

# Rural areas creating value



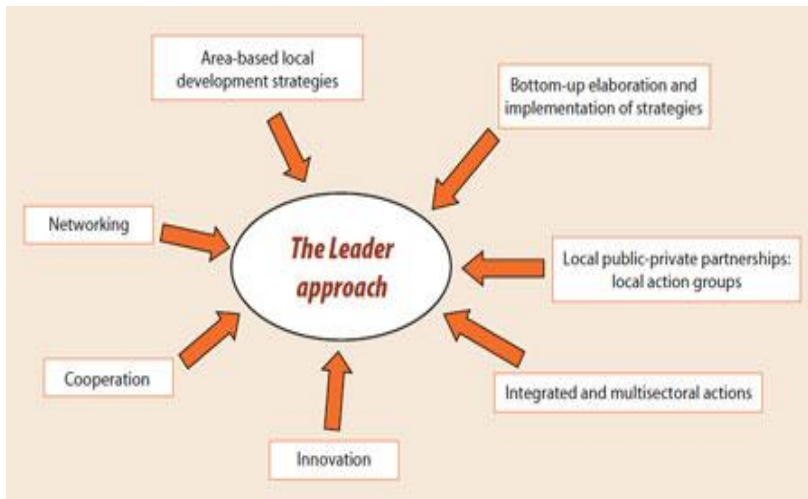
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# Models of Rural Development

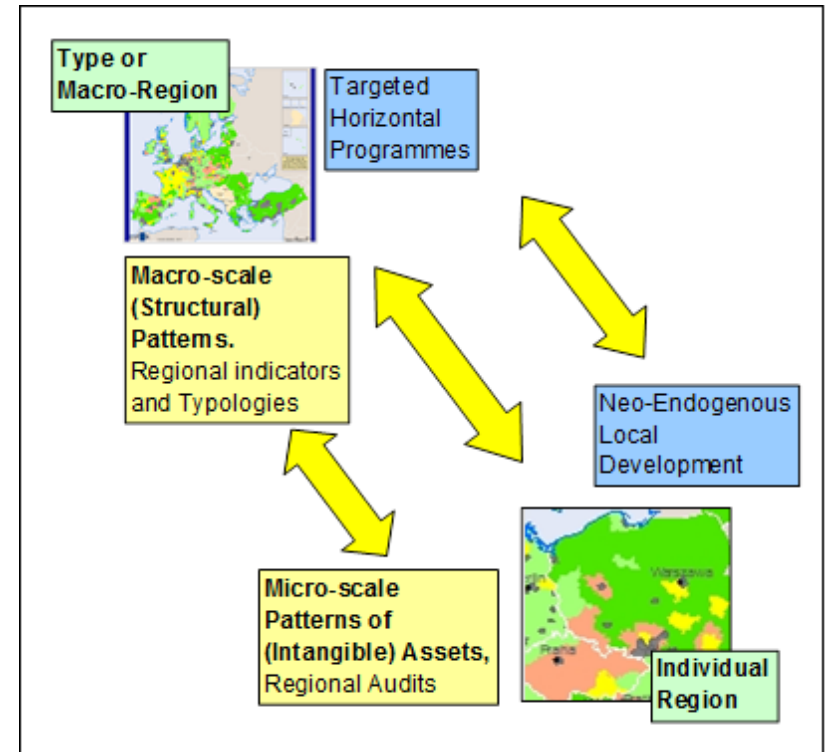


- Top-down Development
  - ‘Exogenous’, imposed from outside
  - Eg. Power stations, aluminium smelters
  - Dependent; Distorted; Destructive; Dictated
- Bottom-up Development
  - ‘Endogenous’ - local priorities and assets
  - ‘Development from within’ actually rare
- Networked development
  - Locality necessarily interacts with elsewhere – so ‘neo-endogenous’ rural development
  - Based on assets and networks within and beyond the area. Local capacity-building.
  - Balance of control is crucial -> localism.
  - LEADER is an example of this approach



# Local responses are not enough...

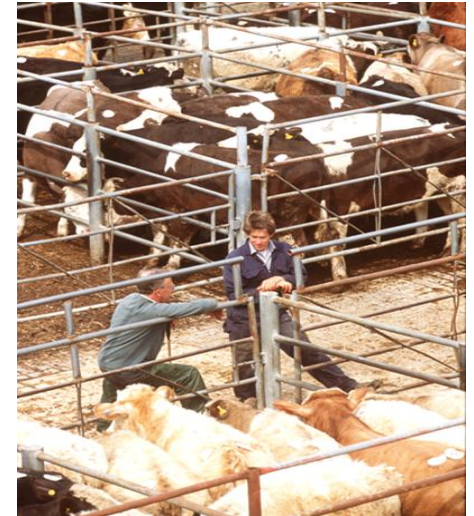
- Processes at many scales affect rural communities. So is place-shaping and localism enough?
- High-level forces such as globalisation, financial markets and fiscal policy have more impact on local economies.
- A two-tier approach is needed:
  - Local empowerment and capacity-building;
  - Regional policy & rural-proofing of national policies.



*Local action is unlikely to be effective in the face of national and/or EU policies which are blind to their impacts on rural areas.*

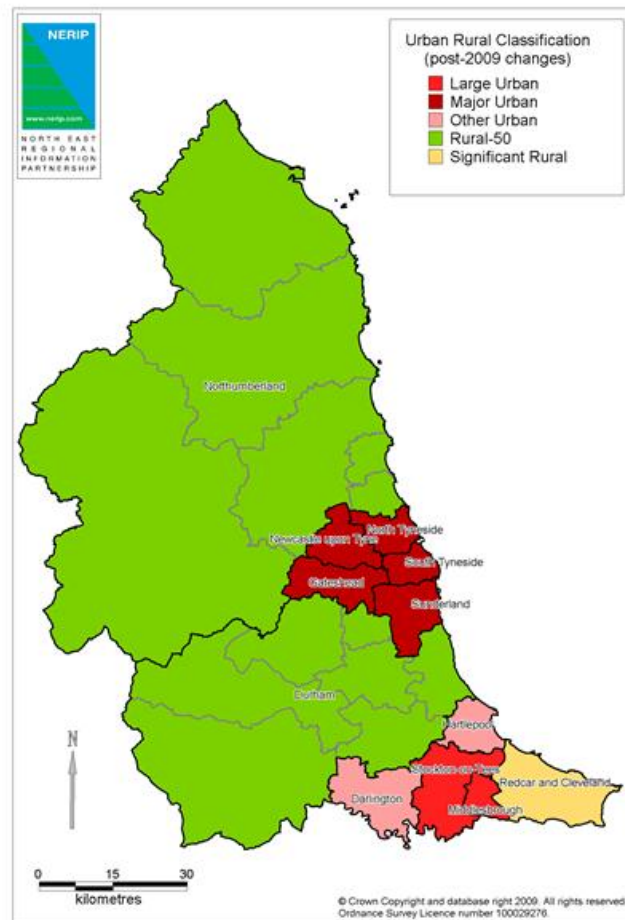
# Realising the Potential of Rural Economies

- Rural areas can contribute to growth.
- Myth that only cities can be the engines of economic growth and recovery.
  - The “Locomotive and train carriages” myth!
- The partiality of national and regional policy has marginalised rural areas.
- Yet rural areas may be sites of innovation, prosperity and security. eg in England...
  - Already contribute 19% of GVA (£200bn pa)
  - More businesses and start-ups per capita than in urban
  - Higher growth rates in Knowledge-Intensive Businesses
- Greater support for rural micro-businesses would be an investment for the future, not spending beyond our means.

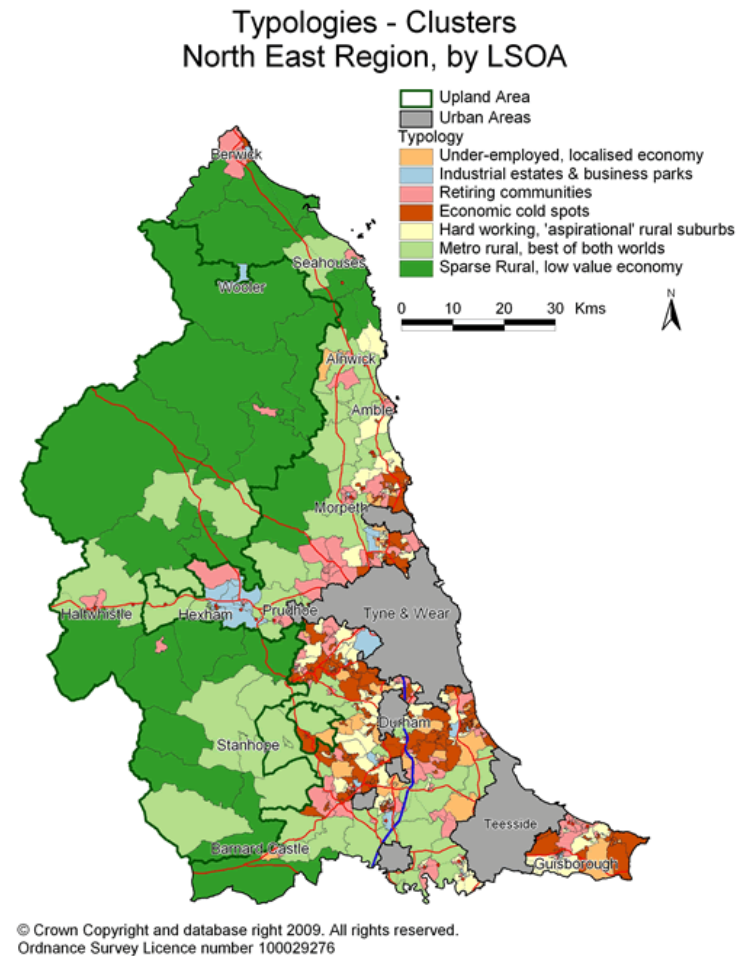


# Case study of Rural NE England.

## DEFRA definition by districts...



## Finer-grained definition by SOAs...





# The NE Rural Economy?

- A mixed economy with a similar industrial sector spread to urban areas.
- 75% of NE rural GVA derives from 4 sectors: public sector; business services; distribution, hotels & retail; and manufacturing.
- Location & QoL matters to rural businesses: landscape, heritage, environment, water, wind, etc.
- Microbusinesses predominate (88%). And homeworking is common (38%).
- Rural areas make a strong contribution:
  - Only 18% of working age population, but...
  - 44% of enterprises in the NE
  - 26% of the employment
  - 25% of GVA of the NE region.
  - But only 14% of the turnover, and lower productivity
  - Contribution varies between places and sectors.



# What Prospects for Economic Growth?

Although typically small, many rural businesses have growth potential:

- High rates of business formation.
- Microbusinesses often have high turnover – eg. 88% of £250-499k turnover category, and 59% of £500-999k, were microbusinesses.
- Half had introduced recent innovations.
- Even in the economic downturn, 43% were looking to expand (2009).
- Growth likely: manufacturing; professional, scientific & technical; accommodation & food services; wholesale & retail.

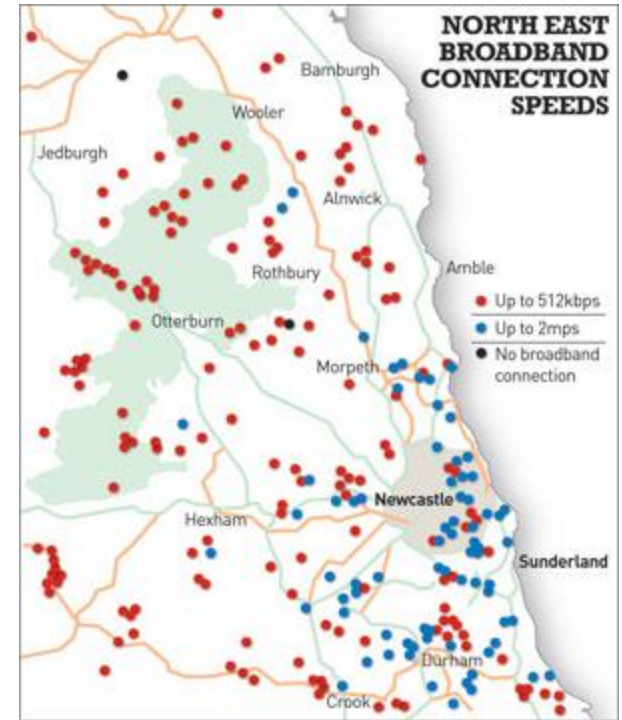
But, need a supportive economic context...



# What Barriers to Growth of Rural Businesses?

Many rural firms aspire to grow, and a similar proportion to firms elsewhere achieve growth. But there are barriers:

- By sector: agriculture has low growth ambitions, whilst manufacturing has highest growth ambitions but is challenged by inadequate sites and premises.
- By size: Many small firms feel unable to employ additional staff. Larger small firms face difficulties in recruiting skilled staff and in finding space/premises to allow expansion.
- By owner: Incomers and return migrants appear more entrepreneurial, especially in remote areas.
- All: current economic climate; regulation; skills; access to finance; broadband speeds.





# Measures to overcome barriers

Research suggests several measures which would help to overcome these barriers and stimulate growth:

- Improve access to finance (private capital);
- Access to national business development programmes and grant funding;
- Working in collaboration with other businesses (inc. Mentoring);
- Planning practices that enable/ encourage firms and communities to grow;
- Greater support to reduce recruitment difficulties & overcome skills gaps;
- Better communications infrastructure, and access to HSB and new IT.



# Supporting micro-businesses and home-based businesses

- 2/3 of England's rural enterprises are micro-businesses, but typically fall below the radar of policy. Research suggests these may be *incubators for growth* if supported by policy.
- Many are home-based. On average these have fewer employees but display higher profits and have higher broadband use.
- They can be supported by:
  - enabling planning policies
  - shared facilities at enterprise hubs
  - broadband
  - help in recruitment
  - better business advice
  - tax and rate simplification
  - collaborating and sharing services



# DEFRA's Rural Growth Networks

- Already a culture of collaboration in rural areas.
- NE has one of 6 pilot Rural Growth Networks
- Each RGN consists of several small Enterprise Hubs, each for 10-20 small or micro-businesses. They have:
  - Essential infrastructure & premises needed by businesses to grow
  - A simplified planning regime, through local development orders
  - Action to enhance business skills and mentoring opportunities
  - Engagement with communities, parish and town councils
  - Preferential access to all the new RDPE schemes
  - £2.3m to support women-led rural enterprises
- Intend that RGNs will overcome barriers to growth (eg. lack of premises, broadband, business services) through enhanced networking between and across these new enterprise hubs.



# What difference would this make?

## Leverage

- On average 27% of rural firms' sales are made beyond the NE region. (Manufacturing 36%; Prof, scientific, technical, 46%; Accommodation & food services 36%; and Wholesale & retail 24%)
- 68% of rural firm supplies are purchased within the region. (Manufacturing 62%; Prof, scientific, technical 53%; Accommodation & Food services 93%; and Wholesale & retail 46%)
- 45% of rural entrepreneurs had moved into the rural NE. Over 50% of these had moved in from outside the region, and only 11% had moved from urban to rural locations in the NE; 5% were international migrants.
- Young family and active older households aspire to live in attractive market towns and villages. Some start businesses, bringing innovation and diversity to the NE. These are places of potential.



# Conclusions

- The shift from 'top-down' to 'bottom-up' to 'networked' models of rural development is exemplified by LEADER.
- But how to do rural development in the 21<sup>st</sup> century?
  - The state must play an enabling role in capacity-building, animating and supporting local action. Networks and institutions play important roles.
  - While localism and place-shaping are essential, these are not enough by themselves to offset forces at higher levels. Regional policy and rural-proofing are also necessary.
  - Finally, rural areas can be part of the solution to the age of austerity, if government invests in rural economies and recognises their potential contribution to national economic growth.

