**House of Lords Select Committee on the Rural Economy - Call for Evidence**

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1. **What do you understand by the “rural economy”? How has it changed over recent years, and what has been the impact of these changes?**

1.1: The rural economy, or rural economies, are increasingly diversified and integrated into the wider economy. Rather than thinking of them as separate, we should think in terms of their relationships to urban and global economies, while recognising the specific place-based challenges and opportunities that make rural economies distinctive. Rural economies make a substantial contribution to national wealth and wellbeing; in England for example rural areas are worth £250bn annually to the national economy. In broad terms, the sectoral make-up of the rural economy mirrors the urban economy with ‘distribution, transport, accommodation and food’ and ‘public administration, education, and health’ being the largest contributors to GVA in both rural and urban areas[[1]](#footnote-1). There are however a number of differences between the composition of urban and rural economies. There tend to be fewer financial services and information and communication services businesses in rural areas. Rural economies have higher levels of self-employment and employment in micro-businesses and home-based firms.[[2]](#footnote-2) They have often outperformed urban areas on indicators such as employment growth rates and businesses per head. Although rural and urban firms share many plans and expectations for future growth, rural firms are significantly stronger exporters of goods and services, are more likely to have introduced new or improved goods in their businesses[[3]](#footnote-3). Until recently rural areas had a higher rate of business start-ups than urban areas though since 2013 this has reversed.

1.2: The decline in the importance of agriculture to rural economies is a long-term trend but this is uneven between regions and countries. For example, in England agriculture represents just one percent of the workforce compared to 3.2 per cent in Northern Ireland[[4]](#footnote-4). However, the contribution of farming through downstream activities such as food manufacturing, its provision of natural capital and other ecosystem services and goods, and its indirect contribution to tourism mean that connections to rural economies remain important. Rural economies are also highly differentiated sub-nationally, with strong regional and local differences. This means policies for rural economic growth need to be attuned to specific local circumstances. Rural economies face distinct challenges: they contain more small businesses, fewer medium to large businesses, with businesses that are more dispersed than in urban areas, and they are generally more peripheral in relation to infrastructure provision, policy focus, governance, investment, networks and labour markets. Nevertheless rural businesses are innovative and aspire to grow.

1. **Could you give examples of notable success stories and good practice in the rural economy? How might rural successes be replicated and better promoted?**

2.1: Neo-endogenous/networked development is a successful model that combines ‘bottom up’ community-led development with ‘top down’ resources, networks and investment. One example is the ‘Leader’ programme[[5]](#footnote-5) within Pillar 2 of the Common Agriculture Policy. Small amounts of investment coupled with inclusive, place-based strategies and multi-sectoral governance have enabled communities to capitalise on their assets and opportunities in order to meet local needs including those of local economies. However, Leader is not sufficient on its own to tackle the full range of rural issues but continues to be important in underpinning bottom-up and locally-responsive development. Rural localities have also successfully harnessed cultural resources for rural regeneration. A current example is the Berwick Film and Media Arts Festival[[6]](#footnote-6) that has grown from small beginnings to be one of the leading cultural festivals in a rural location.

2.2: Rural Growth Networks[[7]](#footnote-7) were a successful pilot run by DEFRA that demonstrated practical ways in which the growth potential of rural businesses could be enabled via networks of Rural Enterprise Hubs. For example, the NE Growth Network’s Rural Enterprise Hub initiative[[8]](#footnote-8) created 10 new enterprise hubs that provided high quality and flexible business accommodation with high speed broadband connectivity. The hubs also act as nodes connecting the rural business community both to each other and to external sources of business knowledge and advice that was tailored to the needs of the rural businesses involved.

2.3: There is a need for non-governmental rural stakeholders to engage at national (e.g. sector strategies), regional (e.g. with LEPs) and local (e.g. local government) levels to co-develop strategies and deals to ensure rural delivery. At national level, a Rural Business Taskforce or a Rural Solutions Group could aid the future communication, development, delivery and evaluation of the Industrial Strategy[[9]](#footnote-9). At local levels, Local Enterprise Partnerships (LEPs) and the community and voluntary sectors have an important role to play in sharing best practice, along with local authorities. For example, the Northern Rural Network in the North East of England[[10]](#footnote-10) enabled the academic, policy and practitioner communities to share best practice and ideas. Hosted by Newcastle University it brought together rural development actors across the north of England, including businesses to tackle issues such as renewable energy, rural business support and broadband provision.

1. **How do you see the future of the rural economy? Where is the greatest potential for growth, and what might be the impact of technological and other changes?**

3.1: Digital communications will continue to be essential to rural economies and it is said we are now enteringthe 4th Industrial Revolution. This is an umbrella term for many of the new technologies being harnessed to tackle some of the more intractable societal problems. Many of these technologies, including autonomous vehicles, the internet of things, big data and artificial intelligence more often than not have an urban focus. Yet many of the technologies could potentially have a bigger impact in a rural context and it is vital that rural economies do not miss out on opportunities. Rural areas have the potential, and indeed do, host businesses operating in these domains. The Future Cities Catapult[[11]](#footnote-11) is mobilizing and animating activity for urban areas. Similar intermediate institutions need to be created for rural areas. These would bring together a universities, businesses and government to address all aspects of the challenge. This includes having a rural work force with skills relevant for the next generation of technology, coupled with policies and investment that help rural businesses innovate to meet future challenges. Among these are the potential for technology to help meet health care and service needs of an older population, the challenges of sustainability and clean growth, for example through the development of renewable technologies and the development of integrated transport provision utilising digital technology.

3.2: Overall, the key to achieving rural growth is to ensure that the sectors and industries that are prominent in rural areas and may have the potential to grow are fully covered by the plans and sector deals coming out of the Industrial Strategy. These include construction, manufacturing, business, scientific and professional services, transport and distribution, education and health, information and communications and the creative industries (see also section 14 on rural proofing below). Growth potential is also locally specific. Sub-national bodies, LEPs and regional growth engines should identify their main areas of rural growth as they draw up Local Industrial Strategies and growth deals. They should also address the needs of so-called low productivity sectors – wholesale, retail, personal services, accommodation, catering etc., which are key features and provide key services within market towns and many rural areas.

1. **How can access to transport be improved in rural areas?**
2. **What barriers to growth are created by poor digital connectivity? How can connectivity be improved across the board?**
3. **What can be done to improve and maintain provision for essential services such as healthcare, education and banking in rural areas?**
4. **What can be done to support local shops, community pubs and other rural amenities at risk of closure?**

4.1: The challenge of providing essential services to rural areas cannot be solved entirely through rural economies, although rural businesses make an unacknowledged contribution to the social fabric of rural areas and in many cases underpin local service provision and values. More directly a skilled rural labour force requires access to transport and affordable housing if rural economies are to thrive. Schemes such as ‘Wheels to Work’[[12]](#footnote-12) that enable young people to access transport, employment and training have been a success, but they are often reliant on short term funding and coverage is patchy across rural areas. Digital connectivity is essential for rural firms, employees and customers. There should be a universal commitment to improved broadband speeds and infrastructure in order to make the most of new smart technologies and overcome the limitations of remoteness. These technologies will also help community and social enterprises to innovate to meet rural service needs, and will increasingly be necessary for the delivery of healthcare and education in rural areas. There are many examples of where community and social enterprises are making an innovative contribution to rural service provision, and the facilitation of local solutions via programmes such as Leader will continue to be important, as will flexibility in national schemes and incentives to meet local needs.

4.2: Our evaluation of the Northern Fells Group’s Village Agent (VA) project[[13]](#footnote-13) provides an example of the social impact of funding for innovative projects embedded in communities that develop impactful schemes tailored to local needs. The evaluation reveals the success of a bottom-up approach founded on the community organisation’s knowledge and understanding of community need. Particularly important to the success of the project was the emphasis placed on understanding the nuances of the communities involved and listening and responding to local needs.

4.3: Evidence from research into community businesses[[14]](#footnote-14) and from research into social enterprises in the North East, provides examples of mismatch between the language of national policy and national funding mechanisms, and local understanding and culture. Research indicates that while the language of business and enterprise, trading and profit, is well accepted by many individuals and groups in the third sector, and in policy, other individuals and groups in rural communities do not identify their work with it.

1. **How can rural businesses be helped to thrive, and how can new industries and investment be supported? How might labour and skills shortages be overcome?**

8.1: Many of the challenges in relation to labour and skills are structural and long standing relating to poorer choice of jobs with lower pay and skill requirements. Analysis of the Longitudinal Small Business Survey by Newcastle University[[15]](#footnote-15) has shown that one third of England’s rural small firms who employ staff can have difficulty recruiting or retaining skilled staff. There is a need for more choice and variety in rural labour pools especially for young people and skilled employees, and to create a virtuous circle of higher skilled jobs with higher pay and a commitment to training and development by employers. National and sectoral apprenticeship schemes need to be rurally proofed to ensure rural firms are not excluded through criteria that favour larger firms, while local and sector skills strategies need to be sufficiently flexible to allow small rural firms to collaborate to meet their recruitment gaps and training needs. For example, in Wales collaborative apprenticeships enable trainees to be shared across more than one employer. Consideration also needs to be given to the apprenticeship age limits, given the higher proportion of older people in rural areas with some industries attracting working age people at a later stage in their careers. Local Further Education (FE) Colleges and training infrastructures in rural areas are either few or distant and offer limited courses for sectors that are important to rural areas such as construction and manufacturing. Digital technology offers opportunities to offer ‘virtual’ training in new ways, while incentives could be provided to colleges to set up campuses in market towns which would help unemployed young people access training and jobs. There are opportunities for sector skills councils at local level to work with the FE sector to develop bespoke provision for sectors important to rural areas, coupled with innovative methods of delivery.

8.2: A recent study of Millom and Ulverston in Cumbria[[16]](#footnote-16) concluded that there is potential for economic growth in most rural locations, even peripheral ones. Future policy formation must recognise that realising the economic potential of small towns in rural areas, requires sustained support sensitive to local opportunities and circumstances.

1. **How can deprivation and inequality in rural areas be tackled?**
2. **How can more young people be encouraged to stay in or return to rural areas and contribute to their communities?**

9.1: Healthy rural economies providing a range of employment and decent wages can make an important contribution to the retention of young people, and in tackling deprivation and inequality. However, some young people are likely to continue to leave rural areas for higher education and careers in urban areas, perhaps returning later in life to raise a family, or at retirement, making a valuable contribution to rural resilience and communities. Good quality jobs that do not rely on commuting will be important to those younger people who leave and then return, as will sufficient services and a dynamic social environment, and reliable digital connectivity. Many of the measures that can help unlock the potential of small rural businesses will also encourage the retention or return of a younger workforce, but it is important to be realistic about the extent to which young people wish to remain in the place where they were born. It is perhaps more helpful to think about rural mobilities in terms of life course opportunities in relation to rural economies.

9.2: Research looking at young people who start-up rural businesses[[17]](#footnote-17) provides examples of the multiple impacts the challenges faced by rural young people. For example, the difference that unequal access to premises for housing and business needs can make to the business choices open to individuals; not only whether business start-up is an option but, also the type of business. This research has shown that entrepreneurship can be an important strategy for young people who want to stay in the area but for whom the rural labour market has little or nothing to offer. Significantly for enterprise policy, it has also shown that many who felt pushed into enterprise because they lacked other choices were nonetheless proactive and positive in their approach to starting and running their businesses. Such young entrepreneurs tend to share some things in common: e.g. relatively high levels of educational attainment; proximity to other local business start-ups; enthusiasm and high levels of support; access to networks, whether established and reproduced, or produced for business purposes; sources of low/no risk financial capital; and access to premises[[18]](#footnote-18).

9.3: The need for locally specific intervention, sensitive to differences in entrepreneurial type and culture is clear. Bridges and barriers to youth enterprise in rural areas are inextricably linked to the general issues of rural youth transition - for example, housing - suggesting the need for a holistic approach to youth in rural development generally, and to rural enterprise support in particular.

1. **What can be done to address the challenges associated with an ageing rural population, such as social isolation and social care provision? What opportunities are there for the older retired population to help support the rural economy?**

11.1: As above, the challenge of an ageing population cannot be solved entirely through rural economies, although rural businesses have an important role to play in developing innovative services and products for an older population. Evidence shows that people often move to rural areas well in advance of retirement and this cohort currently provide a valuable resource to help support the rural economy and society, and are often active in developing community run pubs and shops for example. Many of these people have been able to retire at 60 and there is now a question over the extent to which pension reforms will affect this pool of voluntary labour. Hence it is important that sustainable solutions are found to the challenges of social isolation and social care provision in rural areas.

1. **How can the affordability of rural housing be improved? What are the other challenges associated with rural housing and how can these be addressed?**
2. **How have recent planning policy reforms affected rural housing and the wider rural economy? What changes, if any, are needed to planning rules?**

12.1: Rural housing and planning are essential elements that can help to unlock the growth potential of rural economies, but also act as critical barriers to it. For many years rural areas have been disadvantaged by restrictive planning policies while second homes and counter urbanisation have stoked demand and raised house prices in some rural areas to levels that are unaffordable to many local people. New and innovative approaches are needed to encourage housing, particularly on exception sites. Community Land Trusts have provided one solution to developing local affordable housing, such as on Holy Island, Northumberland[[19]](#footnote-19). There is also scope to look at innovative sources of investment and the use of neighbourhood plans to identify sites for affordable housing, while incentives to land owners to release land for affordable housing and avoid ‘land banking’ should be considered. Overall, planning needs to be more flexible to allow for additional housing and business development in rural areas, for example through the re use of redundant farm buildings and mixed use developments.

1. **Do the Government and other public bodies pay sufficient attention to the rural economy and if not, why not? What might be done to ensure that Government and other public bodies hear and act on rural voices?**

14.1: There is a continued perception among some policy makers and government departments that the rural economy largely comprises of agriculture and other primary production. For example, in the recent *Health and Harmony* consultation[[20]](#footnote-20), issues of rural development are considered superficially and mainly in relation to the challenges of the Uplands. It is important that government policy recognises the diversity of the rural economy and its contribution to national growth and wealth creation, coupled with its distinctive challenges. In order to do this effectively, a range of policies need to be rural proofed and joined up across government. This is a challenge of co-ordination but also of accountability.

14.2: Government departments need to have more effective approaches to rural proofing and be required to report on what they have done. The Industrial Strategy is an important ‘test case’ in this regard[[21]](#footnote-21). One solution might be for the Cabinet Office to have responsibility for rural proofing across government, holding other departments to account. Another might be to develop bespoke policy for rural economies at sub-national levels through combined authorities or growth deals, underpinned by a robust evidence base. The Scottish Government for example has a strong rural research programme, which is delivered by a core of Scottish research institutions and Enterprise Agencies working together. Local industrial strategies, devolution and area growth deals, and regional initiatives such as the Northern Powerhouse and the Midlands Engine should be rural proofed so that their policies and programmes for growth and innovation account for the distinctive needs of rural businesses, and do not by default discriminate against them. LEPs should be required to report on their rural proofing measures and outcomes. There is also a need to strengthen external networks of local stakeholders and for LEPs to engage with them on a regular basis, so that they can identify priorities, exchange knowledge and develop solutions to the challenges of rural economies in different localities.

1. **What is being done in local government to support rural economies? How effectively do other public bodies such as Local Enterprise Partnerships operate in rural areas, and how might coordination between bodies be improved?**

15.1: The ability of local government to support rural economies has been affected by austerity measures and cuts to budgets and capacity at local levels. This affects for example, the ability of local authorities to support initiatives such as the Leader programme, in addition to securing investment for local infrastructure and regeneration in rural areas. Partnership working through devolution deals and the creation of combined authorities provides opportunities to develop critical mass but it is important that rural areas do not miss out under these new arrangements.

15.2: There are variations in the rural performance of LEPs in relation to awareness, investment, evidence and expertise. Effective rural proofing and accountability as outlined above would help to improve performance and there is an opportunity for all the LEPs to learn from good practice such as the South West Rural Productivity Commission[[22]](#footnote-22). LEPs should also develop collaborative partnerships with neighbouring LEPs: this is a particular issue for rural areas that span more than one LEP. Forthcoming LEP boundary reviews[[23]](#footnote-23) need to ensure rural areas are properly integrated and are not left to fend for themselves as rural LEPs that are poorly resourced.

1. https://www.gov.uk/government/statistics/statistical-digest-of-rural-england [↑](#footnote-ref-1)
2. ibid [↑](#footnote-ref-2)
3. https://research.ncl.ac.uk/ruralenterpriseuk/outputs/ [↑](#footnote-ref-3)
4. https://www.daera-ni.gov.uk/publications/statisticsal-review-ni-agriculture-2007-onward [↑](#footnote-ref-4)
5. https://enrd.ec.europa.eu/leader-clld\_en [↑](#footnote-ref-5)
6. https://www.bfmaf.org [↑](#footnote-ref-6)
7. http://randd.defra.gov.uk/Default.aspx?Module=More&Location=None&ProjectID=18215 [↑](#footnote-ref-7)
8. https://www.ncl.ac.uk/media/wwwnclacuk/centreforruraleconomy/.../honey-hives.pdf [↑](#footnote-ref-8)
9. <https://research.ncl.ac.uk/ruralenterpriseuk/outputs/>. Rural Economies and the UK Industrial Strategy (2018) [↑](#footnote-ref-9)
10. http://www.northernruralnetwork.co.uk/ [↑](#footnote-ref-10)
11. https://futurecities.catapult.org.uk/ [↑](#footnote-ref-11)
12. www.w2wleics.co.uk [↑](#footnote-ref-12)
13. <https://www.northernfellsgroup.org.uk/wp-content/uploads/VA_Evaluation_by_NewcastleUni-CentreRuralEconomy-1.pdf> [↑](#footnote-ref-13)
14. <https://www.powertochange.org.uk/wp-content/uploads/2018/08/Village-halls-open-call-report-Final.pdf> [↑](#footnote-ref-14)
15. https://research.ncl.ac.uk/ruralenterpriseuk/outputs/ [↑](#footnote-ref-15)
16. Powe NA. (2018) [Non-amenity business growth and small town revival](http://eprint.ncl.ac.uk/pub_details2.aspx?pub_id=250085). Journal of Rural Studies, **62**, 125-133. [↑](#footnote-ref-16)
17. <https://www.ncl.ac.uk/media/wwwnclacuk/centreforruraleconomy/files/young-entrepreneurs.pdf> [↑](#footnote-ref-17)
18. ibid [↑](#footnote-ref-18)
19. www.hilcdt.org.uk/housing.html [↑](#footnote-ref-19)
20. https://consult.defra.gov.uk/farming/future-of-farming [↑](#footnote-ref-20)
21. <https://research.ncl.ac.uk/ruralenterpriseuk/outputs/>. Rural Economies and the UK Industrial Strategy (2018) [↑](#footnote-ref-21)
22. https://heartofswlep.co.uk/wp-content/uploads/2017/10/Evidence-Report.pdf [↑](#footnote-ref-22)
23. https://www.gov.uk › ... › Local Enterprise Partnerships (LEPs) and Enterprise Zones [↑](#footnote-ref-23)