

Rural economies and the UK Industrial Strategy

Rural economies have untapped potential but need support to help them play their part in delivering the aims of the UK Industrial Strategy.



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The **Rural Economy and Land Use** series of Policy and Practice Notes is published by Newcastle University's Centre for Rural Economy and aims to communicate the latest research on rural and land use challenges to a wide audience.

How can we ensure the implementation of the Industrial Strategy is fit for purpose in serving all communities? What future delivery processes, guidance or activities are needed in addressing the needs and prospects of rural economies? These questions are vital to its success. In England alone, rural areas contribute at least over a million enterprises, 3.5 m employees and £250b GVA, matching the value of output from the country's ten leading cities outside London.

Will the Industrial Strategy work for rural places?

Rural stakeholders express a need for improved applicability and communication of the Industrial Strategy to deliver:

- Better physical and digital connectivity.
- Planning that retains commercial buildings in rural settlements, rather than allowing conversion to housing.
- Capacity building and investment in skills and delivery of training/ apprenticeships.
- More variety in rural labour pools, especially for young people and skilled employees.
- Post-Brexit certainty and support for land industries.
- Greater awareness and equitable access for rural firms to resources and support.

Are rural areas dependent upon urban neighbours?

Outmoded perceptions of rural economies can lead to the targeting of investments and enterprise support on cities and urban areas. However while many rural places are shaped by their relationships with urban centres, the opposite is also true, with many rural economies underpinning and shaping urban growth. We know from evidence that:

- Globalisation and technological change mean that people can live, work and run businesses from all places, as many rural areas already show.
- Some rural areas face long standing structural challenges, but 'rural' is no longer synonymous with decline, and rural areas often outperform urban on indicators such as employment growth and rates, businesses per head, levels of self-employment, and innovation.
- Rural firms, after controlling for sector, age and other profile variables, achieve similar turnover performance to their urban counterparts (excluding London), are more likely to report a profit, and similar numbers plan to grow their sales and employees.

- Natural capital, farming and land-based sectors are vital in underpinning wider economic development and sustainability.
- Rural economies are nurtured by diverse sources of dynamism, contribute to all business sectors and are affected by all of the challenges that feature in the Industrial Strategy.

Will rural areas benefit from, and be a site for generating and testing, innovations?

Rural areas could help to drive the socio-technical changes set to transform the way we live and work if attention is paid to:

- Place-based innovation and knowledge exchange.
- Innovations in marketing, business models and processes, rather than simply concentrating on technological solutions, and encouraging these across a wider range of business sectors.
- The role of rural areas in several socio-economic trends and as an important locus of innovation linked to the Industrial Strategy's Grand Challenges, including:
 - Pioneering community enterprise and society's response to an ageing population and challenges of mobility of goods, services and people.
 - Generation of low carbon energy and realising the value of natural capital to clean growth.
 - Application of big data and AI solutions in environmental and agricultural systems.
- The delivery of the Industrial Strategy Challenge Fund, innovation clusters and other investments to address the role and potential of rural economies as sites and test beds for innovation.

What barriers prevent rural firms recruiting a skilled workforce and how can these be overcome?

In rural areas firms that create highly skilled employment opportunities can have difficulty recruiting or retaining skilled staff. At the same time:

- Employees typically experience less on-the-job training than in urban firms.
- Significantly fewer rural employers are planning to improve their leadership capabilities or to introduce new working practices over the coming years.
- Approaches are needed within skills strategies to support rural firms to recruit, retain and develop skilled staff and apprentices, such as skill share schemes and collaboration among firms in meeting their recruitment gaps.

How can rural infrastructure needs be met?

Future infrastructure provision is pivotal to enabling businesses to innovate, expand their markets and to recruit, train and retain skilled staff or apprentices. Rural communities need:

- To be well connected, to enable beneficial flows of people, goods and services in and out of rural places, to improve connections between firms and their support, and enable residents' access to services and jobs.
- A universal commitment to improved broadband speeds and infrastructure so rural firms and their customers can make the most of new smart technologies and overcome limitations of remoteness.
- A locally responsive mix of business premises and shared facilities, including grow-on premises for home-based firms, coupled with improved knowledge exchange, networking and business support.
- Improved social infrastructure through community-led local development. The Industrial Strategy's focus on improving business productivity or growth underplays vital community or service values that owners of many small rural businesses seek to provide.

Will the Industrial Strategy's measures to support the business environment be fair to rural firms?

Rural firms show commitment to introducing new or improved goods in their businesses, are more likely than urban enterprises to be exporters, and demonstrate untapped export potential which needs to be carefully nurtured. In order to achieve this, implementation of the Industrial Strategy needs to:

- Consider in its review of SMEs the tailoring of measures to address differences between rural and urban small and micro-businesses in terms of their plans, obstacles and use of support.
- Pay careful attention to the dynamics of rural economies at national and regional levels and, in future export strategies, aim to maintain their export orientation and release the untapped export potential reported in the UK Longitudinal Small Business Survey.
- Acknowledge, beyond land and food and drink sectors, the rural footprint in the full suite of plans and Sector deals for industries that are prominent or showing significant growth in rural areas, such as construction, manufacturing, business, scientific and professional services, transport and distribution, education and health, and creative industries.
- Consider and address locally-defined sector priorities arising from evidence of the profiles or compositions of local economies, or through partnerships between localities with common sectoral interests.

What do rural enterprises need from Local Industrial Strategies, Devolution and Growth Deals?

Evaluation of the pilot Rural Growth Networks highlighted the need for a flexible approach in overcoming local constraints and mainstreaming rural needs and opportunities within local growth strategies. Working with partners, Government should:

- Initiate and learn from oversight of Local Enterprise Partnerships' engagement with rural stakeholders and issues, and address the LEPs' perceived variations in rural performance, investment, evidence and expertise.
- Draw insights from regional initiatives, including the South West Rural Productivity Commission, and mechanisms identified to generate and share rural exemplars that could be scaled up, such as the approach being planned for the North of Tyne Devolution Deal.
- Strengthen the rural evidence base and external networks of local stakeholders so they are better able to identify and tackle local rural priorities.
- Ensure that organisations and agencies developing Local Industrial Strategies (LISs), Devolution or area Growth Deals involve rural stakeholders in their development and implementation, including NGOs and those from 'hard to reach' communities.
- Encourage LISs to be flexible to the spatial and temporal scales required to address needs and to identify and acknowledge linkages with other LISs and Sector or Growth deals, recognising that administrative boundaries do not define how businesses, supply chains and services operate.

- Ensure regional development initiatives, such as Northern Powerhouse and Midlands Engine, are made rurally inclusive, given that their rural firms are as strong, and on some indicators stronger, than their urban counterparts.

How will stakeholders contribute to ensuring the Industrial Strategy is implemented effectively in rural areas?

Working in partnership, local authorities, business groups, enterprise partnerships, researchers and communities all have a vital role to play in implementation:

- Government should oversee a comprehensive review of rural localities, sector and functional priorities, and rural footprints in the Strategy's Grand Challenges and themes.
- There is a need for non-government rural stakeholders to engage at national (eg with Sector strategies), regional (eg with LEPs and regional support programmes) and local (eg at local government) levels to co-develop strategies and deals to ensure their rural delivery.
- Government and rural stakeholders should explore how the voice and expertise of rural stakeholders can be harnessed

to strengthen sharing of learning and good practice, and to provide a forum (eg a Rural Business Taskforce or Rural Solutions Group) to aid the future communication, development, delivery and evaluation of the Industrial Strategy in relation to rural prospects.

How should delivery be evaluated?

It will be necessary to transparently review the delivery of the Industrial Strategy in rural areas at a national and local levels. This will involve:

- Ensuring approaches that revolve around changes in output, productivity and its drivers are appropriate in reflecting the smaller scale or longer time frames at which rural improvements can be achieved.
- Metrics and investment criteria that are designed so as not discriminate by default against rural businesses, communities and places, for example in the planning and delivery of the UK Shared Prosperity Fund.
- Devising appropriate metrics to evaluate the success of the Industrial Strategy and its related measures.

Project information

This Briefing Note was written by Jeremy Phillipson, Roger Turner, Pattanapong Tiwasing, Matthew Gorton, Sara Maioli and Robert Newbery. It draws on a rural-urban analysis of the UK Longitudinal Small Business Survey 2015-17, conducted by the Rural Enterprise UK team at Newcastle University, together with insights from a workshop involving organisations and agencies active in rural England on The UK Industrial Strategy: Rural Opportunities and Challenges, held in London, March 2018. Rural Enterprise UK is funded by Newcastle University, the Economic and Social Research Council (ES/M500513/1) and Interreg Europe.

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Further information

Rural Enterprise UK website.

<http://research.ncl.ac.uk/ruralenterpriseuk/>

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