Building Better, building beautiful commission, 2019](#)).

■ **The built historic environment influences perceptions of the quality and attractiveness of place. 68% of the public agree that historic buildings are built to a high standard** compared with only 27% agreeing with the same statement about new buildings. This evidence is based on a national omnibus survey of 1,043 adults across England in 2018. It found that amongst members of the public, older buildings convey a sense of 'grandeur' and longevity ([YouGov, 2018](#)).

■ **Heritage forms a vital part of place identity.** The GREAT Britain campaign showcases the best of what the UK has to offer to inspire the world and encourage people to visit, do business, invest and study in the UK. The campaign identifies heritage as one of 12 'unique selling points' of the UK. It is estimated that for every £1 spent on the GREAT campaign, overseas visitors spend £23 in Britain ([VisitBritain, 2016](#)).



■ **Investing in the historic environment can successfully increase footfall.** Evaluation evidence from the Derby Partnership Scheme in Conservation Areas (PSiCA) shows that while average footfall on high streets around the nation dropped by 26% between 2008 and 2013, the Derby PSiCA areas reversed a spiral of decline through heritage led regeneration and saw footfall growth between 12% to 15% in the same period ([Anarchitecture, 2017](#)).

■ **Investing in the historic environment can reduce vacancy rates.** The Derby Partnership Scheme in Conservation Areas (PSiCA) programme also **resulted in a fall in vacancy rates from 40% vacant in 2008 to 100% occupancy in 2017** ([Anarchitecture, 2017](#)). The PSiCA project offered grants for the sympathetic renovation of historic shop fronts using local tradesmen over an 8 year period.

23-51 New Briggate, Leeds, West Yorkshire.



- **People spend more in their local economy after investment in the historic environment.** In areas that had received investment in the historic environment, approximately one in five visitors in a survey of 1,000 stated they spent more in an area after investment in the historic environment than they did before. One in four businesses stated that the historic environment investment had directly led to an increase in business turnover ([AMION and Locum Consulting 2010](#)).

“The development of our historic built environment can drive wider regeneration, job creation, business growth and prosperity.”

Culture White Paper ([DCMS, 2016](#))

- **The returns on heritage-led regeneration projects will often outstrip costs.** Using a Transparent Economic Assessment model, in 2017 the National Lottery Heritage Fund (NLHF) conducted an ex-post evaluation of six case studies from NLHF’s Heritage Grants Programme (2002-2007). The results showed a net GVA of £8.4m generated annually and 135 direct and indirect jobs supported annually. Over the 10 years, this equated to £84m GVA across just six projects. **The combined grant awarded to these six projects was £27.5m, which is a return of over three times what was originally invested.** In addition, there were temporary economic benefits of £3.1m net GVA and 70 net jobs created during the construction phases ([National Lottery Heritage Fund, 2017](#)).
- **Investing in the historic environment generates economic returns for local places.** On average, £1 of public sector expenditure on heritage-led regeneration generates £1.60 additional economic activity over a ten year period. These findings are based on a weighted average of the benefit-cost ratio of cumulative net additional GVA to public sector costs ([AMION and Locum Consulting, 2010](#)).

CASE STUDY: ALTRINCHAM – FROM FAILING HIGH STREET TO GREAT BRITISH HIGH STREET

Altrincham is a town in Trafford, located 8 miles southwest of Manchester City Centre. In 2010, the town was labelled a “ghost-town” as it had the worst vacancy rates in the UK, with more than 30% of the shops empty at that moment. Local newspapers attributed this to a combination of high business rates, parking charges, online competition and increasing costs ([Manchester Evening News, 2018](#)).

In 2011, Trafford Council created Altrincham Forward bringing the community, members of the public and private stakeholder together to revitalise the town. In 2012, the Council working with shop owners and landlords, developed an action plan to restore the town centre as a 21st Century market town and to improve shop frontages. The Council also invested £1 million in the refurbishment of Altrincham’s Grade II-listed Market House and covered market and sought a private market operator to transform the Market House ([Local Government News, 2018](#)). *‘A focus on food, new trading hours and active management and marketing have led to it again becoming a vibrant hub for the town centre’* ([Institute of Place Management, 2018](#)). This had a transformational and catalytic impact on the town centre, giving many people a new reason to visit ([BBC, 2018](#)).

A number of initiatives also contributed to the transformation of Altrincham.

For instance, the Council invested in the development of community facilities, a new hospital, a new Health and Wellbeing Hub and a library adjacent to the Market House. In 2014, the Council invested £19 million in creating a landmark gateway to Altrincham – an interchange improving service through greater integration of public transport including bus, taxi, rail, tram and cycling. It had also provided loans of up to £20,000 to allow businesses to set up in the town bringing vacant ground floor premises back into use.

These loans are estimated to have helped lever £587,427 of additional investment and has led to the creation of 77 additional jobs ([Local Government News, 2018](#)).

By 2018, Altrincham’s transformation was complete and it won the annual Great British High Street award. Vacancy rates had fallen by almost three quarters to 7.9% in December 2017 ([BBC, 2018](#)) and footfall has risen to 1.74 million a year, which represents a 5% annual growth rate ([Local Government News, 2018](#)).



Altrincham Market House, Altrincham, Greater Manchester.

4. Heritage generates demand and a property price premium

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“We appreciate charm, atmosphere, life, peace, good humour and agreeable manners, all of which are part of beauty, and all of which we find abundantly in our architectural heritage” (**Building Better, Building Beautiful Commission, 2019**)

- **Our historic properties form a vital and unique part of our national story.** The UK has the oldest housing stock in Europe (EU28), with 38% of the UKs homes dating from before 1946, compared to 29% in France, 20% in Italy, 11% in Spain and just 3% in Cyprus ([BRE, 2016](#)).
- **Heritage adds to property value.** A survey of estate agents found that 82% stated that original features added to a property’s value and 72% felt that original features helped ensure a quicker sale ([English Heritage, 2009](#)).
- **Proximity to a listed building is associated with additional value and this value is greater than the premium associated with a newly built home.** A study of 160,000 data points for six cities in England found that proximity to a listed building increased property prices by between 4.4% and 10.3%. The study concludes that beauty, a sense of place, and confidence that heritage will not be destroyed bring real and predictable value ([Create Streets, 2017](#)).
- **Property in distinctive areas commands a price premium.** Academics at the London School of Economics surveyed 500 residents in 47 conservation areas and analysed property price data related to mortgages granted by the Nationwide Building Society between 1995 and 2010 to gather information on ‘attractiveness’ and ‘distinctiveness’. In conservation areas deemed to be distinctive, the authors found on average a positive price effect of approximately 10%. This rises to 12% in the most ‘distinctive’ conservation areas ([Ahlfeldt and Holman, 2017](#)).
- **There is a 23% price premium for homes in conservation areas.** Research using a hedonic model analysing 1,088,446 house sales between 1995 and 2010 showed that properties in conservation areas sell for 23 % more on average than other houses. Even when location, property features and other factors affecting house prices are adjusted for, a premium of around 9 % was still found ([Ahlfeldt et al. 2012](#)).
- **House prices are higher on average in town centre conservation areas compared to non-conservation areas.** Analysis shows that in 2016, house prices were 50% higher in town centre conservation areas, 33% higher in urban residential conservation areas and 22% higher in rural conservation areas relative to comparable non-conservation areas. Detailed data was analysed for 10,000 conservation areas matched to non-conservation areas with a similar Index of Multiple Deprivation and population size ([OCSI, 2017](#)). *Note: these are absolute price differences not controlling for other factors.*
- **The popularity of historic areas is increasing.** A study of 789 conservation areas found that house prices are growing at a pace that outstrips growth in non-conservation areas, indicating demand for properties in conservation areas ([OCSI, 2017](#)). Property price growth inside conservation areas exceeds comparable properties elsewhere by 0.2% a year ([Ahlfeldt et al. 2012](#)).



Battle of Gheluvelt Memorial Homes, Gheluvelt Park, Barbourne, Worcester, Worcestershire.

■ **Property values near World Heritage Sites (WHS) are almost £80,000 higher than the UK average.**

That is 27% more than the average UK property. A study found that the longer an area has had WHS status, the higher the property values ([Zoopla, 2015](#)).

- A study looking at how a wide range of built environment and locational factors affected London house prices found: *“the most important factors influencing house prices were found to firstly relate to physical built environment housing qualities, particularly house size and age, with **older housing being much more desirable**. This supports arguments emphasising the value of family housing in London, and of the continuing*

appeal of historic high heritage value neighbourhoods.”

The results are based on a hedonic price model applied to 240,000 output areas in Greater London between 2000 and 2008 ([GLA Economics, 2010](#)).

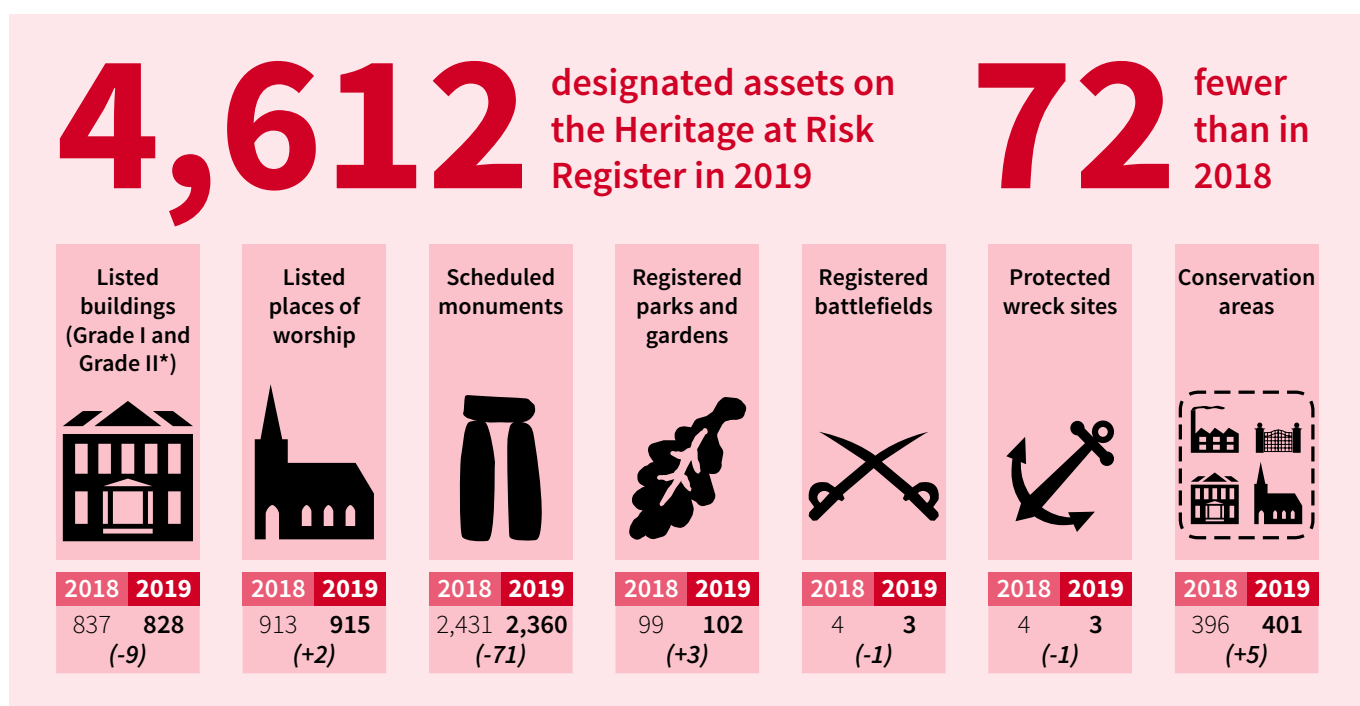
■ **Listed properties generate a higher return on investment compared to non-listed properties.**

A 2011 analysis of the Investment Property Databank (IPD) Index (a leading real estate industry data source for commercial property) shows that at the All Property level, the IPD Listed Property Index has generated a higher level of total return than the IPD Index for three, five, 10 and 30 year time periods ([Colliers, 2011](#)).

5. Heritage still has great untapped potential

Our heritage represents an important echo of our past but is also a vital part of our emerging, sustainable future. Today, there are unrealised opportunities in underused and vacant heritage assets which can provide much needed homes and spaces for businesses. Bringing our heritage back into productive use and extending the life of our heritage assets can help us meet our sustainability goals and reduce our carbon footprint.

2019 **Heritage at Risk** Register for England



(Historic England, 2019)

- **The untapped potential of designated heritage.** There were over 4,612 designated heritage assets ‘at risk’ in 2019. These are sites that are most at risk of being lost as a result of neglect, decay or inappropriate development. Investment in heritage assets at risk can deliver positive environmental and regeneration outcomes (Historic England, 2019).



■ **Underused historic mills in West Yorkshire and Greater Manchester have the capacity to generate thousands of new jobs and new homes.** Research in 2017 examined the opportunities provided by vacant and underused textile mills in West Yorkshire and the North West. The research demonstrated that there were approximately 1,350 underused or vacant mills in West Yorkshire, 542 in Greater Manchester and 540 in Lancashire. Applying standard office floor space densities to the total amount of net vacant floor space in West Yorkshire, Greater Manchester and Lancashire’s textile mills illustrates the **potential to generate 283,000 new net additional jobs (equivalent to £12.4bn of Gross Value Added per annum) or 52,000 new homes** (Historic England, 2017).







■ **Loss of distinctiveness reduces premium values of heritage.** Research in 2017 found that the majority of conservation areas ‘at risk’ exhibit lower average property prices than those *not* ‘at risk’ (OCSI, 2017). While the research does *not* conclude that conservation areas ‘at risk’ have lower property prices this can be inferred from the Ahlfeldt and Holman (2017) findings which show that more distinctive areas command higher property prices. Loss of character, neglect and damage of historic or architectural features which lead

to a conservation area to be assessed as ‘at risk’ no doubt reduces the distinctiveness of areas and thus the premium values.

■ **Lower property premiums for heritage ‘at risk’.** While there is a 9% premium on properties in conservation areas, this advantage falls by 4 percentage points to 5% in conservation areas that are classified by local authorities as being ‘at risk’. This evidence is based on a hedonic model analysing 1,088,446 house sales between 1995 and 2010 controlling for location, property features and other factors affecting house prices (Ahlfeldt et al. 2012).

■ **There are unrealised opportunities for new businesses in underused or vacant heritage assets.** Businesses that occupy listed buildings generate £13,000 extra GVA per business per year. This extra GVA is the amount above that generated by an equivalent number of businesses in non-listed buildings. These estimates were based on business occupation data combining two different datasets: National Heritage Lists from England, Scotland, Wales and Northern Ireland and data of non-residential uses in buildings, collated by Ordnance Survey (National Lottery Heritage Fund, 2013).

Average property values in conservation areas, 2016

Average Property Values, 2016	Rural Conservation Areas	Town Centre Conservation Areas	Urban Residential Conservation Areas
At Risk	 £260,000	 £270,000	 £360,000
Not at Risk	 £330,000	 £410,000	 £380,000

Source: (OCSI, 2017)

THE RATIONALE FOR GOVERNMENT INTERVENTION IN HERITAGE

The upfront costs of investing in Heritage at Risk and the expected rate of return can be barriers to renewal and a cause of deterioration over time.

The rationale for intervention in relation to heritage is based on the existence of market failures which have led to the decay and abandonment of historic buildings and areas. For example a landmark historic building that is vacant and deteriorating can blight a wider area; investment in the repair and reuse of the same building can act as a flagship of regeneration and renewal. Where the market has allowed this situation to occur investment of public funds is needed to close the “conservation deficit” (the excess costs of repair over the market value of the property in its repaired condition).

Heritage and public goods: Heritage assets have inherent public good characteristics. To varying degrees heritage assets create benefits for both the owners of heritage assets as well as wider society in so far they enhance everyday living environment and are non-excludable and non-rival. ‘Public goods’ are said to be ‘non-rival’ in that one person’s consumption does not limit its consumption by another person, and ‘non-excludable’ in that access to a good is open to all.

Heritage and externalities: A typical feature of public goods is the existence of externalities which are benefits or costs that are not accounted for in a

market transaction. These emerge either as consumption externalities (benefits/costs shared by heritage owners and consumers/society e.g. more attractive places to live and work) or used for economic purposes through production externalities (benefits/costs accruing other economic activities as a result of heritage e.g. tourism and heritage).

Heritage and information asymmetries:

The value of heritage can be difficult to quantify and attribute due to the non-use qualities of heritage. Non-use values are economic values assigned by individuals to goods/ services unrelated to their current or future uses. Information asymmetries mean economic agents can make sub-optimal decisions based on incomplete information. Listing (statutory protection) is a way of addressing these market failures by signalling quality and recognising the value of significant historic properties to the nation.

Heritage and coordination: While the renovation of a landmark is typically led by a team with historical and architectural expertise, the preservation and renovation of the majority of historic buildings is often in the hands of property owners or outside investors who may lack the specialised knowledge to carry out work that reflects the distinctive architectural and historical character of the property. Coordination is also needed in developing and disseminating guidance to assist owners in the maintenance and adaptation of their assets.



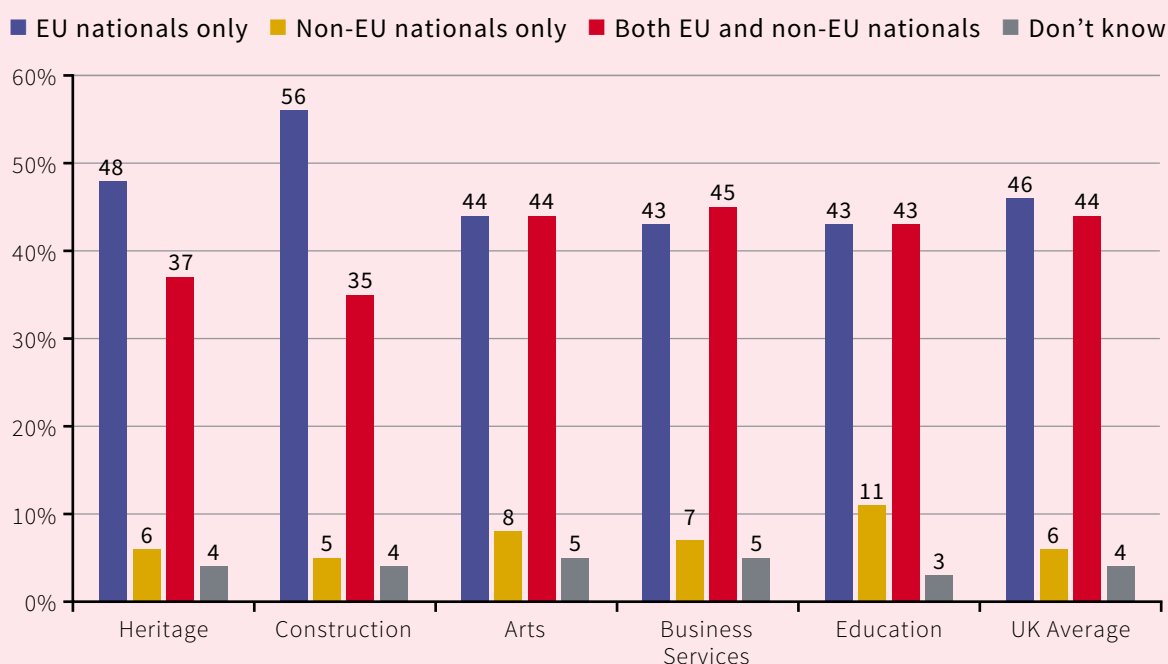
Apprentice, Shrewsbury Flaxmill Maltings, Shropshire.

THE HERITAGE SECTOR AND THE EUROPEAN UNION

It is estimated that around 15,000 EU nationals were employed in the Heritage Sector in 2016 – representing 7.4% of the total workforce (Cebr, 2019a).

	% EU Proportion	EU Employment in heritage
Construction	8.8	9,207
Arts	5.6	3,000
Business activities	7.5	1,909
Public administration	4.0	409
Education	4.0	68
TOTAL	7.4	14,593

In 2016, an estimated 48% of firms in the heritage sector seeking to recruit non-UK nationals for hard to fill vacancies recruited from the EU. Compared to other UK sectors, firms in the heritage sector are more likely to recruit from the EU labour market (Cebr, 2019a).



Source (for both table & graph): Employer Skills Survey 2017, ONS, Cebr analysis

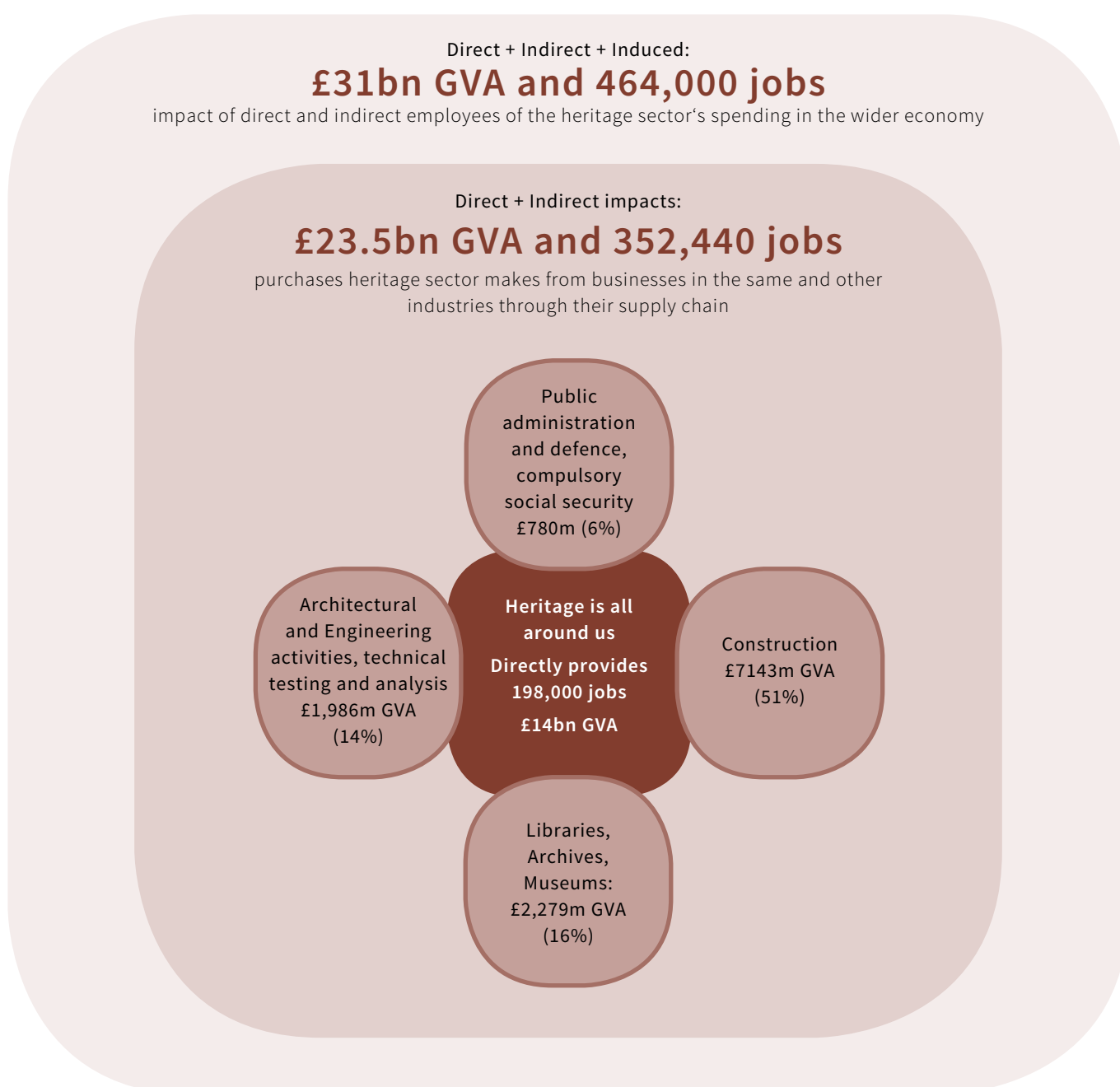
It is estimated that between 2007 and 2016, the EU provided £450 million worth of funding to the heritage sector in England. This figure is likely to be an underestimate as it is difficult to precisely account for all EU funding to England – for example, it is unclear what proportion of funding from the European Regional Development Fund (ERDF) was allocated to heritage projects (Cebr, 2019a).

II. Heritage and the economy: The sum of many parts

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Heritage is an important source of economic prosperity and growth. The heritage sector is a complex and multidimensional sector with multiple economic activities dependent and embedded within it.

The economic footprint of heritage, 2018



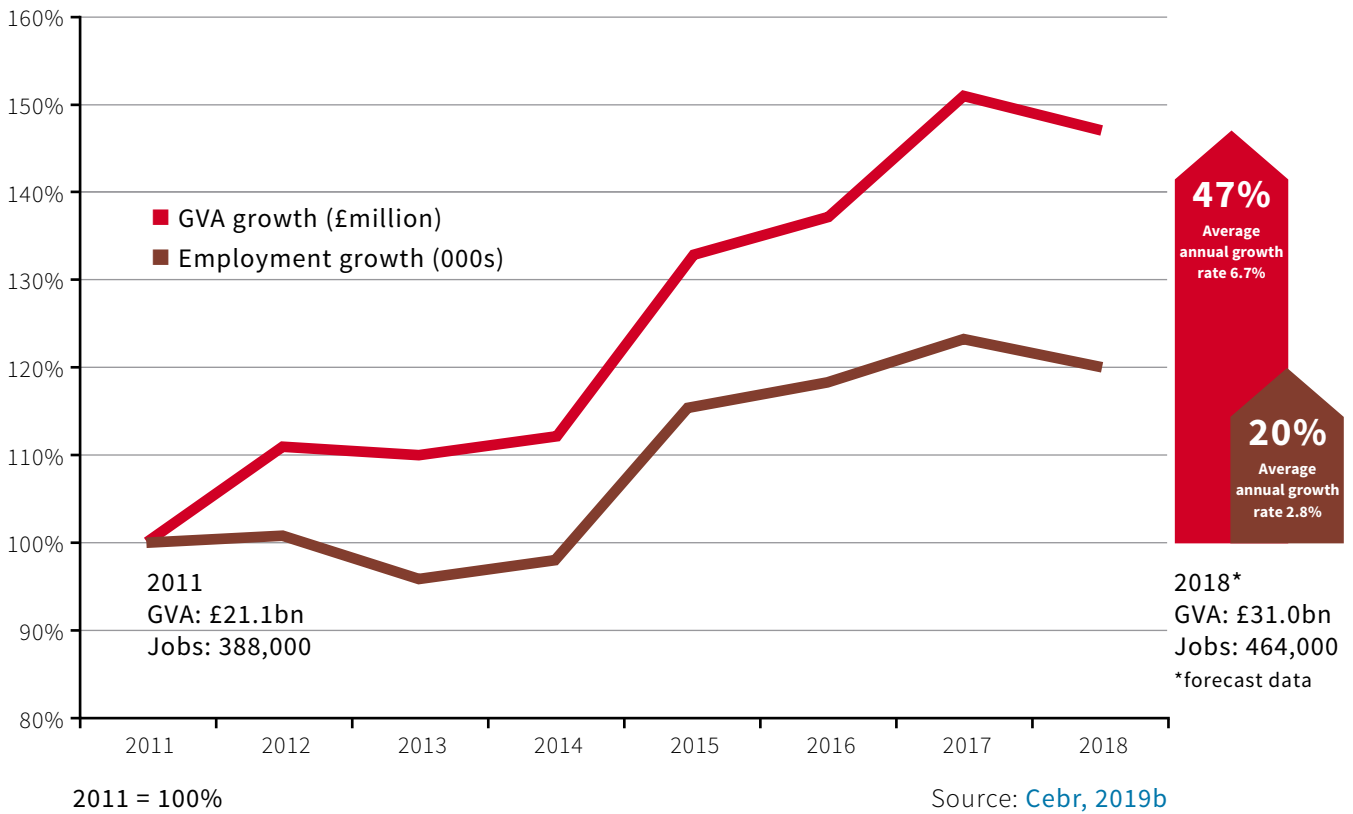
Source: [Cebr, 2019b](#)



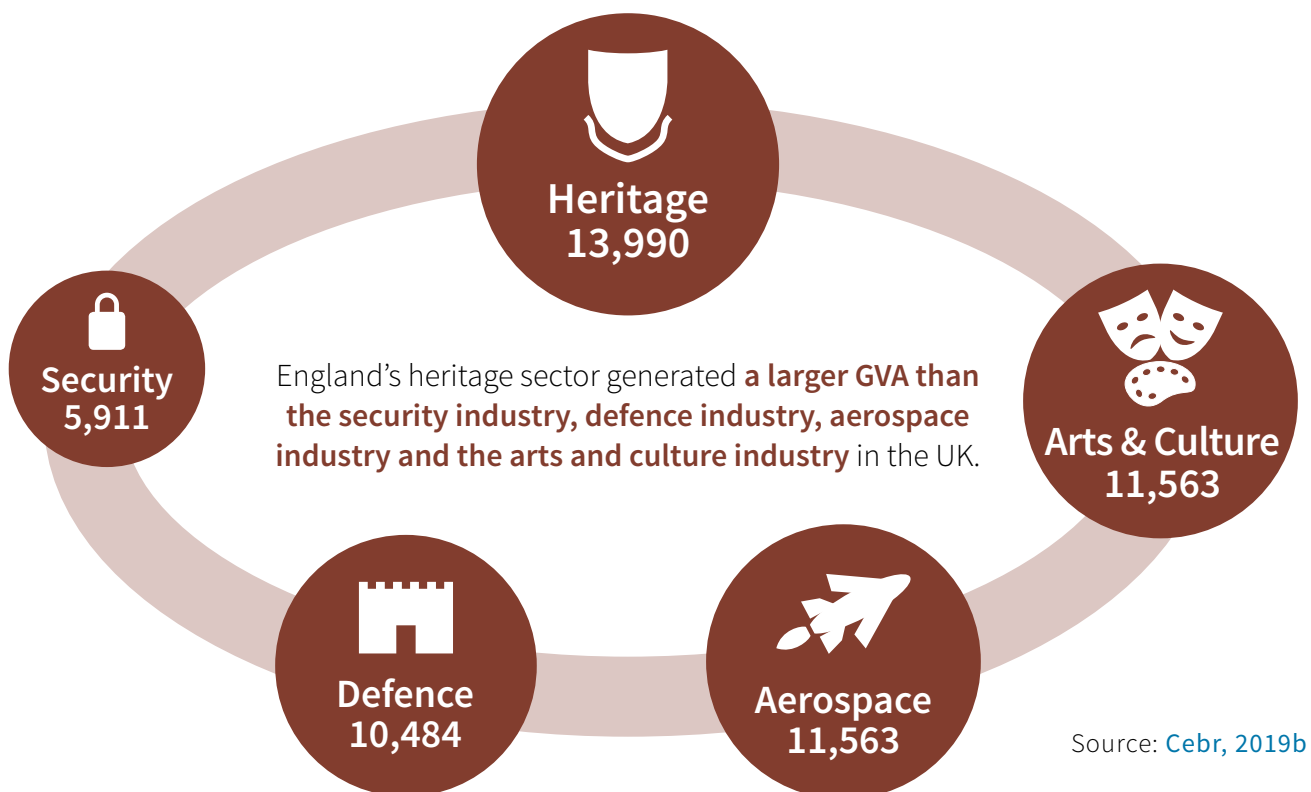
Architect working on a drawing. © daniel-mccullough-HtBIQdxfg9k-unsplash

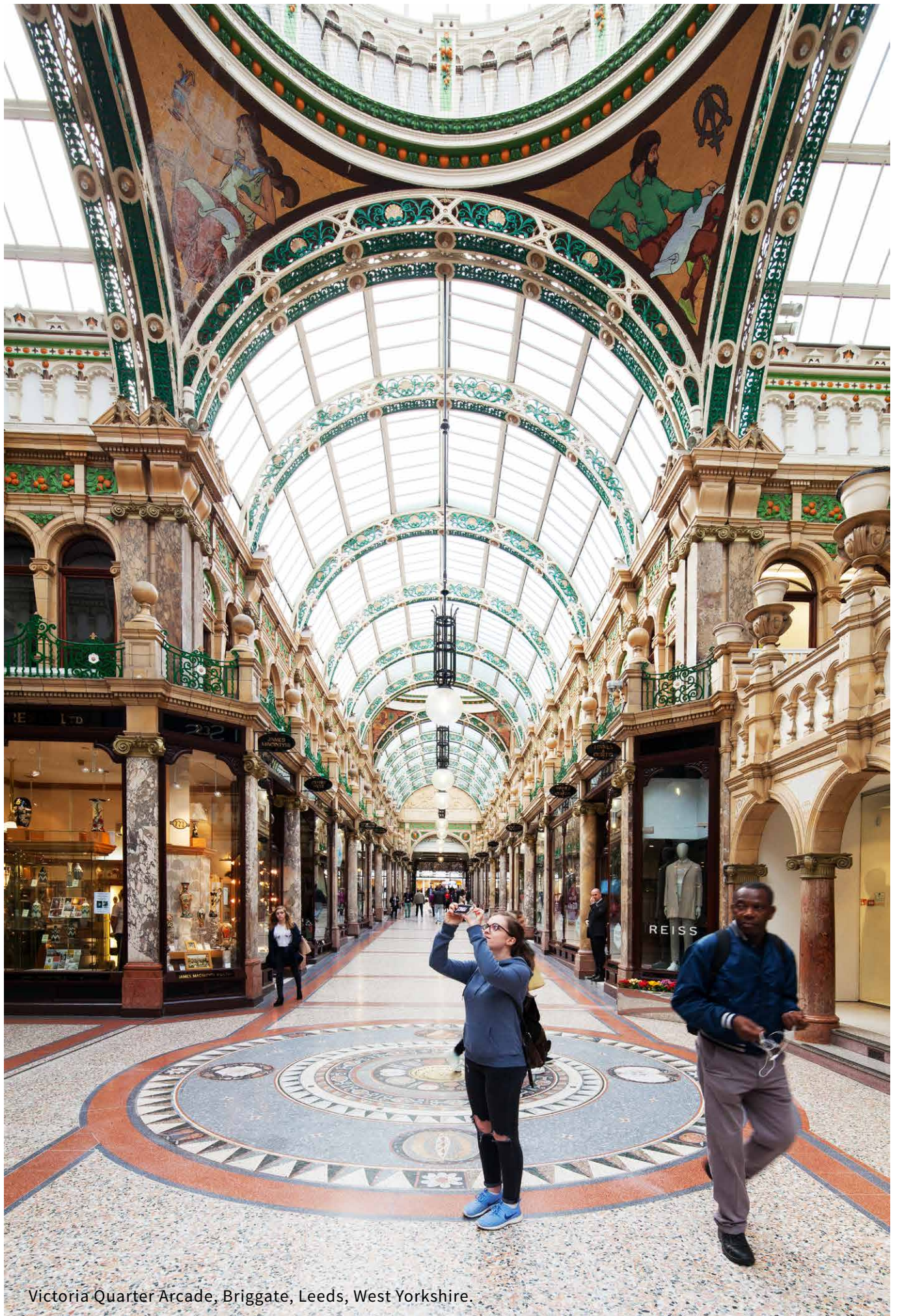
- **The heritage sector's economic value stems from a variety of activities**, ranging from conservation and preservation of historic buildings to activities in the natural environment. Historic England commissioned the Centre for Economics and Business Research (Cebr) to conduct a statistical analysis and economic modelling to estimate the ongoing contribution of the heritage sector in England. Cebr's estimates provided a robust and detailed statistical definition of the heritage sector using a SIC-SOC methodology in which occupations in the heritage sectors were mapped to specific industries. The study demonstrates **that the Heritage Sector is an important economic sector producing a total GVA of £31bn and providing over 464,000 jobs (Cebr, 2019b)**. These are jobs and GVA created either directly; indirectly through purchases in other industries; and induced effects from spending in the wider economy.
- **The heritage sector is an important employer and producer of economic wealth.** Based on ONS statistics and (Cebr, 2019b), we estimate that in 2018 the average heritage worker produced £71,000 of Gross Value Added (GVA) per year, which **was 53% higher than the average worker in the non-financial sector of the UK economy.**
- **The cumulative growth of heritage employment (2011 to 2018) has outstripped the rest of the UK economy**, growing twice as fast as UK employment: 19% compared to 11%. Albeit growth has been volatile, decreasing between 2011-2013 and 2017-2018 and increasingly strongly from 2014 to 2017 (Cebr, 2019b).

Heritage a vital and growing part of our national economy



England's heritage sector direct GVA comparison with selected UK industries in 2018 (£millions)





Victoria Quarter Arcade, Briggate, Leeds, West Yorkshire.

1. Heritage, construction and development

.....

The on-going need to repair, maintain and restore these historic buildings creates strong dependencies between heritage and the construction and development sectors, often requiring specialist heritage skills, knowledge and expertise.

Heritage construction and development in numbers

**£7.1bn
in GVA**

generated by heritage-related construction activities in England, 2018

100,000

construction workers involved in heritage-related activities, including building finishing and specialised activities such as bricklaying and stone setting, carpentry, roofing etc.

6,000

people employed as archaeologists in England, 2018

24,000

architects, building and civil engineers and chartered surveyors involved in heritage-related activities

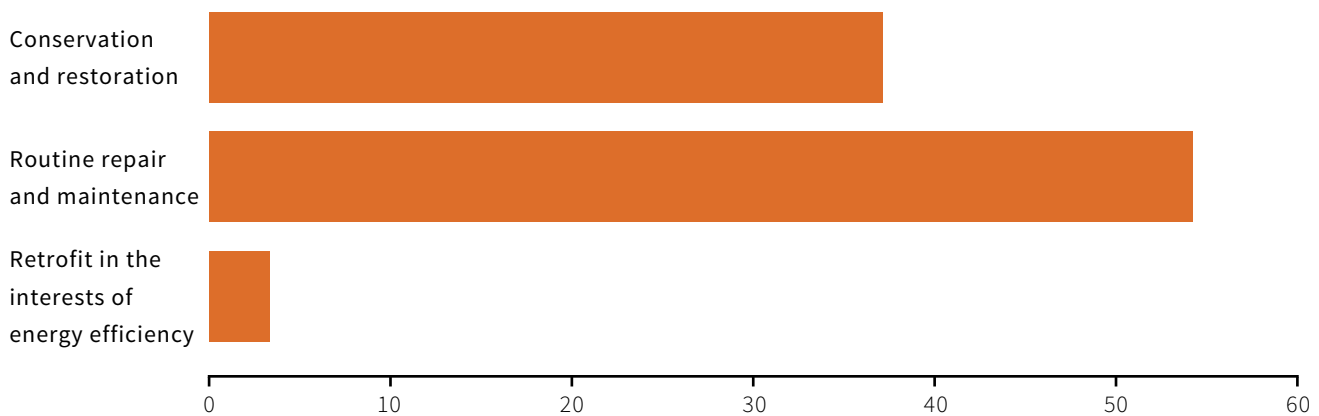
Source: [Cebr, 2018](#)

*1919 is used as date to identify traditionally-constructed buildings as they are more likely to be of solid wall construction, whereas around and after this date cavity wall construction became more commonplace. (CITB, [English Heritage and Historic Scotland 2013](#)) This change in construction has implications for the way in which a building reacts to its environment, and the skills, materials and investment needed to repair and maintain buildings.



Construction workers on site at East Stoke, Dorset. © Historic England Archive

Type of work undertaken on traditional (pre-1919) buildings in England



Source: (CITB, English Heritage and Historic Scotland, 2013)

HERITAGE AND THE CONSTRUCTION SKILLS CERTIFICATION SCHEME

The construction industry recognises the specialist needs of the built historic environment. Bodies such as the Construction Industry Training Board (CITB), Royal Institute of Chartered Surveyors (RICS) and Construction Skills Certification Scheme (CSCS) all promote or offer heritage-specific training schemes and qualifications.

CSCS cards are available for 370 construction trades. They help workers demonstrate their qualifications and skills to do their job along with health, safety and environmental awareness. Heritage CSCS cards are available for 20 different construction trades, ranging from specialist trades such as specialist lead workers through to more conventional trades such as painter and decorators and bricklayers.

- **Builders are the first port of call for advice and repair and maintenance work for 54% of listed building owners.** A 2017 survey of 1,345 listed residential building owners, stratified by regions in England and listing grade, found this was the case for over half (54%) of the owners ([Ecorys, 2017](#)).
- **The survey of listed building owners demonstrates strong demand for building services for listed buildings.** A third (35%) of 1,345 surveyed listed building owners had applied for listed building consent in the last five years ([Ecorys, 2017](#)).
- **The number of listed building consents has been rising since the 2007/08 recession.** In 2016/17 there were over 31,000 listed building consent applications – a 15% increase since 2009/10. Listed building consent (LBC) is a form of planning consent required to make alterations to a listed building and is granted by the local authority planning department. LBC is an indicator for the continuing demand for heritage related construction activities ([MHCLG, 2018](#)).
- **The renovation and restoration of historic buildings creates new jobs.** In 2017 the National Lottery Heritage Fund reported the findings of an impact evaluation of grants distributed between 2002 and 2007. The findings show that **60% of the projects led to the creation of new jobs and 22% reported regeneration impacts.** By enhancing the character and distinctiveness of their local areas through the renovation, restoration and improvement of heritage assets, places were seen as more inviting and attracted further investment. A sample of 133 projects was evaluated (which represents 13% of all the completed projects). The impact evaluation consisted of an online survey of 83 projects and case studies of 50 other projects, with in-depth economic modelling of 6 of these projects ([NLHF, 2017](#)).
- **Commercial archaeology generated total revenue of £228m in 2016-17.** These findings are from research commissioned by the Chartered Institute for Archaeology (CifA) and the Federation of Archaeological Managers and Employer (FAME) about archaeological services in the UK. 54 organisations were surveyed highlighting growing pressure on archaeological services due to growing demand, specifically from the HS2 project. The survey also highlighted growing uncertainty regarding the potential implications of the UK leaving the European Union ([Landward Research, 2017](#)).
- **In Great Britain, between 89% and 97% of contractors who work in traditional buildings (pre-1919) do not have the qualifications and specialised knowledge.** This lack of specialist skills increases the risks associated with maladaptation and poor maintenance of traditional buildings ([Strategic Skill Partnership Progress Report, 2018](#)).

COMMERCIAL ARCHAEOLOGY IS AN IMPORTANT ASPECT OF MANY CONSTRUCTION AND INFRASTRUCTURE PROJECTS

Archaeological surveying often needs to take place in advance of construction projects to identify and minimise any impact on heritage assets. Archaeologists are also often engaged to keep a watching brief during works to assess any impact on historic sites and have an important role in keeping project on track by ensuring compliance with legislation where heritage assets are involved.

Over 40 major infrastructure projects are planned in the UK during the period 2015-33 with the majority falling in the period 2015-21. The total capital cost is £464.9bn. **There is a projected shortage of between 25 and 64% in the available workforce needed to service the archaeological needs of the planned major infrastructure projects in the UK** ([Historic England, 2016](#)).



Ironbridge, Coalbrookdale, Shropshire

2. Heritage tourism

.....

Heritage is an important part of tourism in England, attracting millions of domestic and international tourists each year. Some tourists visit England primarily to visit heritage attractions, while others take part in heritage activities during visits that are made for other purposes. This in turn supports millions of jobs and contributes to national and local economic growth.

Heritage tourism in numbers

INTERNATIONAL VISITS	17.5m	... heritage-related international inbound visits in 2018.
	£9.3bn	... spent by international tourists on heritage-related visits in 2018.
DAY VISITS	186.0m	... day visits were motivated by heritage-related activities in England in 2018.
	£4.3bn	... spend generated by heritage-related day visits in England, 2018.
DOMESTIC OVERNIGHT TRIPS	14.9m	... heritage-related trips in England in 2018.
	£3.4bn	... generated by heritage-related trips in England, 2018.
TOTAL TOURISM	218.4m	... heritage-related visits and trips in England in 2018.
	£17.0bn	... generated by heritage-related visits and trips in England, 2018.

Source: Cebr, 2019b

*A trip refers to the travel by a person from the time of departure from his usual residence until he/she returns: it thus refers to a round trip. A trip is made up of visits to different places. A visitor is someone who is making a visit to a main destination outside his/her usual environment for less than a year for any main purpose [including] holidays, leisure and recreation, business, health, education or other purposes. A visit can be made up of different activities (UNWTO 2010).



A family enjoys a visit to Carisbrooke Castle, Isle of Wight.

6 out of the top 10 of the most visited paid attractions in England in 2018 were heritage attractions



Tower of London
2.8m visitors 2017
Rank 1



Royal Botanic Gardens, Kew
1.9m visitors 2018
Rank 3



St Paul's Cathedral
1.7m visitors 2018
Rank 4



Stonehenge
1.6m visitors 2018
Rank 7



Westminster Abbey
1.5m visitors 2018
Rank 8



Roman Baths and Pump Room
1.3m visitors 2018
Rank 9

Source: ([VisitBritain, 2019](#))

- According to the *Taking Part* survey, **three quarters of adults (72.8%) in England, or approximately 40 million people, visited a heritage site at least once in 2017/18**. This is a statistically significant increase since the survey began in 2005/06 (69.9%) The *Taking Part* survey is a continuous face to face household survey of adults aged 16 and over and children aged 5 to 15 years old in England, measuring engagement with the cultural sectors (DCMS, 2018).



- **Two thirds (34%) of domestic tourists cited being able to visit a historic building or monument as their ‘sole reason’ or a ‘very important reason’** why they took their domestic holiday or short break. This increases to 63% for day visitors. These figures are based on an online survey of 2,427 respondents (TNS, 2015).
- **Heritage tourism is more popular in Britain, compared to other Europe nations.** 35% of UK citizens “totally agree” that the presence of cultural heritage influences their choice of holiday destinations. This is the 4th highest proportion of the survey respondents from the 28 EU countries (European Commission, 2017).
- **Almost three quarters of visitors to historic attractions in England were domestic visitors, including both day trips and longer stays in 2018.** The proportion of domestic visitors has been increasing steadily since 2008 (except in 2012 and 2018), suggesting that holiday trends in England are changing with more trips within the UK (BDRC, 2019).

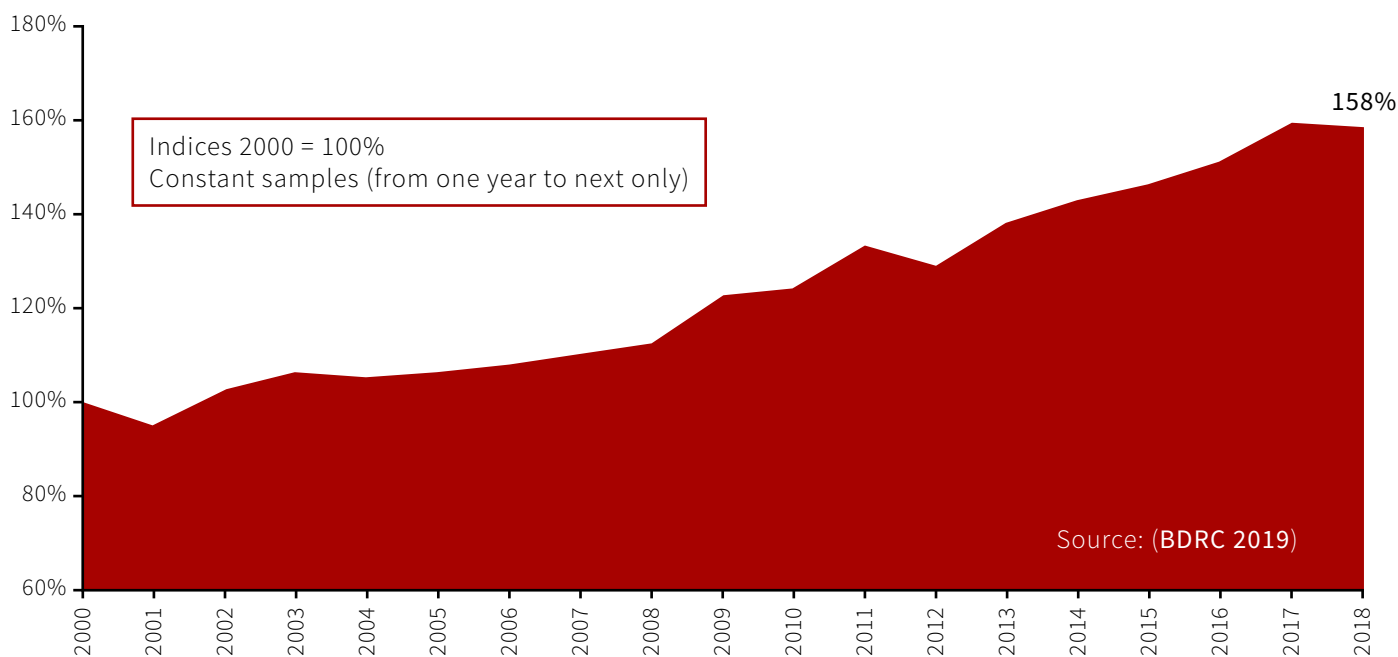
- **Heritage is an integral part of the UK brand, driving millions of international visits each year.** History and heritage are strong product drivers for most overseas markets. **Visit Britain’s GREAT campaign** has identified heritage as one the UK’s 12 ‘unique selling points’.

- In 2018, the UK was ranked 5th out of 50 nations in terms of being rich in historic buildings and monuments, and 7th for cultural heritage in the **Anholt Gfk Nations Brand Index**. This index is based on an online survey to over 20,000 consumers in in 20 panel countries around the world. Survey participants are asked to score 50 countries (including the UK) according to a myriad of aspects such as tourism, culture, exports, governance, immigration and investments.
- The UK was ranked 3rd in the Overall Nations Brand Ranking and 4th in the cultural dimension in 2018 (VisitBritain, 2018).

- **‘Screen tourism’ is an important factor behind the UK’s successful tourism industry.** ‘Screen tourism’ refers to the phenomenon in which the depiction of a location on screen subsequently drives tourist visits. A 2015 report into screen tourism estimates that tourists visiting locations featured in film and television programs generated £140 million for the UK economy in 2014. This includes a large number of productions filmed at heritage sites such as Harry Potter, Downton Abbey and Broadchurch. The study is based on site and online surveys of 1,006 individuals in 8 locations. A scaling-up methodology was used and day-spend figures were applied to differentiate between different types of tourists (Olsberg SPI, 2015).
- **In a survey of historic attractions, 725 responding sites reported a total of 75.8 million visitors in 2017/18.** Since 2000, visits to historic attractions have risen by 58% (BDRC, 2019).

- **Tourism is forecast to grow in 2019.** Inbound tourism declined in 2018 in comparison to the record levels achieved in 2017. However, Visit Britain forecasts that inbound tourism will grow by 3% to 38.9 million and will boost spending by 7% to 24.5 billion in 2019. It is expected that visits will grow similar to the long-term average, while spending will grow faster than the long-term average due to higher growth from some high-spending long-haul markets ([VisitBritain, 2019](#)).
- **Heritage visits generate incomes in local economies.** A study into heritage and the UK tourism economy, based on a random sample of 62 completed National Lottery Heritage Fund projects funded between 2004 and 2007, estimated that for every £1 spent as part of a heritage visit, 32p is spent on site and the remaining 68p is spent in local businesses including restaurants, cafés, hotels and shops ([National Lottery Heritage Fund, 2010](#)).
- **In 2015, the heritage tourism sector supported £5.3 billion in tax receipts to the Exchequer.** This is equivalent to 0.8 % of all tax collected by the central government that year. This includes £2 billion the heritage tourism sector paid directly; £2.1bn from the heritage tourism sector’s wage payments and subsequent spending of those wages; £1.2 billion in tax receipts from the sector’s purchases. These estimates are based on the GVA and the number of people employed in the heritage tourism sector ([Oxford Economics, 2016](#)).
- **The financial benefit of World Heritage Sites to the UK is £85 million per year.** The United Kingdom National Commission for UNESCO found that the World Heritage Site brand is used as a significant marketing tool boosting tourist numbers and expenditure, local employment and local house prices. Furthermore, the UK’s membership of UNESCO is estimated to have helped the country attract at least £100 million in additional income in 2016 from increased tourism revenue and EU funding ([UNESCO, 2016](#)).

Index of visitors to historic properties in England (2000 to 2018)



3. Heritage volunteering

.....

Volunteers are vital to the day-to-day running of many heritage organisations. They dedicate significant amounts of time, knowledge and expertise in a wide range of high-skilled and low-skilled roles. These activities range from fundraising, outreach, events and exhibitions staffing, specialist conservation work, to governance roles and trusteeship.

Heritage volunteering in numbers

616,000

heritage volunteers
in England, 2016

5.7%

of all volunteers
in England, 2016

£520m

estimated economic value of heritage
volunteering based on national
minimum wage in England, 2016

Source: [Cebr, 2019a](#)

- Using DCMS *Taking Part* survey data, it is possible to estimate the economic value of heritage volunteering using the replacement-cost method. This method involves estimates of how much it would cost to replace each volunteer with a paid member of staff by attributing an hourly wage to the total number of hours contributed by heritage volunteers.
- In addition to being beneficial to wellbeing, volunteering can help in skills development and support future employability.

Volunteers working at Morecambe Winter Gardens, Morecambe, Lancashire.



THE SOCIAL IMPACT OF VOLUNTEERING

Volunteering is a cornerstone of National Lottery Heritage Fund's (NLHF) investments. Most of NLHF's projects rely on volunteers, who in many cases play important roles in the leadership, management and design of projects. In June 2008 the National Lottery Heritage Fund commissioned BOP consulting to assess the social impact of volunteer participation in funded projects, focusing on the experience of the volunteers. The research used a mix of quantitative and qualitative approaches to assess 25 randomly selected projects. This included site visits to 11 projects, where almost 100 volunteers were interviewed, and non-participant observation of

volunteering activity. It also involved an in-depth self-complete survey of 14 projects ([National Lottery Heritage Fund, 2009](#)).

The research concluded that most National Lottery Heritage Fund volunteers were highly-educated, enjoyed a well-developed social network and gave importance to social and political participation (Heritage Lottery Fund, 2009). Engagement in NLHF projects contributed to deepening volunteers' knowledge, skills and increased social capital. **For more than 33%, volunteering increased self-worth and social engagement.** The research found that older participants enjoyed the benefits of volunteering particularly because a process of social



Volunteers at Caen Lock, Devizes, Wiltshire

disengagement often comes with age. By contributing to NLHF projects, **older volunteers maintained high levels of social participation and engagement** ([National Lottery Heritage Fund, 2009](#)).

In 2010, the National Lottery Heritage Fund commissioned BOP consulting to revisit the research on the social impact of volunteering. As with previous research, the methodology involved the use of quantitative and qualitative approaches including surveys, non-participatory observation and interviews. The methodological innovation of this research was the inclusion of a control group of volunteers from Oxfam and the employment of econometric analysis of the relationship between mental health and volunteering using the

Understanding Society survey ([National Lottery Heritage Fund, 2011](#)).

The research concluded that despite the dominance of older people volunteering in the NLHF projects, **younger volunteers benefitted from the most from skills development**. Additionally, **participants without a degree experienced greater gains in mental health and well-being**. In a similar vein, **unemployed volunteers were more likely to report that they had subsequently taken a course after their volunteering engagement**. The study found little evidence that the reported positive social outcomes of volunteering could be attributed to volunteering in NLHF projects or heritage-based experiences ([National Lottery Heritage Fund, 2011](#)).



III. Heritage and the economy: A focus on skills in the heritage sector

.....

SKILLS SHORTAGES AND SKILLS GAPS IN THE HERITAGE SECTOR

Since the financial crisis of 2007/08 there have been concerns about the growing productivity deficit in the UK ([Financial Times, 2018](#); [McKinsey, 2018](#)). Compared with the rest of the G7 economies, the UK has continued to display below average real productivity growth in both output per hour and output per worker ([ONS, 2018](#)). This is problematic as “productivity matters for welfare” - higher productivity is reliably associated with higher wages, higher consumption levels and improved health indicators ([Tenreyro, 2018](#)).

While there are many determinants of productivity, economic literature and empirical studies have demonstrated the importance of skills (Cebr 2019a). *“Increasing levels of skills and rates of capital investment in low-wage sectors can play a part in closing the UK’s relative productivity gap with other countries”* ([Forth, 2018](#)).

Historic England commissioned the Centre for Economics and Business Research (Cebr) to examine the skills needs and skills gaps of the heritage sector in England. The study used statistical analysis and economic modelling to examine the industrial and occupational footprint of the heritage sector and combined this with data from the Employers Skills Survey to consider the incidence of skills gaps and shortages in heritage sector.

The incidence of the heritage sector’s skills gaps and skills shortages are presented in the figures below. **Skills gaps occur** when an employer considers that an existing employee lacks the skills, knowledge, experience or qualifications to be fully proficient at their job. **Skills shortages occur** when employers encounter difficulties finding staff with the appropriate skills, knowledge, experience or qualifications to fill outstanding vacancies at an appropriate wage.

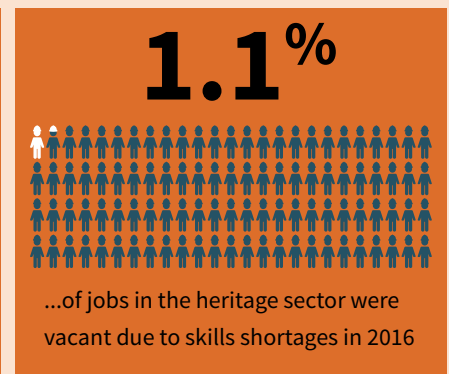
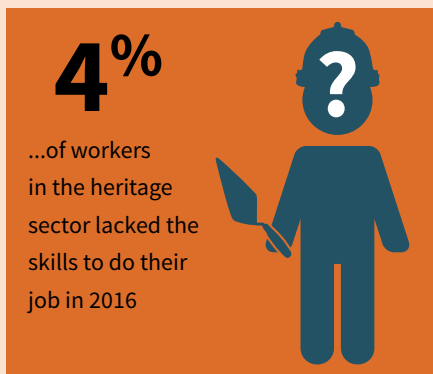
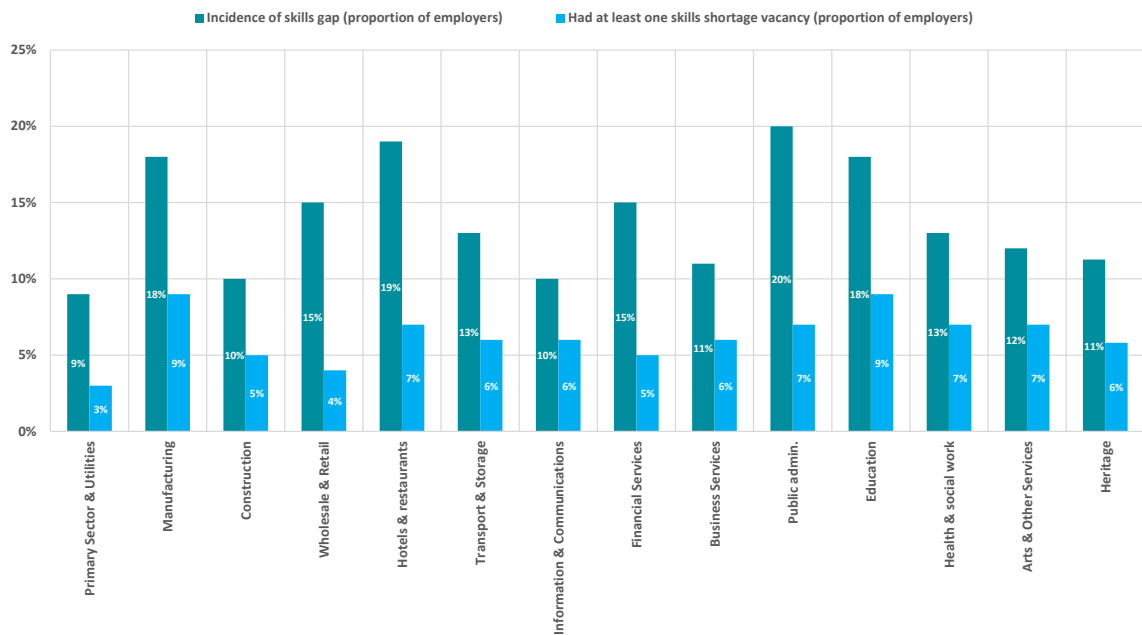


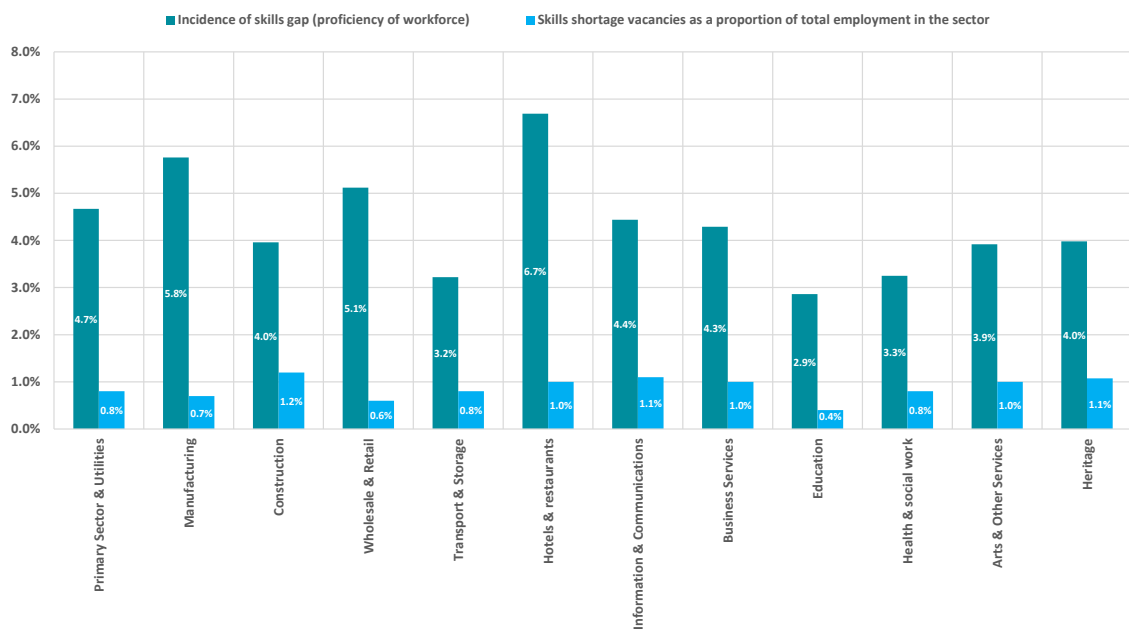


Figure 7: Skills gaps and shortages by broad SIC sector by proportion of employers reporting, 2017



Source: Employers Skills Survey 2017, Cebr analysis

Figure 8: Skills gaps and vacancies by broad SIC, proportion of workforce/vacancies, 2017



Source: Employers Skills Survey 2017, Cebr analysis

It is estimated that **11% of firms in the Heritage Sector have a skills gap in their workforce** with **6% of firms operating within the heritage sector had at least one skills shortage vacancy**. In proportion to the workforce of the heritage sector this translates into an **estimated 4.0% of all workers in the heritage sector who are ‘not fully proficient’ in their jobs and 1.1% of all jobs in the heritage sector are vacant due to a skills-shortage in the wider labour force**. In comparison with other sectors, the heritage sector has an average incidence of skills gaps but has a relatively high incidence of skill shortage vacancies.

The specific skills lacking in the heritage workforce (skills gaps) appear to be related to the specific skills lacking in candidates (skills shortages). This indicates a degree of interchangeability between the two concepts which makes intuitive sense: an employer who needs a worker with a certain skill has two options – they could either hire a new worker with the required skill or alternatively they could attempt to utilise a current employee. (Cebr, 2019a)

‘Specialist knowledge needed to perform the role’ is estimated to be the most common skill lacking amongst candidates for jobs in the heritage sector, with an **estimated 67% of all heritage employers with a skills shortage vacancy lacking this specific skill amongst candidates** (Cebr, 2019a). For instance, a report from University College London on the skills gaps, shortages and needs in the heritage science sector perhaps unsurprisingly

highlights handling digital collections and data as a key technical skill that was lacking (UCL, 2015). By comparison, in the archaeological sector, the most cited skills shortages concerned specific skills on artefact conservation, fieldwork and post-fieldwork analysis (Landward, 2017).

Skills gaps and skills shortages in the economy and in heritage sector are problematic as they have a negative impact on wages, productivity and economic growth. In all, it is **estimated that approximately £140 million worth of potential GVA was ‘lost’ in the Heritage Sector due to skills shortages in 2016** (Cebr, 2019a).

The Cebr research examined the ways in which the heritage sector can address some of the skills gaps and skills shortages and concludes:

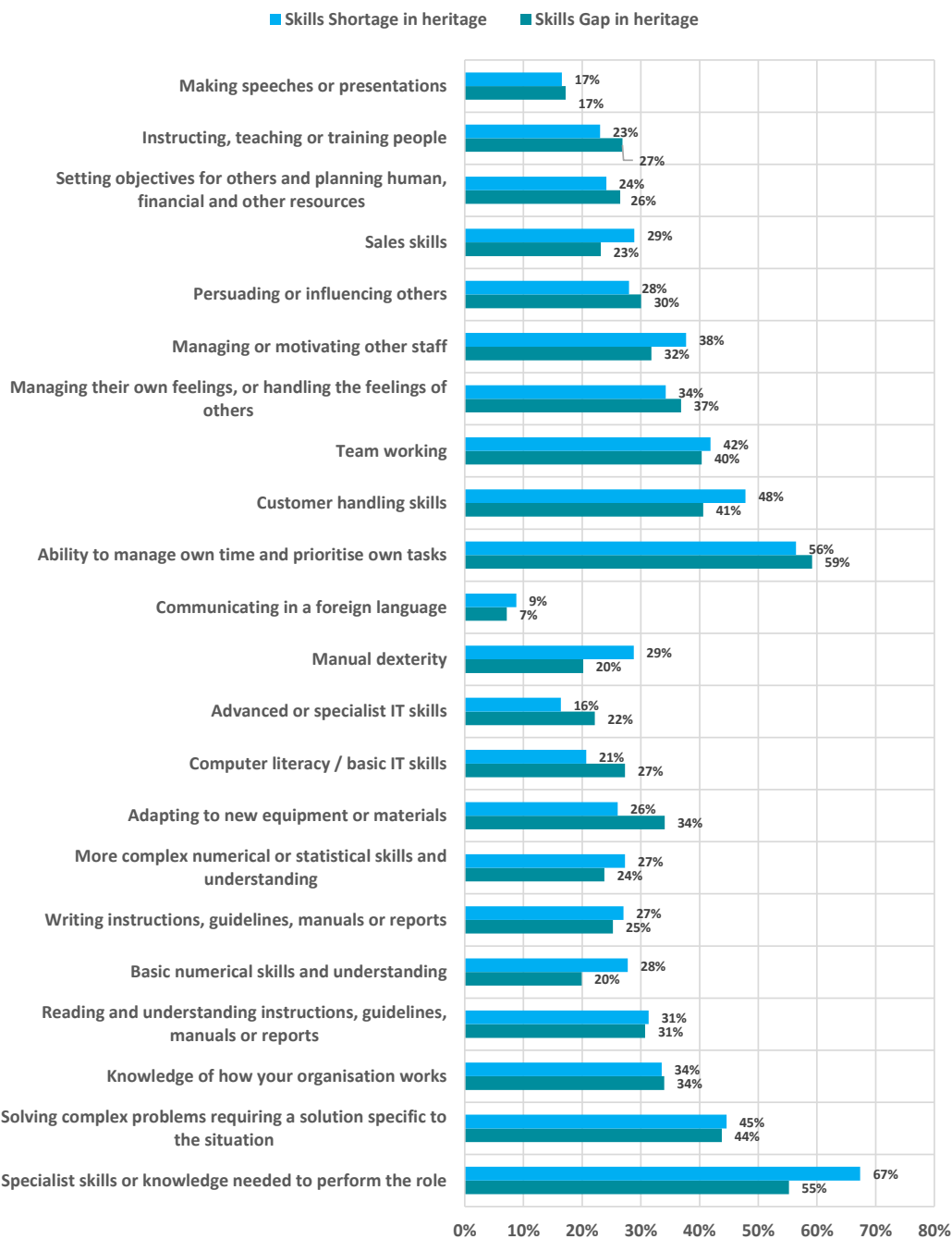
- **Undergraduate university courses are unlikely provide the best platform to improve skills in the Heritage Sector.** The reason behind this is two-fold. For highly specialist courses, universities may find it difficult to attract sufficient numbers of students in order to make the course economically viable to run. The specialist skills may also require ‘hands-on’ training that universities struggle to provide. More specialised postgraduate studies and vocational study programmes may offer a better solution.
- **The actions undertaken by employers in the Heritage Sector to address skills shortages predominantly focus around recruitment**, with an estimated

38% of heritage organisations with skills shortages increasing advertising/recruitment spending and 30% using new recruitment methods in response.

- **The main avenue available to address skills gaps focuses around in-work training.** The Heritage Sector falls

slightly behind the UK average in terms of proportion of staff receiving training. 36% of firms in the UK reported having their entire workforce engage in training in the previous 12 months, compared to an estimated 31% for the Heritage Sector.

Figure 9: Specific skills lacking in the Heritage Sector, 2017



Source: Employers Skills Survey 2017, Cebr analysis

CULTURAL HERITAGE ATTRACTS HIGHLY SKILLED WORKERS

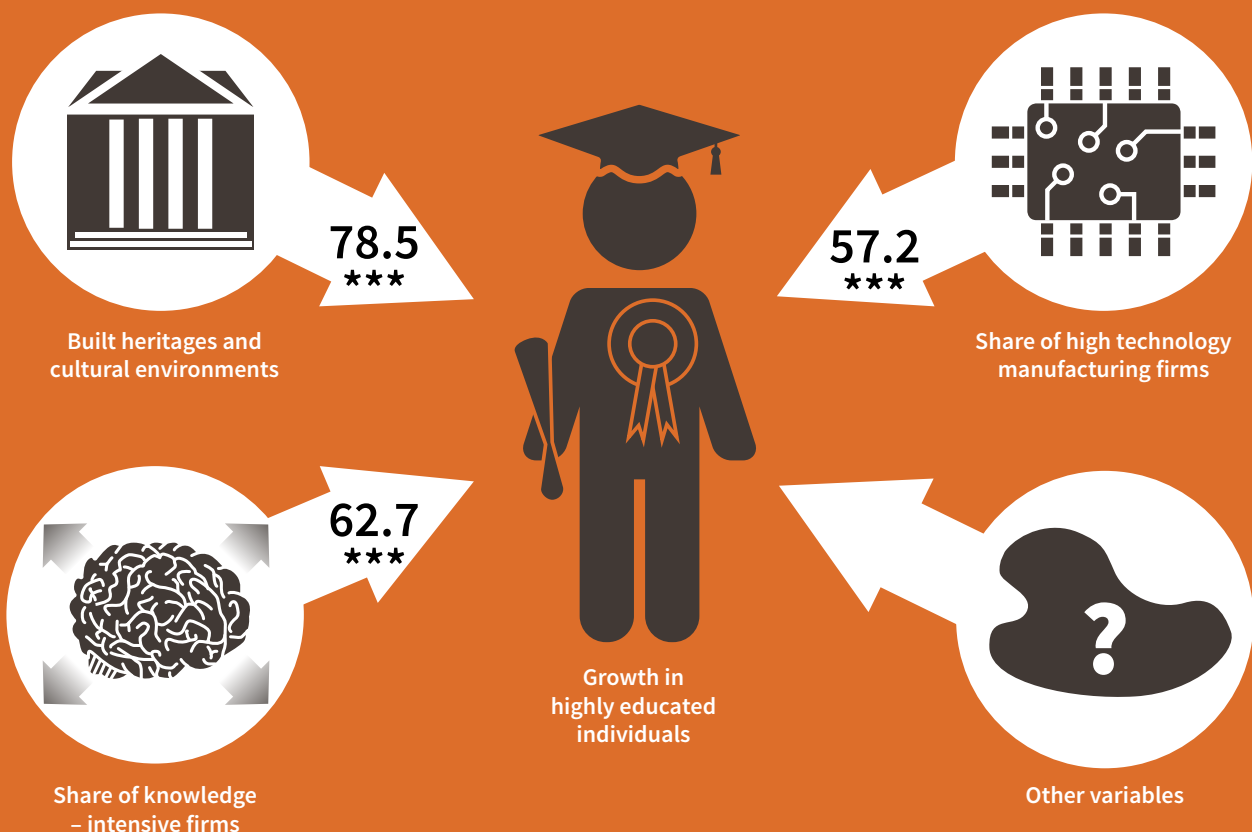
In an acclaimed Book *Cities and the Creative Class* (2003), Richard Florida highlights the importance of creative people for regional economic growth. He argues that the reasons why creative people cluster in certain places are the presence of the three T's: technology, talent and tolerance.

In a similar vein, Backman and Nilsson (2018) analyse the reasons behind migration decisions of highly-qualified individuals. The study uses neighbourhood data from 8,548

observations in Sweden for two time periods: 2001-2006 and 2001-2010. A growth equation using a multilevel random effects model with instruments in the form of clustered centred-means was employed (Backman and Nilsson, 2018).

The study finds that **heritage assets and the cultural environment attract highly-educated people** to an area. This especially applies to urban areas. **An increase in built heritage and culture of one unit leads to an increase of approximately fifty highly-educated people in a neighbourhood in the short run and of seventy nine in the medium run** (see graphic below).

Heritage and the location of highly skilled people (2001-2010)



***Significant at 1% level, **significant at 5% level, *significant at 10% level.

Source: Based on Backman and Nilsson, (2018)

Labour market characteristics, in terms of the industrial composition, are also important factors explaining the migration decisions of skilled workers. An increase in the share of high technology manufacturing firms of one percentage point leads to an increase of approximately fifty-eight highly educated people in a neighbourhood in the medium run. An increase in the share of knowledge intensive firms of one percentage point leads to an increase of sixty three highly

educated people in a neighbourhood in the medium run.

The study concludes that the preservation and enhancement of cultural heritage, along with industrial policies aimed at promoting the development of knowledge and technological intensive firms, are important to attract highly-educated people. This fosters creativity in the local economy, and spurs economic development.

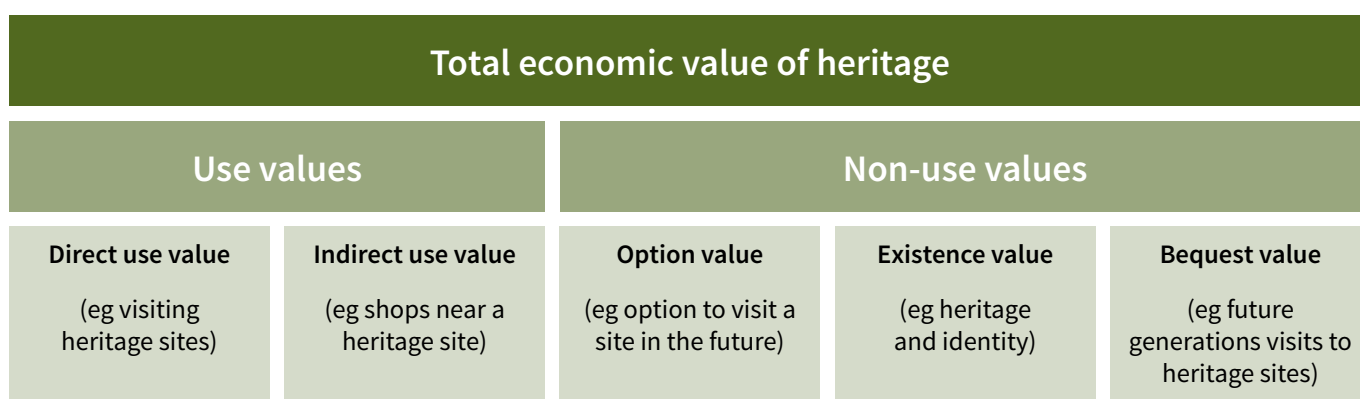


IV. The ‘Total Economic Value’ of heritage is greater than the sum of all its parts

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So far, the economic contribution of heritage has been mainly expressed in terms of traditional economic measures such as Gross Value Added (GVA) and employment. Focusing only on these measures, however, underestimate the so called ‘total economic value’ of heritage which is the greater societal value of heritage to individuals, communities and the public as a whole.

- **Heritage has a value beyond economic value – heritage has cultural, social and environmental values** as well as economic value.
- **Many of the benefits obtained from heritage are not supplied (or only partially supplied) in private markets** and therefore do not have a market value. Economists have developed the concept of **Total Economic Value (TEV)** to categorise the different ways in which individuals value goods and services which are not (fully) traded in markets based on use values and non-use values. Non-use values are economic values assigned by individuals to goods/ services unrelated to their current or future uses.
- **For unique assets such as heritage, the non-use values can in fact outweigh use values.**
- **In the absence of assigned market values, businesses, governments and individuals are likely to underinvest in heritage,** leading to suboptimal economic outcomes for society—particularly over the long term and between generations.
- **It is difficult to capture non-use values using ‘orthodox’ economic methods.** Different approaches are needed to capture the ‘Total Economic Value’ of heritage. There are two main methods used to capture the value of non-market goods and services:





Farmers Market, Market Place, Ely. Cambridgeshire.

- Revealed preference techniques involve inferring the price or value which individuals place on something by examining their actual behaviour.
- Stated preference techniques use questionnaires which describe a hypothetical choice in order to obtain estimates of the willingness to pay for a particular outcome.

Non-use values

Revealed preference: based on actual behaviour

Hedonic pricing techniques
(eg house prices and proximity to heritage asset)

Travel cost method
(eg price paid to access/ visit a heritage site)

Stated preference: based on survey questions – hypothetical

Contingent valuation

Wellbeing valuation

Choice modelling

There are a small number of valuation studies that have applied these techniques to the heritage sector in England. The evidence is presented in the table below. For more detailed analysis and international examples, see [Eftec \(2005\)](#), [Valuation of the Historic Environment](#).

Table 1: Capturing the non-use values of heritage.

Reference	Method	Valuation outcome																																			
Nesta and Simetrica (2018)	Contingent valuation of four museums (The Great North Museum, The National Railway Museum, the Ashmolean Museum and the World Museum), four historic cities and their respective cathedrals (Canterbury, York, Lincoln and Winchester). Cultural sites of the same type were chosen according to the similarities of their attributes (size, fees, reputation).	As the percentage mean transfer error of applying a benefit transfer technique was low, it is possible to argue that the economic value of the selected cultural sites of the same type is similar.																																			
		<table border="1"> <thead> <tr> <th>User/Non-user</th> <th>Type of Cultural Site</th> <th>Valuation Scenario</th> <th>Mean WTP (in £)</th> <th>Mean Transfer error</th> </tr> </thead> <tbody> <tr> <td>User</td> <td>Museum</td> <td>Entrance fee is established due to public funding cuts.</td> <td>£6.42</td> <td>9.5%</td> </tr> <tr> <td>Non-user</td> <td>Museum</td> <td>Annual donation due to public funding cuts.</td> <td>£3.48</td> <td>16.8%</td> </tr> <tr> <td>User</td> <td>Historic City</td> <td>One-off donation to avoid the closure of buildings currently open to the public</td> <td>£9.63</td> <td>3.2%</td> </tr> <tr> <td>Non-user</td> <td>Historic City</td> <td>One-off donation to avoid the closure of buildings, currently open to the public.</td> <td>£6.14</td> <td>12.5%</td> </tr> <tr> <td>User</td> <td>Cathedral</td> <td>One-off donation to avoid the closure of buildings, currently open to the public.</td> <td>£7.42</td> <td>10.8%</td> </tr> <tr> <td>Non-user</td> <td>Cathedral</td> <td>One-off donation to avoid the closure of buildings, currently open to the public</td> <td>£3.75</td> <td>10.7%</td> </tr> </tbody> </table>	User/Non-user	Type of Cultural Site	Valuation Scenario	Mean WTP (in £)	Mean Transfer error	User	Museum	Entrance fee is established due to public funding cuts.	£6.42	9.5%	Non-user	Museum	Annual donation due to public funding cuts.	£3.48	16.8%	User	Historic City	One-off donation to avoid the closure of buildings currently open to the public	£9.63	3.2%	Non-user	Historic City	One-off donation to avoid the closure of buildings, currently open to the public.	£6.14	12.5%	User	Cathedral	One-off donation to avoid the closure of buildings, currently open to the public.	£7.42	10.8%	Non-user	Cathedral	One-off donation to avoid the closure of buildings, currently open to the public	£3.75	10.7%
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Highways England (2017)	Contingent valuation of the A303 Stonehenge road examining the value that UK residents put on the removal of the A303 from its current location within the World Heritage Site (WHS), in relation to noise reduction, increased tranquillity, visual amenity and reduced landscape severance in the vicinity of Stonehenge.	<table border="1"> <thead> <tr> <th>User/ Non-user</th> <th>Valuation scenario</th> <th>Mean (£ Net Present Value)</th> </tr> </thead> <tbody> <tr> <td>Visitor use values</td> <td>Annual tax for removal of the A303 from its current location</td> <td>£68</td> </tr> <tr> <td>Visitor non-use value (road user)</td> <td>Annual tax for removal of the A303 from its current location</td> <td>£22</td> </tr> <tr> <td>Non-use and option values (general population)</td> <td>Annual tax for removal of the A303 from its current location</td> <td>£14</td> </tr> </tbody> </table>	User/ Non-user	Valuation scenario	Mean (£ Net Present Value)	Visitor use values	Annual tax for removal of the A303 from its current location	£68	Visitor non-use value (road user)	Annual tax for removal of the A303 from its current location	£22	Non-use and option values (general population)	Annual tax for removal of the A303 from its current location	£14																							
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Create Streets (2017)	Hedonic Price modelling using 160,000 data points in six British cities	Proximity to a listed building increased property prices by between 4.4% and 10.3%					
Bakhshi et. Al. (2015)	Contingent valuation and wellbeing valuation performed on the Natural History Museum and Tate Liverpool.	User/ Non-user		Valuation scenario		Natural History Museum	Tate Liverpool
		Visitor use values		Entrance fee (NHM) OR Donation (TL)		£6.65	£10.83
		visitor non-use value		additional donation on top of an entry fee		£2.78	£8.00
		Non-use and option values		additional donation on top of an entry fee		£8.29	£6.10
Fujiwara et. al. (2015)	Wellbeing valuation using data from the British Household Panel Survey and the Understanding Society Surveys using	Activity	Type of impact	Increase in likelihood of reporting good general health	Reduced likelihood of visiting GP 6+ times per yr/ using psychotherapy	Estimated annual cost savings (per person)	Estimated population level annual NHS cost savings
		Heritage	GP Visits	2.76%	0.70%	£2.59	£82.2M
			Psychotherapy		0.23%	£3.50	£111.1M
Eftec (2014)	Contingent Valuation examining visitors' willingness to pay (WTP) to enter Castle Acre Priory and Walmer Castle and Gardens	User/ Non-user		Valuation scenario		Castle Acre Priory	Walmer Castle and Gardens
		Visitor (EH member)		£ increase in membership fee per year		2.14	3.99
		Visitor (non-EH member)		£ increase per ticket		2.66	2.73
		Non-user (non-EH member)		£ increase in general taxes per year		1.83	1.77
Ahlfeldt et al. (2012)	Hedonic price modelling analysing 1,088,446 house sales between 1995 and 2010	Properties in conservation areas sell for 23 % more on average than other houses. When location, property features and other factors affecting house prices are adjusted for, a premium of around 9% is found.					
Jura (2005)	Contingent Valuation of willingness to pay (WTP) for the continuation of Bolton's museum, library and archive service	User/ Non-user		Valuation scenario		Mean WTP (£per month)	
		Users		support the continuation of the Bolton's museum, library and archive service		7.93	
		Non-users		support the continuation of the Bolton's museum, library and archive service		£2.82	
Pollicino and Maddison (2004)	Contingent valuation willingness to pay (WTP) for maintenance actions for buildings in Oxford	User/ Non-user		Valuation scenario		Mean WTP (per year)	
		Local household		WTP for preservation of buildings		£30 - £34	
		Local household		WTP for cleaning of buildings		£20 - £27	
		Local household spend		WTP for restoration of buildings		£20 - £25	

Pollicino and Maddison (2002)	Contingent valuation valuing aesthetic changes to Lincoln Cathedral due to air pollution.	User/ Non-user		Valuation scenario	Mean WTP (per hshld per year)
		Local household		WTP to increase exterior cleaning from 40 years to 10 years	£50
		County households		WTP to increase exterior cleaning from 40 years to 10 years	£27
Powe and Willis (1996)	Contingent valuation examining visitors' willingness to pay to enter Warkworth Castle.	User/ Non-user		Valuation scenario	Max WTP
		Visitors (user)		WTP for recreation and education	£1.62
		Visitors (user)		WTP for preservation	£1.41
On average visitors were willing to pay twice as much as the entry fee in order to enter the castle.					
Garrod et al. (1996)	A contingent valuation study that sought the WTP towards the restoration of buildings in Grainger Town, Newcastle	Mean WTP per household per year of Newcastle residents in terms of a tax increase to pay towards the restoration of buildings in Grainger Town, was found to range between £10 and £14 (1995 £). Overall, aggregate WTP for restoration was estimated to be almost £1 million, after adjusting for differences in wealth across the aggregating population.			
Willis (1994)	Stated Preference - Contingent valuation of access to Durham Cathedral	Revealed preference	Visitor user	Voluntary contributions	£0.44
		Stated preference - willingness to pay	Visitor user	Hypothetical compulsory charge	£0.78

- The Government's official guidance on the appraisal of public investments, [HM Treasury's Green Book](#), includes guidance for accounting for non-market values. Significant progress has been made in developing these methods and valuing the benefits of non-market goods and services particularly within the environmental sphere. However much like Gross Domestic Product (GDP) as a metric of societal prosperity, the derived values from these methods are highly debated.
- What remains clear is that the role heritage plays in cultivating our sense of identity, sense of place, wellbeing, civic pride and so on, is complex, multifaceted and is currently not fully considered in vital decision making. This does not lead to efficient economic outcomes.
- The heritage sector is determined to continue to develop the valuation evidence base for heritage to ensure that heritage is accounted for in a robust and comprehensive way that addresses existing market failures facing our heritage and our future generations' heritage.

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