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# RELEASING THE POTENTIAL OF YOUR RURAL ECONOMY

*A guide to inform rural development & local economic strategies*



# Some key questions to shape your policies and strategies

## What does your rural economy do well? Where does it lag behind? What could it do better?

- Which local businesses are thriving/struggling?
- Which residents have the highest/lowest incomes?
- Which assets or businesses show the greatest potential?

## What is the business profile of your rural economy?

- Where are their markets?
- What business sectors?
- What size, age, turnover etc?

## How do those businesses enhance local quality of life?

- Do they create jobs (locally)?
- Do they provide local services?
- Do they influence the environmental quality of the area?
- Do they boost opportunities for other businesses?

## Where do the business owners come from?

- Are they born locally?
- Did they move to the area?
- Do they live outside the area?
- Also, where are key decisions taken that influence branch enterprises in your rural areas?

## What are the drivers of business start-up and growth in your rural communities?

- Is the local economy rich in opportunities?
- Are people starting businesses out of economic necessity?
- Are opportunities based on local resources or emerging from wider networks and markets?

## What should rural policy deliver for your region's economy?

- Economic growth?
- High quality of life for residents?
- Strong opportunities for local employment?

# Introduction

The OECD states that rural development is essential for achieving inclusive growth. Unleashing the growth potential of rural areas demands that rural assets are leveraged in ways that can empower communities and enhance their social, economic and environmental wellbeing<sup>1</sup>.

In 2016, rural areas contributed over 16% of England's Gross Value Added (GVA), worth an estimated £246 billion to the national economy<sup>2</sup>. Back in 2008, Stuart Burgess, then Rural Advocate, claimed that there was up to £340 billion of untapped potential in England's rural economies<sup>3</sup> but the subsequent economic crisis has left this fact somewhat overlooked. The recent Industrial Strategy White Paper<sup>4</sup>, and particularly the provision for Local Industrial Strategies, provides an opportunity for a renewed focus on our rural economies.

Drawing on almost 15 years of research, this guide is intended to assist rural business organisations, and inform those involved in local industrial strategies and post-Brexit rural development policy in the UK.

<sup>1</sup> <http://www.oecd.org/cfe/regional-policy/Edinburgh-Policy-Statement-On-Enhancing-Rural-Innovation.pdf>

<sup>2</sup> Defra (2018) Rural Productivity and Gross Value Added: <https://www.gov.uk/government/statistics/rural-productivity>

<sup>3</sup> Burgess, S. (2008) England's rural areas - steps to release their economic potential. Commission for Rural Communities, Cheltenham

<sup>4</sup> <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>



# Rural businesses are not all the same...

It is well known that they are very diverse and include higher than average shares of manufacturing, transportation and energy businesses, not just businesses related to agriculture, food and tourism. Many rural businesses are also established by people who have moved from other, often urban, regions<sup>5</sup>.

Location is just one determinant of whether a firm is "rural" in character; not all rural businesses are land-based or even located in the countryside<sup>6</sup>. Instead, policy should focus more on the demand-side and supply-side factors which are crucial to understanding the opportunities and barriers that rural businesses face.

Figure 1 captures elements of demand, supply and location to categorise different types of rural businesses. To qualify as a "rural business" an enterprise must fulfil at least 2 of the 3 criteria here<sup>7</sup>, and sit in areas A, B, C or D.

To inform economic strategies and priorities, these issues should be divided into supply-side and demand-side factors. Some rural firms are limited by levels of local demand, others face supply-side constraints and policies must seek to enhance both aspects of rural economies.

## Supply side:

Identify the assets of your rural economy that can be leveraged to deliver greater competitive advantage to rural firms.

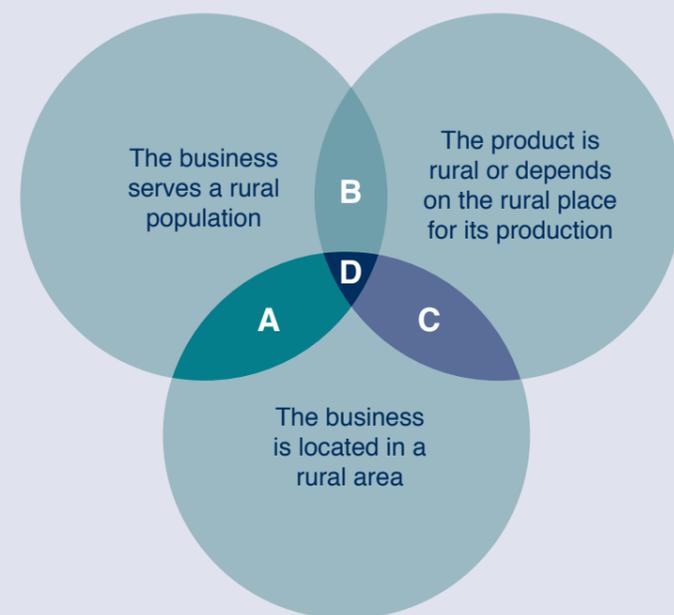
- Labour market assets (including levels of skills, training and education)
- Property/premises (investment in rural property, effective planning policies)
- Infrastructure (digital, transport, utilities)
- Entrepreneurship and new venture creation (business incubation, start-up support – financial and training/mentoring)
- Innovation of products, services and processes (including knowledge transfer)

## Demand side:

Identify mechanisms to increase the market size and reach of firms in rural areas.

- Local population characteristics: demographics and wealth
- Support mechanisms for a higher proportion of local wealth to filter through to local firms
- Are rural firms capturing a sufficient share of the value in the supply chains?
- Increase the regional to international export potential for goods produced in your rural economy (stronger branding, support firms to expand their horizons, promote sectors with higher rates of exporting...)

Figure 1: What is a rural business?



### A

Classic village services (e.g. shops, garages, pubs, village halls)

### B

Rural professionals such as vets, land agents and farm consultants

### C

Businesses that depend on their rural location to produce goods and services to sell beyond rural localities. These include farming, forestry and food enterprises as well as increasing numbers of businesses in recreation and tourism, creative industries and knowledge-intensive business sectors

### D

There are few businesses that meet all three criteria; perhaps thatchers, drystone-wall builders and gamekeepers

The UK Industrial Strategy White Paper focuses strongly on productivity. To raise rural productivity, businesses need a level playing field in terms of accessing infrastructure and investment, they need to leverage greater value from rural assets (i.e. those assets that are distinctive to rural areas and offer a competitive advantage to local firms) and they need to tap into the skills and wealth of rural residents more effectively<sup>8</sup>.

Collectively, addressing these issues will lead to rural areas releasing *greater opportunities for growth, innovation and productivity gains by overcoming the spatial inequality of rural business locations; greater efficiency as a result of reaching larger or higher value markets, stronger rural branding, increased leveraging of rural assets and improved logistics, and enhanced local wellbeing, so long as the economic gains make a difference to rural communities in terms of jobs, incomes, services and the natural, built and socio-cultural environments.*



5 Bosworth, G. (2010) Commercial Counterurbanisation: An emerging force in Rural Economic Development. Environment and Planning A 42(4), 966-981 <http://journals.sagepub.com/doi/10.1068/a42206>

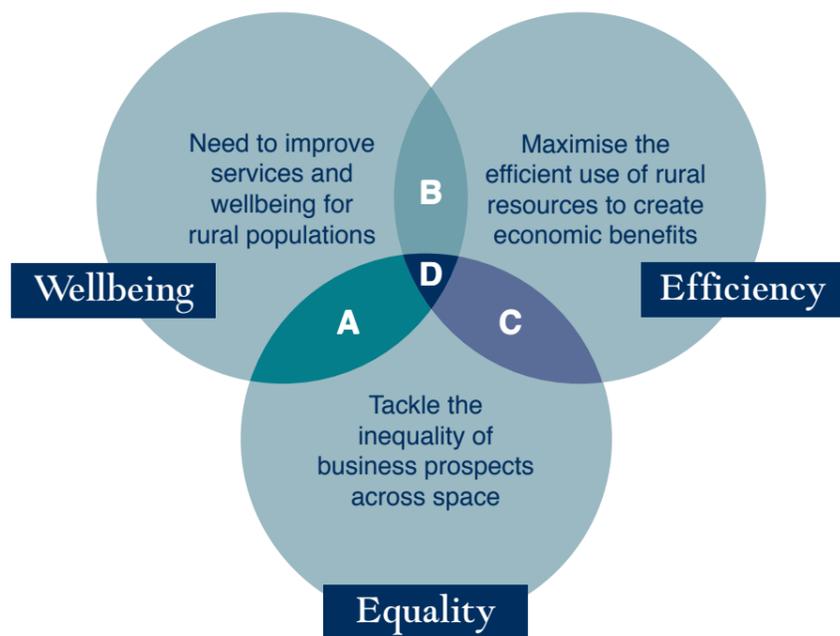
6 CLA (2016) "Standing up for Rural Business" [www.cla.org.uk/latest/lobbying/standing-rural-business](http://www.cla.org.uk/latest/lobbying/standing-rural-business)

7 Bosworth, G. (2012) Characterising Rural Businesses: Tales from the paperman. Rural Studies 28, 499-506 <http://dx.doi.org/10.1016/j.jrurstud.2012.07.002>

8 RELU Policy and Practice Note Rural Economies and the UK Industrial Strategy PPN No.6 July 2018. <https://www.ncl.ac.uk/cre/publications/land-use/>

Each of these aims can be achieved through the implementation of tailored policy initiatives. Figure 2 illustrates that rural businesses in sections A, B, C and D can make significant contribution to these policy goals<sup>9</sup>. It also demonstrates that joined up thinking in policy can deliver multiple objectives (community wellbeing; economic efficiency; social and economic equality) by targeting support towards, and working in partnership with, the rural business community.

**Figure 2: Linking policy objectives to rural business categories**



**Key questions for policy-makers should then be:**

Do you have a sufficient evidence base of your rural areas to fully inform a rural economic strategy or Local Industrial Strategy for the region?

What are the most pressing rural development needs in different areas, based on Figure 2?

Once these are identified, the task is to develop policy approaches to benefit the categories of businesses that will deliver these outcomes. A guide for doing this is set out in the table on the next page.

| Policy objectives                                                                                                                                                                             | Type of business to target                                                                                                                                              | Suggested interventions to support these businesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Improve services and wellbeing for rural populations (Fig 2)</p> <p><i>(Enable the private sector, as well as public and third sectors, to support the needs of local communities)</i></p> | <p><b>Areas A, B, D (Fig. 1)</b></p> <p>Business that serve rural people, which may be located locally or outside the rural area.</p>                                   | <ul style="list-style-type: none"> <li>• Reduce transactions costs and improve connectivity infrastructure (digital as well as physical)</li> <li>• Increase local market size and enhance economies of scale through attracting more spending in rural places (e.g. loyalty schemes to encourage local spending, greater local procurement, local currency schemes)</li> <li>• Promote innovations that link up service provision or safeguard "at-risk" rural services</li> <li>• Develop clearer understanding of rural supply chains and extend interventions to other businesses (e.g. in market towns) where they contribute to services wellbeing in rural places</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p>Tackle the inequality of business prospects across space</p> <p><i>(Take away the "rural penalty")</i></p>                                                                                 | <p><b>Areas A, C, D (Fig. 1)</b></p> <p>Businesses that are located in a rural area and either serve a local population or rely on local resource, or both.</p>         | <ul style="list-style-type: none"> <li>• Improve public transport and digital infrastructure to give rural businesses better labour market access (e.g. flexible public transport to enable young people to work in rural places; Improved broadband to facilitate remote or home working).</li> <li>• Ensure that the planning system accommodates business start-ups and growth in rural areas (infrastructure capital, retention and creation of suitable work premises)</li> <li>• Invest in facilities such as business incubators, technology hubs and enterprise centres in rural locations to support new businesses and foster entrepreneurial ambition (entrepreneurial capital)</li> <li>• Facilitate businesses to engage in wider networks and to work together and co-promote products and services, activities and attractions (social capital)</li> <li>• Improve training provision &amp; attract more skilled people (human capital)</li> <li>• Ensure equity in branding and promotion between urban and rural regions – including stronger connection between the two where appropriate</li> <li>• Create events, attractions and food &amp; drink networks/trails to boost footfall and market size (Cultural capital)</li> <li>• Governance: ensure that rural economies are represented effectively and can equitably access funds at the regional to national level (LEP)</li> </ul> |
| <p>Maximise the efficient use of rural resources to create economic benefits</p> <p><i>(Promote rural assets and opportunities)</i></p>                                                       | <p><b>Areas B, C, D (Fig. 1)</b></p> <p>Business inside or outside the rural area that can more effectively draw on rural assets to generate greater economic value</p> | <ul style="list-style-type: none"> <li>• Improve connectivity for businesses to access rural resources and to reach wider markets where rural products might attract premium prices</li> <li>• Promote rural assets and regions through enhanced place and product branding</li> <li>• Raise awareness of rural assets, innovative uses and other drivers that provide competitive advantage to rural business</li> <li>• Support the traditional business and activities that create desirable rural landscapes, cultural and natural capital – reward the "public good" values generated by different types of rural enterprise</li> <li>• Promote entrepreneurship and attract entrepreneurial people to move into the region</li> <li>• Enhance networking space where different rural businesses can share knowledge and innovation to leverage the value of rural resources</li> <li>• Encourage shared use of public or community assets and facilities (eg school buses, property, energy and digital procurement and infrastructure)</li> <li>• Empower local actors to capture the benefit from local human, natural and economic resources</li> </ul>                                                                                                                                                                                                                                             |

<sup>9</sup> Bosworth, G. & Turner, R. (2018) "Interrogating the meaning of a rural business through a rural capitals framework" Rural Studies, in press <https://www.sciencedirect.com/science/article/pii/S074301671730102X>

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

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