Airbnb Contribution to Rural Development: The Case of a Remote Norwegian Municipality

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ABSTRACT

The technological developments described in terms of industrial revolutions or disruptive innovations have been shaping economic and social life in rural areas. The global trend towards urbanization presents a major challenge to rural communities. The aim of this article is to study how the peer-to-peer economy influences rural municipalities. On the one hand, in the literature, it is argued that sharing economy may improve accessibility, encourage mobility, attract investments and reduce urban bias. On the other hand, both academics and practitioners are aware of the disruptive effects of sharing economy on e.g., local real estate and labor markets. This qualitative study is based on empirical data from a municipality on the Lofoten Islands of Norway. The results demonstrate that Airbnb has some positive and some negative effects on rural development, but the magnitudes of these effects are modest. Of positive effects, the authors can mention increased local tourism, stimulation of conservation/restoration of traditional houses, and increased recreational mobility for rural residents.

KEYWORDS

Airbnb, Digital Technology, Income, Infrastructure, Rural Area, Sharing Economy, Tourism, Urbanisation

INTRODUCTION

History has shown the power of technology as a crucial agent of change, especially with regards to its effects on how people communicate, work, and live, also in rural areas. According to Schwab (2017), since the 1760s, there have been four industrial revolutions. The first industrial revolution happened around the 1760s and lasted to ca. 1840. During this period new machines and processes such as Samuel Compton’s (1753-1827) spinning jenny, and later Edmund Cartwright’s (1743-1823) the wool-combing machine (the predecessor of the modern power loom) was invented, which revolutionized the textile industry, increasing the productivity of the workers many folds. Thomas Newcomer (1664-1729) developed the first steam engine for pumping out water from the mines. Later, the steam engine went on to power trains, ships, cars, and other machines. It was during this period
that the machine power slowly replaced the muscle power, making many farm workers redundant, forcing them to migrate to the burgeoning cities looking for jobs.

This vast movement of people continued as the second industrial revolution was taking off. The second industrial revolution started in late 1800 and continued to the early 1900s. It brought with it electricity and assembly line, making it possible to vastly increase production and thereby reducing the cost of goods. The early factories of the 1st industrial revolution were crowded, polluted, dark and dangerous. The factories of 1900 as compared to previous ones were better lighted and safer. These improvements were partly the result of the innovations and partly the result of the unionization of the workers, which had resulted in some laws protecting the workers. The expanding cities with their numerous factories required an army of accountants, shopkeepers, doctors, nurses, tailors, butchers, police officers, and others to keep the towns function properly. At first, the number of service jobs rose with the manufacturing jobs, but later manufacturing jobs began a steady decline. This decline was the result of the early automation of some manufacturing activities. However, the continuous reduction in prices of manufactured goods and the higher manufacturing salaries combined to expand the market for services. This marked expansion of services, which meant more jobs, accelerated the expansion of the cities by attracting even more immigration to the cities. By “1901, the 57 largest urban areas in England and Wales covered 12% of the landmass and were home to over 44% of the population and more than 50% of total employment” (Clayton & Mandair, 2012, p. 10).

The third industrial revolution is associated with fundamental economic changes resulting from the wide implementation of modern communication technologies converging with new energy regimes, mainly renewable electricity sources (Refkin, 2011). During this face of technological development migration from rural to urban areas is continuing (Figure 1). According to the United Nations’ 2018 Revision of World Urbanization Prospects (2018) “future increases in the size of the world’s urban population are expected to be highly concentrated in just a few countries. Together, India, China and Nigeria will account for 35% of the projected growth of the world’s urban population between 2018 and 2050.”

Similarly, nearly 90% of the world’s rural population or 3.4 billion people live in Africa and Asia, with the largest (893 million) living in India. Until the mid-1990s, the least developed countries still displayed growth in their rural population. This rural growth was primarily because of the growth in the general population. However, this overall population growth is on the decline,

Figure 1. Urban population (% of total) in Norway, Euro area, United States and the world
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