

West Midlands Rural Economy Study

Overview Report

March 2008 (Updated July 2008)



1: Introduction

Purpose and approach

1.1 SQW Consulting (SQW) and Land Use Consultants (LUC) were commissioned by Advantage West Midlands (AWM) in February 2007 to undertake a study into the rural economy of the West Midlands. The study had two principal objectives:

- to complete an economic review of the region's rural economy, providing a clear picture of its health (or otherwise), and taking into account rural-urban interdependencies and the "commuter effect"
- to provide guidance relating to future rural policy and delivery in the West Midlands.

1.2 Within this context, five interlinking pieces of analysis were completed, each of which has been written up as a stand alone "Working Paper":

- Working Paper I presents a detailed analysis of data at Local Authority District (LAD) and super-output area (SOA) level, structured around the rural-urban definition developed by the Department for Environment, Food and Rural Affairs (Defra) in the context of its Rural Strategy (2004). In order to develop Working Paper I, a range of datasets was examined relating both to headline socio-economic characteristics (such as demography, earnings and income, the housing market, gross value added, labour markets and deprivation) and an analysis of the five Treasury-defined drivers of productivity (skills, enterprise, investment, innovation, and competition).
- Working Paper II focuses on twenty two selected settlements from around the region (of which nineteen had taken part in AWM's Market Town Initiative), and examines the functional relationships between these settlements as centres of residence and employment. The settlements were defined for analytical purposes on the basis of their "real" geographies (using the "bricks and mortar" definition developed by ONS) rather than administrative boundaries, and patterns of in- and out-commuting formed a particular focus. The research provided a fine-grained assessment of relative employment roles and the relationships between settlements of different size and varying location across the region.
- Working Paper III provides an assessment of the projected demand for housing in the region's rural areas and how this compares to current proposed provision. This drew on the work completed by SQW and Cambridge Econometrics on housing and the economy in the West Midlands.
- Working Paper IV investigates the interdependencies between three 'matched pairs', each comprising a market town and a larger urban area from within the region. The 'matched pairs' are Leek and Stoke-on-Trent, Church Stretton and Shrewsbury and Bewdley and Kidderminster. The paper reviews data on travel-to work flows,

economic structures and ‘softer metrics’ such as newspaper circulation and transport links to identify the links between the towns.

- Working Paper V assesses the implications of the evidence base developed over the previous four stages for the delivery of appropriate support to businesses across the region’s rural areas.
- 1.3 From the outset, the intention of this multi-faceted approach was to provide a more nuanced assessment of the region’s rural areas than simply a standard secondary data analysis might offer, allowing exploration of the considerable variation across and within the region’s rural areas.
- 1.4 This Overview Report draws on findings from all of the Working Papers in order to address some key issues with regard to the character and performance of rural economies across the West Midlands, and to identify some of the principal policy implications arising from them. It is divided into five further chapters:
- Chapter 2 considers briefly the foundations for the analysis by setting out the spatial dimensions, in particular the definitions of “rural areas” used in the Working Papers
 - key findings from the Working Papers are summarised in Chapters 3 and 4
 - Chapter 5 attempts to bring the various vantage points together to examine the causal factors underpinning the character and performance of rural economies across the West Midlands
 - finally, Chapter 6 sets out some of the emerging implications for the formation and delivery of rural policy in the region, including with regard to business support.
- 1.5 All the Working Papers are available as separate supporting documents; they contain a great deal more information and data than is presented in this Overview Report.

2: Spatial underpinnings and questions of definition

- 2.1 As intimated in Chapter 1, the Working Papers which present the evidence base on which this Overview Report substantially draws, were premised on quite different approaches to the definition of rural areas. It is important to understand these differences – and the implications of them – in relation to the narrative that follows.

Working Papers I and III

- 2.2 The analysis in Working Papers I and III followed Defra’s rural definition which was developed as part of its Rural Strategy 2004. Core to this was a definition of rurality based – at root – on population density and settlement morphology; hence the definition was premised on “within-area” characteristics of which elements of demography were especially important. From this premise, Defra’s 2005 classification of Local Authority Districts (LADs) gave rise to a six-way typology and three of these “types” were defined as “rural”. Specifically¹:

- **Significant Rural** – districts with more than 37,000 people or more than 26 percent of their population in rural settlements and larger market towns
- **Rural-50** – districts with at least 50 percent but less than 80 percent of their population in rural settlements and larger market towns
- **Rural-80** – districts with at least 80 percent of their population in rural settlements and larger market towns.

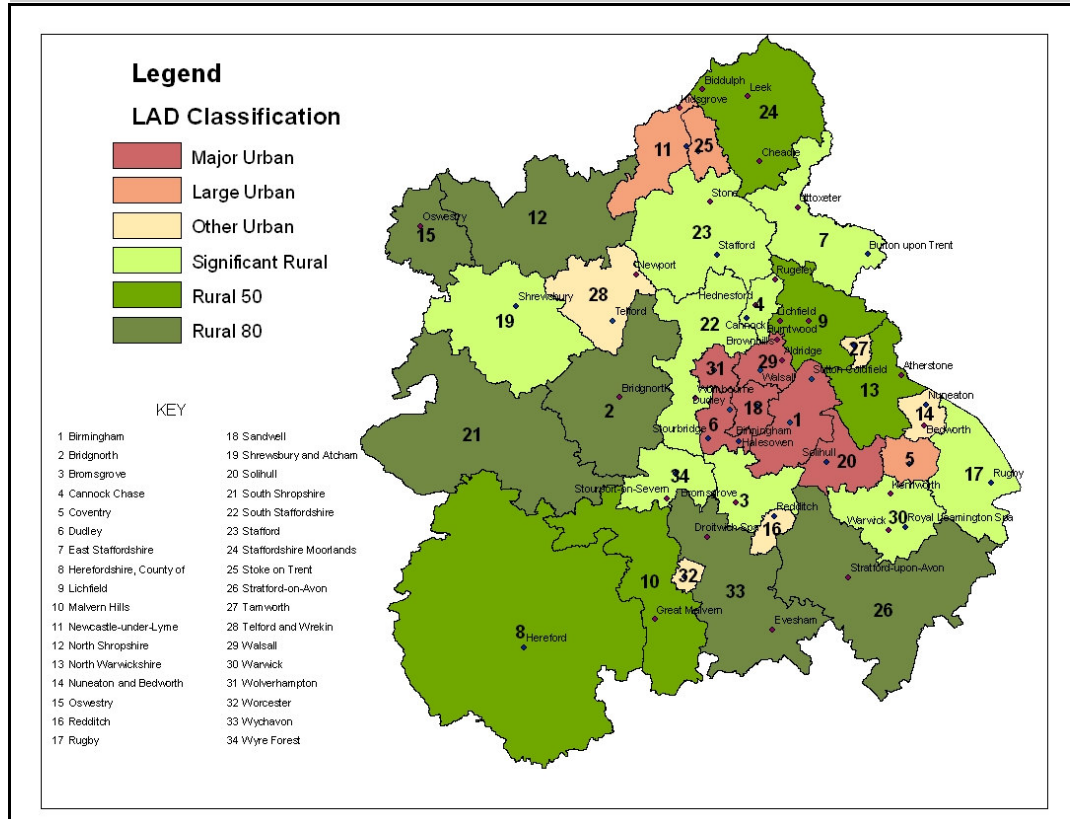
- 2.3 Figure 2-1 overleaf shows how LADs in the West Midlands are classified according to the Defra definition. Working Paper I presents aggregated LAD data for the region in order to compare the economies of **Significant Rural**, **Rural-50** and **Rural-80** districts, and also combines these three classifications to provide data for all the rural LADs in the region. Similarly, Working Paper III aggregates LAD level projected demand and proposed provision figures generated for the economy and housing study by the rural definitions.

- 2.4 It should be noted, as is immediately evident in Figure 2-1, that the Defra classification does not give any consideration to two issues, both of which are potentially important in terms of understanding the dynamics of – and prospects for – contemporary rural economies:

- first, the definition takes no account at all of adjacency, either to other rural areas or to urban centres
- second – and related – no consideration is given to the relative location of different places.

¹ See <http://www.defra.gov.uk/rural/ruralstats/rural-definition.htm#class>

Figure 2-1: West Midlands' local authority districts according to the Defra LAD classification



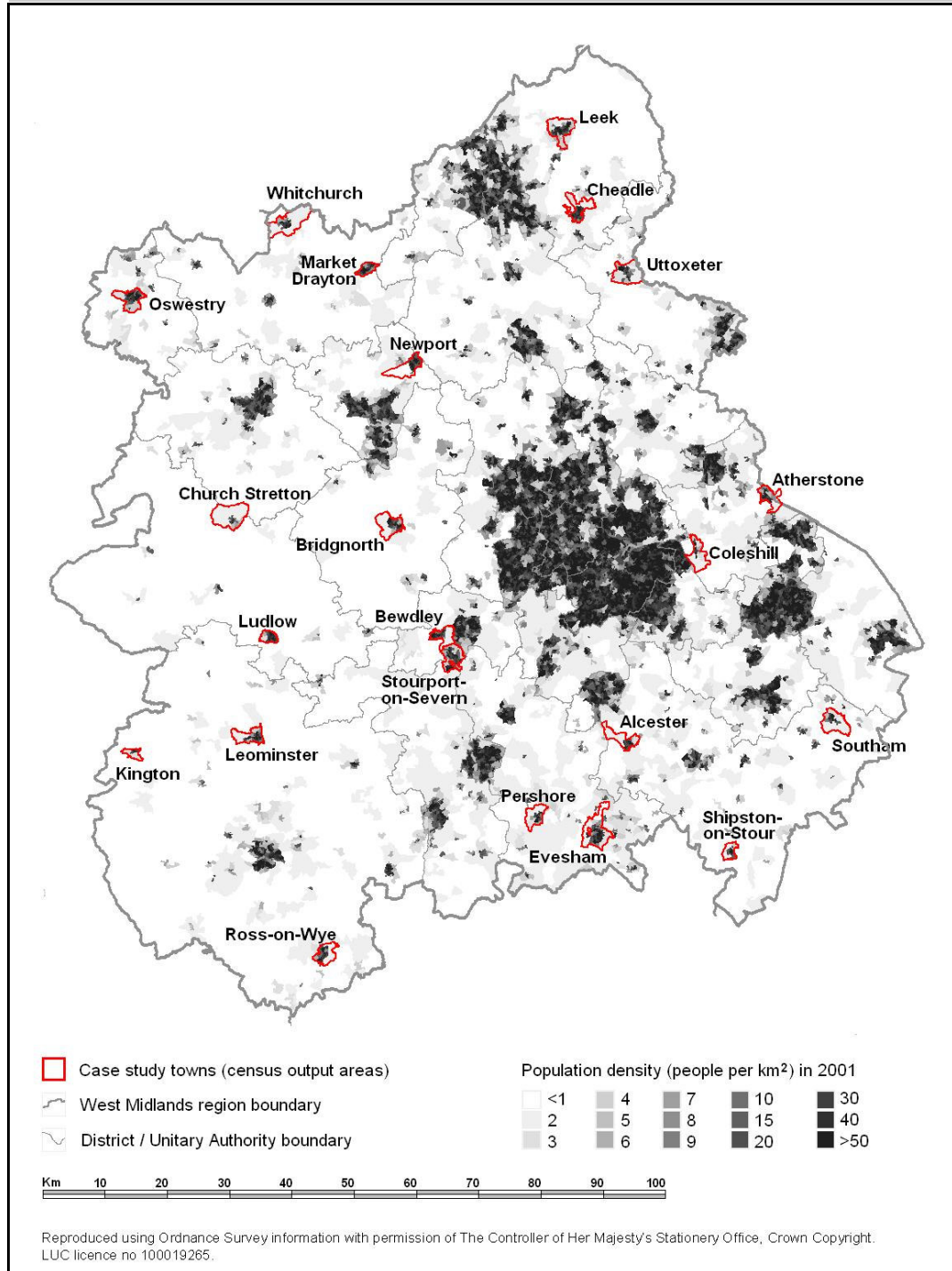
Source: SQW/Defra, ©Crown Copyright

2.5 On the Defra definition, the emphasis is strongly – at district level – on “site” rather than “situation”. From Figure 2-1 it is evident that – for example – **Rural-80** districts are located in both the remote areas of the region (e.g. South Shropshire), and immediately adjacent to the Birmingham conurbation (e.g. Stratford-on-Avon). Clearly the implications of this were something that the study needed to investigate, particularly in relation to relative economic performance.

Working Papers II and IV

2.6 The locations of the market towns that formed the case studies explored in Working Paper II are shown in Figure 2-2 overleaf.

Figure 2-2: Locations of case study towns



2.7 The twenty two towns were drawn from across the region. In terms of their population size, they ranged from Evesham (in Wychavon, a **Rural-80** district) with a population of about 22,000 to Kington (in Herefordshire, a **Rural-50** district) with a population of around 2,500 people. Across the twenty two towns, three were located in **Significant Rural** districts, seven were in **Rural-50** districts, eleven were in **Rural-80** districts and one – Newport – was located in a district classified by Defra as **Other Urban**.

- 2.8 The case study towns were therefore embedded in a variety of district contexts, as represented by the Defra LAD definitions. For the purposes of the study, this “messiness” – in terms of the relationship between market towns and their hinterlands, and the rural LADs – created the scope to test some really quite important issues. Public policy makers – including Defra – rely heavily on district level data because, in most cases, the LAD is the lowest spatial scale at which economic data has any robustness. The vantage point provided by the market towns analysis however provided an important opportunity to test the implications.
- 2.9 The ‘matched pairs’ of towns investigated in Working Paper IV drew on three of the case study towns: Leek, Church Stretton and Bewdley. Their respective urban centres (Stoke-on-Trent, Shrewsbury and Kidderminster) were also defined on the basis of their “real” geographies (using the “bricks and mortar” definition developed by ONS) rather than administrative boundaries.

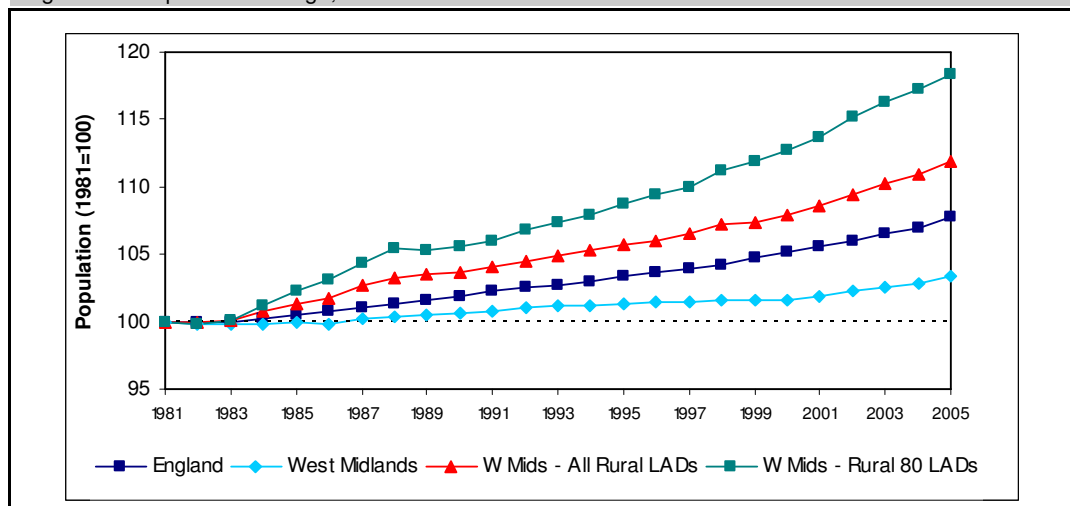
3: The economic performance of rural districts

3.1 Working Paper I presented the key conventional metrics relating to economic character and performance. In this Chapter, we consider the key findings and assess their implications in relation to different categorisations of “rural” on the Defra definition. We also present the key messages from the housing and economy work, also based on Defra’s LAD-level rural definition.

Demographics

3.2 Overall, the study found that the population of the rural districts of the region had grown quickly, increasing by 12% between 1981 and 2005, above the rate of increase seen in England and the West Midlands as a whole. The **Rural-80** LADs saw the highest population growth (of the three Defra classifications), at 18% over the period; this growth was also projected to continue at a faster rate than the comparator areas over the next twenty years. Interestingly, although there had been significant growth in the **Rural-80** population aged 65 and over since 1981, growth in the working-age population also exceeded that for the other rural LAD classifications. Recent growth was also evident in the under-15 population of the **Rural-80** districts, against a general decline elsewhere.

Figure 3-1: Population Change, 1981-2005



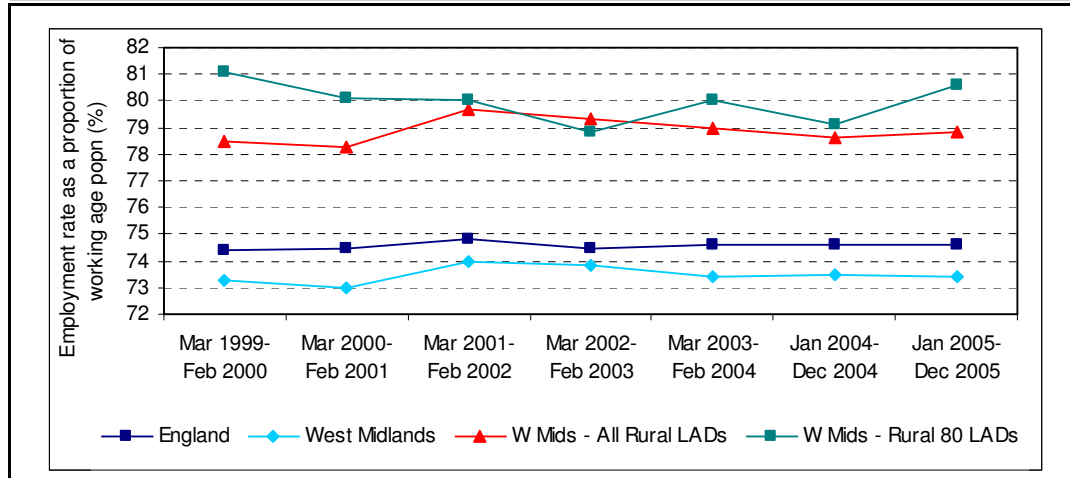
Source: Mid-year population estimates

Labour market and the industrial base

3.3 The rural districts of the West Midlands also typically outperformed the wider region and England on many of the key metrics relating to economic performance. Labour market data showed that the employment rate in the rural LADs was higher than the regional and English average (Figure 3-2 overleaf), with employment in the **Rural-80** districts generally above that in the **Rural-50** or **Significant Rural** districts. Economic inactivity followed a similar pattern, with lower inactivity in the region’s rural LADs than the West Midlands as a whole

and England; inactivity in the **Significant Rural** and **Rural-80** LADs was below levels in the **Rural-50**. The picture was confirmed by claimant rates of Incapacity Benefit (IB)/Severe Disablement Allowance (SDA), with claimant rates again lower in the rural districts of the West Midlands compared to the wider region and England, and lowest of all in the **Rural-80** LADs².

Figure 3-2: Employment rate as a proportion of the working-age population, 1999-2005

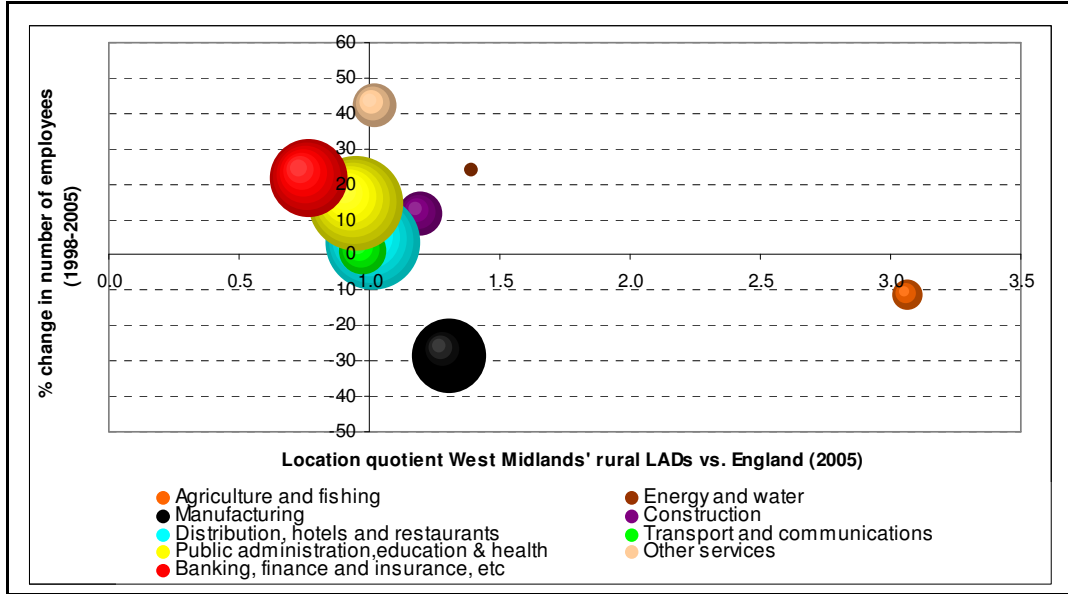


Source: LFS/APS

- 3.4 Figure 3-3 overleaf presents 2005 data on employment numbers by broad industrial group for the rural districts of the West Midlands compared to the English average; it also shows how the number of employees changed over the 1998-2005 period. It is evident that there was over-representation of employment in agriculture and fishing in the rural LADs compared to the national picture, although the number of employees was small and decreased further over the period. Similarly, the rural districts of the region were more reliant on manufacturing than England as a whole, although employment numbers have declined significantly since 1998.
- 3.5 In contrast, employment in banking, finance and insurance was under-represented compared to the England average (of importance given the relatively high productivity of the sector), although employment numbers have increased over recent years. The distribution, hotels and restaurant and public administration, education and health sectors employed the most people, each accounting for around a quarter of total employment in the rural districts of the region. Public sector employment grew over the period, with the number of jobs in the distribution, hotels and restaurants group remaining relatively static.
- 3.6 The proportion of employment in different industrial groups in 2005 was broadly similar across the three Defra rural LAD classifications. The principal exception was agriculture and fishing, which had higher employment in the **Rural-50** and **Rural-80** districts, and public sector employment which was highest in the **Significant Rural** LADs. Within the distribution, hotels and restaurants industrial group, employment in tourism-related activity (hotels, camping sites and other accommodation, restaurants and bars) was particularly high in the **Rural-80** districts.

² However, anecdotal evidence suggests that residents of rural areas are generally more reluctant to claim the benefits to which they are entitled than those in more urban settings, so the conclusions to be drawn from this data should be caveated

Figure 3-3: Location quotient of employees, rural West Midlands LADs vs. England, 1998-2005

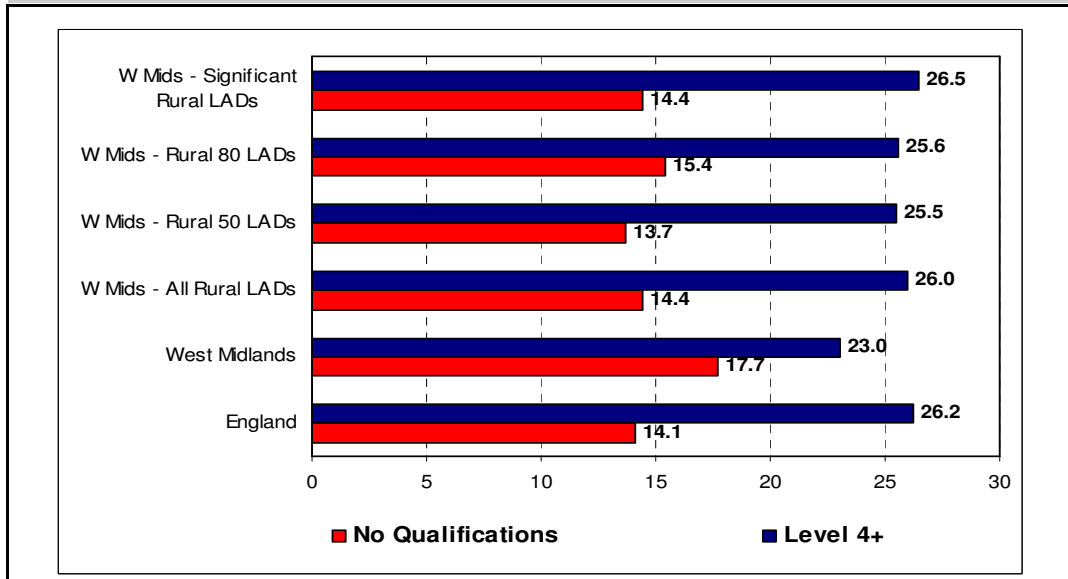


Source: ABI (note: the size of the bubble represents the size of the workforce – the number of people employed – in the rural districts of the West Midlands in each broad industrial group in 2005. On the x axis, a location quotient of greater than 1 signifies a critical mass (i.e. a higher concentration) of employment compared to the England average, and less than 1 a lower concentration. The y axis represents the percentage change in the number of employees in each industrial group between 1998 and 2005).

The productivity drivers

3.7 Out of the five productivity drivers, the rural districts of the West Midlands performed particularly well on skills and enterprise. A higher proportion of the working-age population of the rural LADs held higher-level qualifications than the regional average, and fewer people (proportionately) had no qualifications (Figure 3-4). GCSE attainment amongst 15-year olds was also higher in the region’s rural LADs, and particularly so in the **Rural-80** districts.

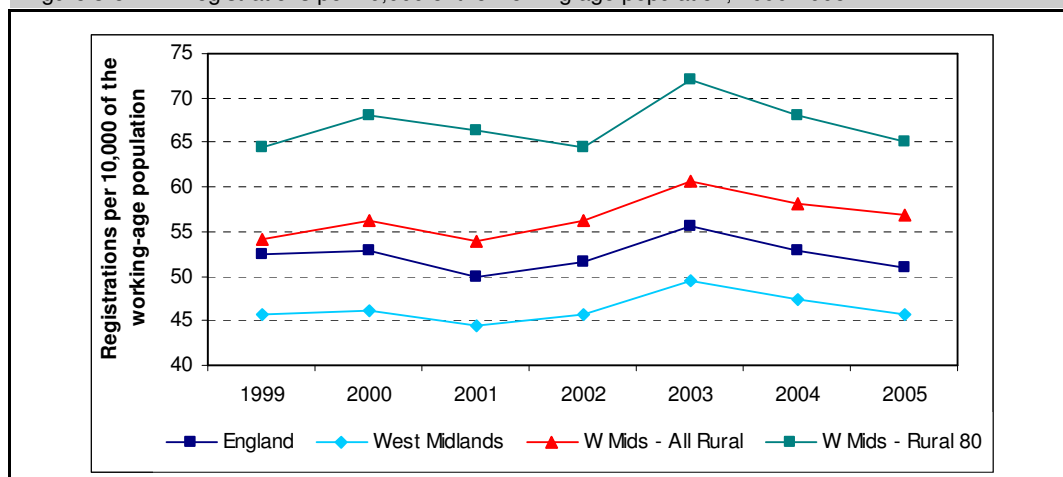
Figure 3-4: Proportion of the working age population with Level 4+ and no qualifications, 2005



Source: LFS/APS

- 3.8 The baseline indicators on enterprise show similarly strong performance in the rural districts of the region, with VAT registrations per 10,000 of the working-age population significantly above the West Midlands as a whole and England; once more, levels were highest in the **Rural-80** LADs (Figure 3-5). Data for growth in the number of new VAT registrations follow a similar pattern, although amongst the Defra rural LAD classifications growth was highest in the **Significant Rural** districts. Self-employment data confirm the other indicators, with a higher incidence of self-employment in the region’s rural districts compared to the regional and national averages, and particularly high rates in the **Rural-50** and **Rural-80** LADs.

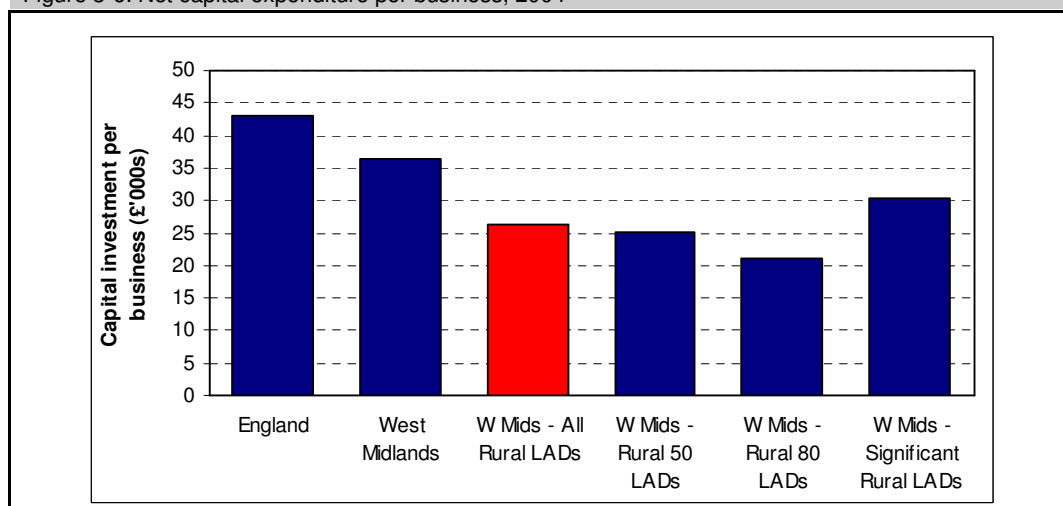
Figure 3-5: VAT registrations per 10,000 of the working age population, 1999-2005



Source: VAT Registration/De-registrations

- 3.9 Data for the investment and innovation indicators tell a different story to that on skills and enterprise. Investment in the rural districts of the West Midlands, measured by the level of net capital expenditure, was lower than the wider region and England, and particularly low (for net capital expenditure per business, rather than per 1,000 people) in the **Rural-80** LADs.

Figure 3-6: Net capital expenditure per business, 2004

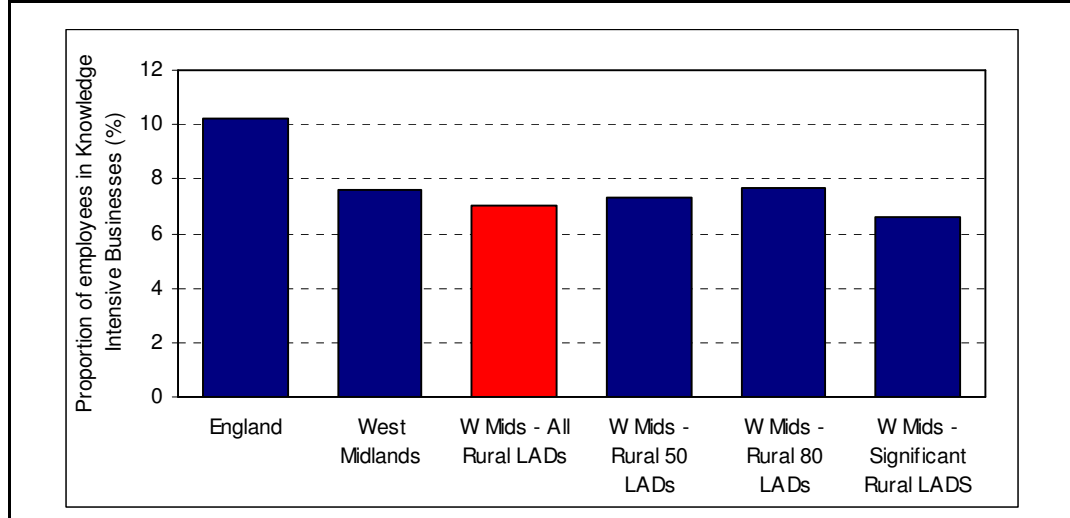


Source: ABI

- 3.10 For the innovation driver, we used the proportion of businesses and employees regarded as “knowledge intensive” (using the OECD definition) as a proxy indicator. On this measure, as

with investment, innovation levels in the rural districts of the region were generally below those for the West Midlands as a whole and England; amongst the three rural LAD classifications, the highest proportion of employees in knowledge intensive businesses was found in the **Rural-80** LADs.

Figure 3-7: Proportion of employees in knowledge intensive businesses, 2005



Source: ABI

- 3.11 For the final productivity driver, competition, the data across a number of proxy indicators present mixed messages, confirming the challenge in finding robust indicators to provide intelligence at the local level.

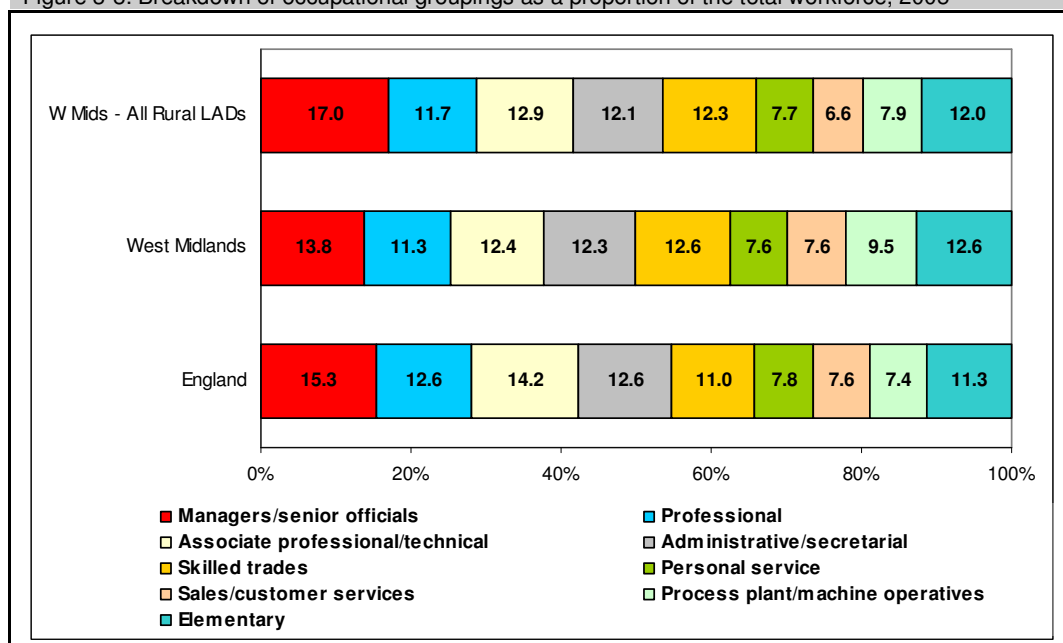
Implications – and limitations – of the LAD data

- 3.12 An overview of the LAD-level data reported above (and in far greater detail in Working Paper D) suggests that those districts defined by Defra as “rural” perform considerably better than the wider region and England; furthermore, it is typically the **Rural-80** LADs that perform best across many of the conventional metrics of economic performance. By definition, these districts lack large urban areas and much of their population is resident in market towns and smaller rural settlements.
- 3.13 *However, great care must be taken in extrapolating from these district-level observations. In particular, the inference that the “most rural” LADs “perform best” needs considerable unpacking and contextualising. Several of the **Rural-80** LADs are in fact immediately adjacent to sizeable urban areas; Bridgnorth and Stratford-upon-Avon are two examples. And whilst there may be few sizeable urban areas within their boundaries, their economic character is strongly influenced by nearby urban connections. At district level, the extent of this influence is borne out by the differentials in average earnings when measured on the basis of residence and workplace. In Stratford-upon-Avon, for example, mean residence-based earnings are some 11% higher (around £3,800) than the equivalent workplace-based figures, suggesting that people who live locally earn a good deal more than those who work there. In Stratford-upon-Avon – and elsewhere – this is explained through the effects of commuting. At least part of the reason why the performance of rural areas appears to be strong is because*

of the skills and qualifications – and earnings – of the people who live (but often do not work) there.

- 3.14 Data reporting (residence-based) occupational structures in Working Paper I support this contention, with a considerably higher proportion of managers and senior officials living in the rural districts of the West Midlands compared to the regional and national averages (Figure 3-8). Working Paper II shows that, with the exception of the “traditional” market towns in the far west of the region, it is often these higher occupational groups that are commuting out of the market towns; lower occupational groups (such as people employed in elementary occupations) are responsible for the greatest inflows of employees into the towns.

Figure 3-8: Breakdown of occupational groupings as a proportion of the total workforce, 2005



Source: LFS/APS

- 3.15 The implication is that commuting flows may be “masking” the underlying character of the local economy. Whilst this does not evidence itself in terms of local unemployment (at least not as defined in the official data), it does raise questions with regard to the quality of local employment and, of course, the affordability of housing for people who work locally.
- 3.16 Perhaps most importantly of all, the wider implication of the above discussion is the clear need for caution with regard to the interpretation of district level data as they apply to areas defined as “rural”. It is misleading to consider all **Rural-80** LADs (or **Rural-50** and **Significant Rural**) as an entity, with shared characteristics and a common rural economy. Rather, the geographical location of the district, and particularly its remoteness or proximity to urban areas, has a marked impact on economic performance at the local level.

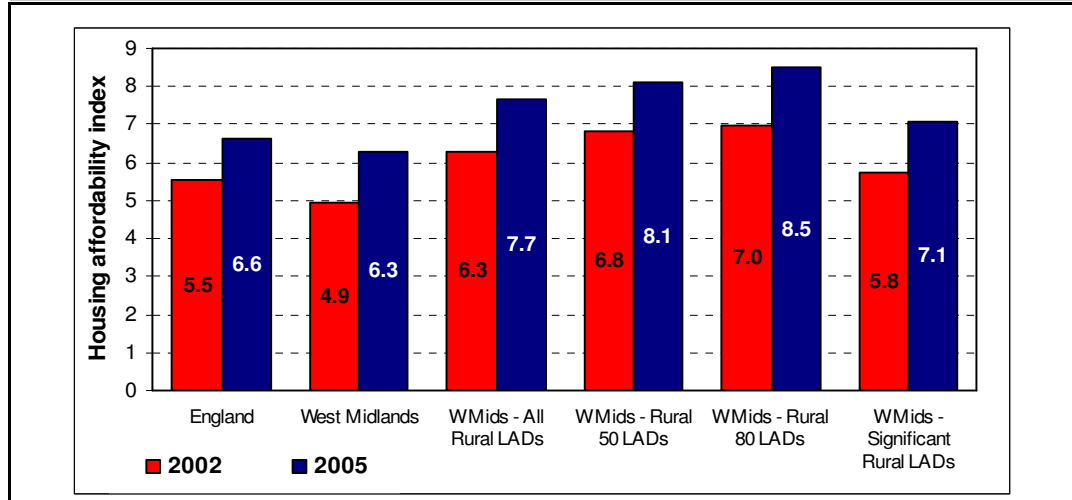
Housing and the economic performance of the West Midlands

- 3.17 An increasingly important issue for the region is the provision of housing and importantly, affordable housing, in rural areas. This was addressed directly in Working Paper I, and

provided a crucial backdrop to the analysis of housing demand and provision in the region's rural areas in Working Paper III.

- 3.18 Figure 3-9 sets out housing affordability ratios derived from dividing average house prices by mean workplace-based annual earnings. This shows that the average house in the **Rural-80** districts of the West Midlands cost 7.0 times mean workplace-based annual earnings in 2002, increasing to 8.5 times by 2005, considerably less affordable than in the wider region and England.

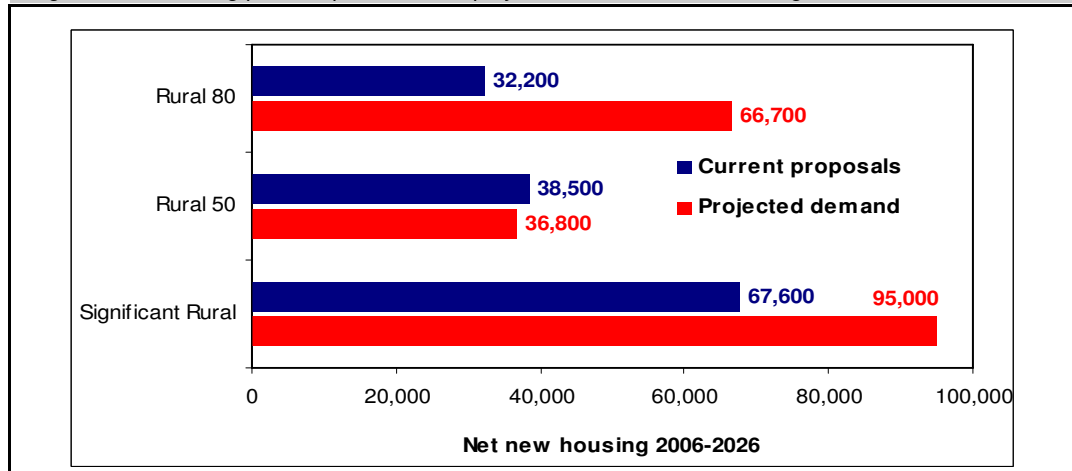
Figure 3-9: Housing affordability ratio (average house price divided by mean workplace-based annual earnings), 2002 and 2005



Source: ASHE and DCLG

- 3.19 Although the analysis was completed prior to the housing down-turn, the findings of Working Paper III suggest that affordability issues may become even more apparent over the coming years. Specifically, current proposals for housing supply in the region's rural areas fall some way short of the projected demand from economic growth and societal changes. This disconnect in the region's rural areas to 2026 is set out in Figure 3-10 below. The potential gap is most significant in the **Rural-80** districts – where housing is already the least affordable.

Figure 3-10: Housing planned provision and projected demand across the region's rural areas



Source: SQW and Cambridge Econometrics

- 3.20 The model suggests that surplus housing demand in rural areas will increasingly be driven by people choosing to work in the region's conurbations but live in its rural areas. Therefore there is a need for regional housing policy to reflect, and work with, interventions to generate high value employment in the region's rural areas and market towns. This is essential to generate sustainable development and ensure that high-value employees are not lost to the regional economy. Increased home-working will be important in this context, but it is no panacea.

4: Commuting flows and a typology of market towns

4.1 Our analysis of commuting flows at the level of individual market towns – which was reported in detail in Working Paper II – provided further insight. For the most part, market towns located in the east, south, north and “inner west” of the region appeared to be really quite “open” economies with significant levels of both in-commuting and out-commuting. As shown in Table 4-1 below, some of these (e.g. Coleshill and Atherstone) had more jobs than they had economically active residents, while for others (e.g. Cheadle) there were fewer jobs than there were residents in employment.

Table 4-1: Total jobs, net employees in the case study towns (2001)

Settlement	Residents in employment	Jobs in the town	Jobs as % of residential workforce	Net flow of employees *	Residents in employment who work in the town	Employment self-containment	Proportion of the resident workforce working from home
Evesham	11,440	11,116	97%	-324	5,992	52%	8%
Stourport-on-Severn	9,238	7,226	78%	-2,012	3,553	38%	9%
Leek	8,654	9,579	111%	925	5,218	60%	8%
Oswestry	7,580	8,962	118%	1,382	4,385	58%	7%
Newport	5,920	3,431	58%	-2,489	1,961	33%	9%
Uttoxeter	5,820	5,461	94%	-359	2,797	48%	8%
Bridgnorth	6,038	4,559	76%	-1,479	2,541	42%	11%
Atherstone	4,977	7,736	155%	2,759	2,426	49%	7%
Cheadle	5,015	3,124	62%	-1,891	1,628	32%	7%
Leominster	4,589	5,166	113%	577	2,631	57%	10%
Market Drayton	4,873	5,131	105%	258	2,587	53%	9%
Ross-on-Wye	4,619	5,413	117%	794	2,777	60%	11%
Ludlow	4,192	4,772	114%	580	2,654	63%	11%
Bewdley	4,497	2,139	48%	-2,358	1,254	28%	11%
Whitchurch	3,915	3,228	82%	-687	1,950	50%	10%
Pershore	3,347	4,345	130%	998	1,656	49%	10%
Alcester	3,555	4,244	119%	689	1,486	42%	10%
Southam	3,439	2,813	82%	-626	1,131	33%	8%
Coleshill	3,261	6,340	194%	3,079	1,164	36%	8%

Settlement	Residents in employment	Jobs in the town	Jobs as % of residential workforce	Net flow of employees *	Residents in employment who work in the town	Employment self-containment	Proportion of the resident workforce working from home
Shipston-on-Stour	2,144	1,891	88%	-253	939	44%	10%
Church Stretton	1,398	1,365	98%	-33	718	51%	16%
Kington	1,107	1,139	103%	32	622	56%	15%

Source: 2001 Census, Origin Destination table W301

* Note: A negative flow of employees shows that there is a net daily flow out of the town for work, while a positive flow shows net commuting into the town for work.

- 4.2 In terms simply of employment, we might then question whether towns such as Cheadle, with fewer jobs than residents in employment, are really functioning as employment hubs, as conventionally defined; more detailed investigation suggested, for example, that the residents of Cheadle were generally working in Stoke-on-Trent, Leek or at Alton Towers. The economic performance of Staffordshire Moorlands – defined by Defra as a **Rural-50** LAD – needs to be interpreted in this context.
- 4.3 However, in the far west of the region, the picture was generally quite different. Whilst most towns were net importers of labour (e.g. Oswestry and Ludlow), a few (e.g. Whitchurch) had more workers than jobs. But in all cases, levels of self containment (the proportion of working people who live in the town and also work there) were noticeably higher than further east: as shown in Table 4-1, the figures were typically in the range 55-65% as compared to 25-40%. Again, this has implications for how we might interpret the LAD-level economic data for a district like South Shropshire.
- 4.4 Furthermore, as indicated in the final column of Table 4-1, in most of the market towns in the west of the region, levels of home working were really quite high: for instance, in Kington and Church Stretton, the proportion of the resident population working from home was 14% and 16% respectively.
- 4.5 Looking in more detail at these flows through the occupations of those travelling, for almost all of the settlements, the level of commuting increases up the occupational groups – in other words more of the managers who live in our settlements commute out than do plant operatives. Conversely, it is often lower occupational groups that are responsible for the greatest inflows of employees to the case study settlements.
- 4.6 Further, there is a clear divergence of distance travelled between occupational groups with the large majority of those in lower groups tending to travel relatively short distances to work while a higher proportion of managers travel significantly further. However, these patterns do not present a clear picture across the settlements, with individual industrial legacies and current sectoral employment characteristics playing an important role in the messages for individual towns.

- 4.10 Three types were identified through this process: towns with high dependence on nearby urban centres (Type-1); towns with moderate dependency on larger nearby settlements (Type-2); and free-standing towns serving rural hinterlands (Type-3).

Type-1: Towns with high dependence on nearby urban centres

- 4.11 There is a cluster of towns which have low levels of employment self-containment (generally around or below 40%) and a broad range of mean distances for travelling to work in the settlement. These towns also show relatively high levels of outward commuting by the “white collar” occupational groups (particularly Newport and Bewdley), and experience net out-commuting by “blue collar” workers to the urban areas and other centres (Southam and Shipston-on-Stour being exceptions in this regard). In comparison to the free-standing market towns (see below), the strength of the relationship between the market town and nearby subsidiary settlements is weak, with few settlements relying on the hub town for more than 10% of their employment³.
- 4.12 The notable exceptions to this are Alcester and Coleshill, both of which have relatively low levels of self-containment but act as significant centres of employment, particularly for lower occupational groups. Shipston-on-Stour and Bridgnorth are also notable in this group for their relatively high average travel-in distance and relatively high employment self-containment. However, unlike Coleshill and Alcester they are significant net exporters of labour and do not have a strong function as employment centres.
- 4.13 The towns in this group are located close to the urban centres of Birmingham, Stoke-on-Trent and (to a lesser extent) Telford, and (from our case studies) comprise Alcester, Bewdley, Bridgnorth, Cheadle, Coleshill, Newport, Shipston-on-Stour, Southam and Stourport-on-Severn. While it is invidious to draw hard boundaries, the high levels of relative mobility shown by this group of towns shows patterns of travel to work strongly influenced by the urban centres in the east, south, north and “inner west” of the region, accepting that there are particular towns which act as employment centres in their own right (see Figure 4-2).
- 4.14 Our analysis of secondary settlements surrounding the case study towns essentially confirmed the view that these market towns are part of a complicated polycentric urban network within which the larger urban areas of Birmingham and/or Stoke-on-Trent are certainly a part. In contrast, as discussed below, the “freestanding” towns in the far west of the region are generally hubs within a much more clearly defined geographical area.

Type-3: Free-standing towns serving rural hinterlands

- 4.15 Out of the selected case studies, Kington, Leek, Leominster, Ludlow, Oswestry and Ross-on-Wye fell within this group. All have high levels of self-containment (above 55%) and relatively consistent average commuting-in distances of between 6 and 9 km. The towns receive a net inward commute of people to work in the settlement (with the exception of

³ It should be noted that this discussion is based on an analysis of the market towns’ functions as employment centres. Some of the case study towns in this group are clearly not strong employment centres, seeing a large net outflow of residents to work in other areas (such as Bewdley and Cheadle). Nevertheless, these towns are still likely to be performing an important role as service and retail centres to surrounding populations

Leek), have relatively high levels of home working, and a generally flat balance of the net flows of different occupational groups (all groups tend to show similar levels of net inflow to work). The towns in this group can be said to be fulfilling the traditional role of a market town, with a hinterland of settlements reliant on the market town as an employment centre.

- 4.16 The strong geographical location of five out of six of these towns in the far west of the region makes it possible to suggest that in this area free-standing towns provide the dominant type within the local economy (see Figure 4-2). Notwithstanding its geography in the more densely populated north east of the region, Leek's function as an administrative and retail centre for the surrounding area means that it can be confidently described as a market town. It would appear to retain many of the functions of other towns in this category. However, the relatively weak influence of Stoke-on-Trent on Leek was noted and it was investigated further in Working Paper IV (see below).

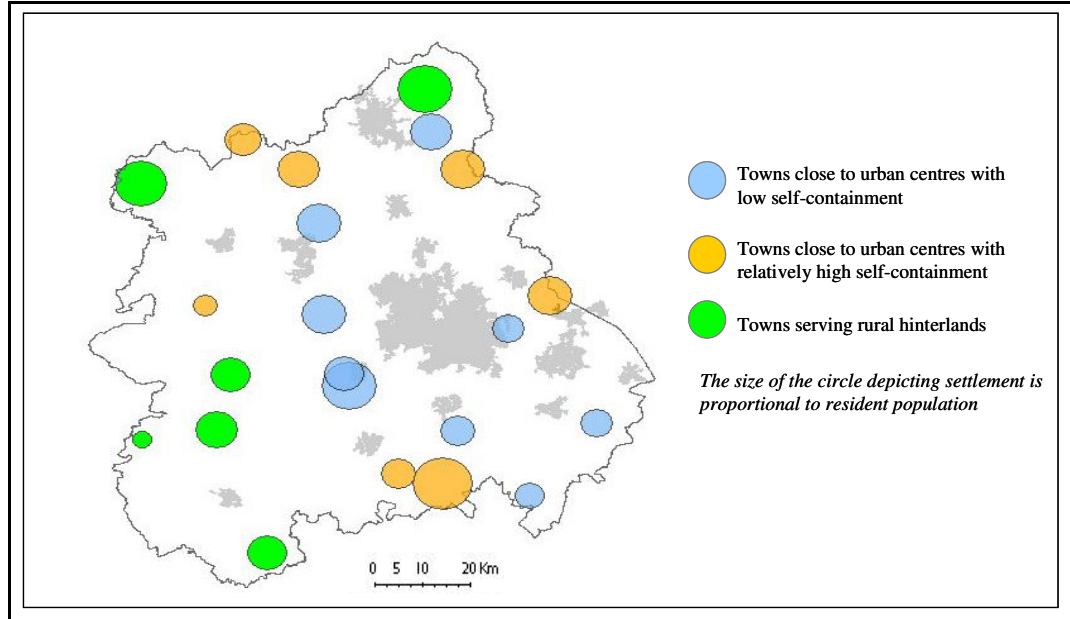
Type-2: Towns with moderate dependency on larger nearby settlements

- 4.17 Between the two groups of towns outlined above are others such as Atherstone, Evesham, Uttoxeter, Whitchurch, Church Stretton, Market Drayton and Pershore. These lie further in distance from the influence of the major urban centres than the Type-1 settlements, and provide higher levels of employment self-containment (between 45% and 55% of residents work in the town). All of these towns have a moderate net outflow of residents to work elsewhere, but this is generally less than the second group of towns described above which have a strong dependence on nearby urban centres.
- 4.18 Whereas Atherstone, Evesham and Pershore lie in the more urbanised east of the region and are within relatively close reach of the major urban areas of Birmingham and Uttoxeter and Market Drayton relatively close to The Potteries, Whitchurch and Church Stretton, both of which are relatively small towns, lie in the more rural west. Although these towns vary considerably in their industrial sectors of employment, it is significant that they share characteristics in terms of their functional relationships with other centres of population.

Mapping the market-town typology

- 4.19 When plotted on a map (see Figure 4-2), it is possible to identify relatively clearly the areas of the region in which 'self-standing towns' and those with 'high interdependence with urban areas' hold sway.

Figure 4-2: The 22 case study settlements and market town typology



Source: LUC, ©Crown Copyright

Further testing the market town typology

- 4.20 Working Paper IV provided the opportunity to test this typology and look in more detail at the inter-relationships between a number of market towns and their proximate urban centres. As well as travel to work, it examined softer linkages, such as patterns of newspaper circulation and transport links. The 'matched pairs' contained a case-study town from each of the three typologies:
- Leek (*Type 3*) and Stoke-on-Trent
 - Church Stretton (*Type 2*) and Shrewsbury
 - Bewdley (*Type 1*) and Kidderminster.
- 4.21 The findings of the research were complicated. Various 'cuts' of the data were presented in some detail in Working Paper IV. In part this complexity owed simply to differences in the scale of the settlements: across the three market towns, the size of the resident population ranged from Leek (19,000) to Church Stretton (just under 4,000). Similarly, the urban centres varied quite substantially, from Stoke-on-Trent (260,000) to Kidderminster (55,000).
- 4.22 Broadly, however, the three 'matched pairs' followed the typology. The economic and wider intangible linkages between Bewdley and Kidderminster were the closest of the three pairs. The research demonstrated that in many respects, Bewdley does indeed act as a 'satellite' town to Kidderminster. Church Stretton demonstrated close links to Shrewsbury, yet these links were less significant than those between Bewdley and Kidderminster. For example, some 11% of Church Stretton residents work in Shrewsbury compared to 22% of Bewdley's in Kidderminster. Also, while Church Stretton's out-commuting links are primarily north to Shrewsbury, its more intangible connections are south-facing with clear links to Ludlow and the rest of South Shropshire.

- 4.23 The relationship between Leek and Stoke-on-Trent was perhaps the most interesting, where contrary to the experience in the other matched pairs the balance of travel to work flows was positive for the market town: more people travel from Stoke-on-Trent to work in Leek than in the opposite direction. Nevertheless, Leek is highly self-contained and the impact of Leek on Stoke-on-Trent is relatively limited; commuters from the former account for around only 1% of employment in the larger urban area. Further, although Leek provides employment for Stoke-on-Trent residents, this represents under 1% of residents living in the larger town.
- 4.24 The complexity of the relationships, however, shows the danger of viewing these relationships in simple binary terms and the need to take into account the wider settlement geographies and the economic contexts in which the towns operate.

5: The economies of market towns and links to the economic performance of rural districts

- 5.1 The discussion in Chapter 3 explored the relationship between metrics of economic performance and the different classes of rural LADs: in very summary terms, it found that rural areas performed better than elsewhere in the region and that within this, **Rural-80** LADs tended to perform best of all. Chapter 4 then took a very different “cut” at economic relationships within rural areas by focusing on market towns and considering patterns of in- and out-commuting. On this basis it identified a three-way typology across twenty two case study settlements, tested by three ‘matched towns’.
- 5.2 As set out in Chapter 1, the rationale for this dual-pronged approach was to develop a more granular understanding of rural economies within the West Midlands region; to “unpack” the findings from district-level economic data, and – hence – to make recommendations with regard to policy. In order to start to synthesise the different findings it was clearly necessary to pull the two sets of analyses together and then to make some kind of assessment of their relative causal significance.
- 5.3 At a relatively simple level, Table 5-1 considers the relationship between our twenty two case study market towns on the one hand and the districts in which they are located – classified on Defra’s rural definition – on the other. The Table is limited by the fact that it is populated by a modest number of observations and hence the implications of it should not be taken too far. Nevertheless two, potentially important, conclusions might be drawn:
- first, *within Rural-80 districts, we can see the whole range of market town scenarios* – from those that are highly dependent on nearby urban centres (which must, by definition, be in another district) to those that are demonstrably free-standing towns
 - second, *market towns within the same LAD tend to be similar to each other in terms of the market towns typology*. Hence all three of the Herefordshire market towns are classed as “free standing” and both of the towns in each of Wyre Forest and all three in Stratford-upon-Avon are characterised by a high dependence on nearby urban centres.

Table 5-1: Mapping towns (and districts) in relation to (a) our market towns typology (vertical axis) and (b) Defra's rural definition of LADs (horizontal axis)

Classification	Other Urban LAD	Significant Rural LAD	Rural-50 LAD	Rural-80 LAD
Market town: "high dependence on nearby urban centres"	<ul style="list-style-type: none"> Newport (Telford and Wrekin) 	<ul style="list-style-type: none"> Stourport-on-Severn (Wyre Forest) Bewdley (Wyre Forest) 	<ul style="list-style-type: none"> Cheadle (Staffordshire Moorlands) Coleshill (North Warwickshire) 	<ul style="list-style-type: none"> Alcester (Stratford-upon-Avon) Southam (Stratford-upon-Avon) Bridgnorth (Bridgnorth) Shipston-on-Stour (Stratford-upon-Avon)
Market town: "moderate dependence on nearby settlements"		<ul style="list-style-type: none"> Uttoxeter (East Staffordshire) 	<ul style="list-style-type: none"> Atherstone (North Warwickshire) 	<ul style="list-style-type: none"> Evesham (Wychavon) Whitchurch (N Shropshire) Church Stretton (S Shropshire) Market Drayton (N Shropshire) Pershore (Wychavon)
Market town: "free standing towns"			<ul style="list-style-type: none"> Leominster (Herefordshire) Ross-on-Wye (Herefordshire) Kington (Herefordshire) Leek (Staffordshire Moorlands) 	<ul style="list-style-type: none"> Oswestry (Oswestry) Ludlow (S Shropshire)

Source: SQW

- 5.4 Although we are relying heavily on a relatively small number of case studies, the clear implication of both observations is that broad locations do matter: towns within the same district tend to operate in the same way whereas towns within different districts of similar type (on the Defra definition) often do not. Within predominantly rural areas, market towns are typically the spatial focus for economic activity. Hence this finding is important, particularly with regard to the apparently strong economic performance of **Rural-80** districts reported in both Chapter 3 and Working Paper I. *The implication is that the causes of strong economic performance in different **Rural-80** districts may vary quite substantially.*
- 5.5 In trying to unpack these arguments further, we are quickly hampered by the paucity of secondary economic data available at a small spatial scale: most economic data simply do not exist reliably at a level below LADs. Table 5-2, however, sets out the sectoral distribution of workplace-based employment for each of our case study market towns, based on ward-level data from the Annual Business Inquiry. These are grouped according to the market towns typology and their corresponding LAD is also shown. Potentially, this Table is important. It

describes the workplace-based economy within our market towns and it is this which is the determinant of workplace-based GVA (output). For many, this is the “real” economy, for it is the local generator of jobs which are potentially available to people who live locally; hence in principle, at least, the “commuting effect” is muted⁴.

5.6 Table 5-2 is quite complicated. In reviewing it, it is useful to consider two broad types of economic activity:

- *local services essentially reflecting the needs of the local population* which can be proxied through “banking, finance and insurance” and, particularly, “public administration, education and health”
- *economic activities which are oriented much more towards non-local consumers* which can be proxied – broadly – through “manufacturing”, together with “distribution, hotels and restaurants”.

⁴ In practice, the reality is not so simple for many jobs – particularly in those market towns which are demonstrably quite “open” economies – may be taken by in-commuters

Table 5-2: Summary of employment by Broad Industrial Group for the case study towns (segmented by type), the West Midlands and England as a whole (2005)

	District and classification	Agriculture and fishing	Energy and water	Manufacturing	Construction	Distrib., hotels and rest'ants	Transport and comms	Banking, finance and insurance	Public admin, education & health	Other services
	West Midlands	0.9%	0.6%	15.2%	4.5%	24.1%	5.6%	17.5%	26.8%	4.7%
	England	0.8%	0.5%	11.1%	4.5%	24.3%	6.1%	21.4%	26.2%	5.1%
1.	Coleshill N Warwicks (R-50)	0.3%	0.1%	<u>16.1%</u>	<u>12.7%</u>	<u>23.3%</u>	<u>13.7%</u>	<u>20.8%</u>	10.4%	2.7%
1.	Cheadle Staffs Moorl'ds (R-50)	0.0%	3.4%	<u>1.8%</u>	6.0%	28.5%	4.1%	6.4%	40.8%	8.9%
1.	Alcester Stratford-on-A. (R-80)	0.2%	0.1%	<u>14.3%</u>	<u>4.0%</u>	26.4%	1.8%	22.9%	<u>26.3%</u>	3.9%
1.	Southam Stratford-on-A. (R-80)	0.4%	0.0%	<u>23.2%</u>	<u>3.7%</u>	30.3%	4.0%	18.1%	<u>16.7%</u>	3.6%
1.	Ship-on-Str Stratford-on-A. (R-80)	0.0%	0.0%	<u>19.6%</u>	<u>10.6%</u>	21.9%	1.0%	18.1%	<u>25.3%</u>	3.5%
1.	Newport Telford & Wre. (OU)	0.7%	0.0%	6.1%	7.8%	36.0%	2.2%	13.4%	29.5%	4.4%
1.	Bewdley Wyre Forest (SR)	0.3%	0.6%	<u>2.5%</u>	2.2%	23.3%	1.8%	17.4%	<u>38.6%</u>	<u>13.2%</u>
1.	Strprt-on-Sev Wyre Forest (SR)	0.3%	0.2%	<u>29.5%</u>	5.4%	21.4%	2.3%	14.9%	<u>22.1%</u>	<u>3.9%</u>
1.	Bridgnorth Bridgnorth (R-80)	0.1%	0.1%	19.9%	4.4%	32.1%	1.9%	14.7%	22.7%	4.2%
2.	Ch Stretton S Shropshire (R-80)	0.0%	0.0%	<u>16.1%</u>	5.4%	<u>31.0%</u>	2.8%	9.6%	25.9%	9.2%
2.	Evesham Wychavon (R-80)	0.1%	0.9%	<u>7.3%</u>	4.8%	<u>33.8%</u>	4.2%	17.9%	25.0%	6.1%
2.	Pershore Wychavon (R-80)	0.9%	0.0%	<u>20.0%</u>	6.1%	<u>18.4%</u>	4.1%	13.0%	31.6%	5.9%
2.	Uttoxeter East Staffs (SR)	0.0%	0.2%	33.1%	3.5%	27.0%	2.7%	11.9%	17.1%	4.5%
2.	Whitchurch N Shropshire (R-80)	0.0%	0.0%	<u>12.3%</u>	4.8%	<u>38.6%</u>	6.4%	9.5%	<u>24.1%</u>	4.4%
2.	M Drayton N Shropshire (R-80)	0.0%	0.0%	<u>40.6%</u>	4.8%	<u>20.0%</u>	9.9%	6.3%	<u>15.3%</u>	3.0%
2.	Atherstone N Warwicks (R-50)	0.0%	0.2%	<u>24.2%</u>	<u>4.5%</u>	<u>14.8%</u>	<u>24.4%</u>	<u>13.3%</u>	16.2%	2.4%
3.	Kington Herefordshire (R-50)	1.7%	0.2%	12.7%	<u>7.2%</u>	25.6%	6.2%	<u>8.9%</u>	<u>31.0%</u>	6.6%
3.	Leominster Herefordshire (R-50)	0.0%	0.0%	11.3%	<u>10.4%</u>	30.1%	6.0%	<u>11.0%</u>	<u>25.8%</u>	5.4%
3.	Ross-on-Wye Herefordshire (R-50)	0.0%	0.0%	14.4%	<u>2.8%</u>	31.0%	5.3%	<u>17.9%</u>	<u>22.2%</u>	6.3%
3.	Oswestry Oswestry (R-80)	0.3%	0.5%	16.9%	4.1%	34.2%	7.0%	11.7%	21.2%	4.2%
3.	Ludlow S Shropshire (R-80)	0.4%	0.8%	<u>10.6%</u>	5.0%	<u>37.3%</u>	2.6%	10.1%	25.4%	7.8%
3.	Leek Staffs Moorl'ds (R-50)	0.0%	0.2%	<u>12.8%</u>	2.0%	21.5%	1.8%	26.2%	31.3%	4.2%

Source: ABI, 2005 Note: In the first column, towns prefixed by 1 are classed as having a high dependence on nearby urban centres; those by 2 as having a moderate level of dependency on other settlements; and those by 3 as being relatively free standing. Within the body of the Table, figures are in bold and underlined where results for different towns in the same LAD appear to be really quite different

5.7 From Table 5-2, we can make the following observations.

- the proportion of local employment in local services is much more variable within our Type-1 market towns (those that have high dependencies on nearby local centres) than within those categorised as Type-3 (free-standing). For example
 - for “banking, finance and insurance”, the figures range from 6.4% of local employment in Cheadle to 22.9% in Alcester among the Type-1 towns; this may suggest that residents of Cheadle are accessing key local services from another centre. Amongst the Type-3 free standing market towns, the range is from 8.9% in Kington to 17.9% in Ross-on-Wye if Leek, as home to the headquarters of a national building society is on this occasion excluded from the analysis
 - similar arguments can be made with regard to “public administration, education and health”, but here, the differentials are much greater:
 - amongst the Type-1 market towns, local employment in the sector ranges from 10.4% in Coleshill to 40.8% in Cheadle – a difference of 30 percentage points
 - amongst the Type-3 market towns, local employment in the sector ranges from 21.2% in Oswestry to 31.0% in Kington and Leek – a difference of 10 percentage points.
- with regard to the outward-facing sectors, the picture appears to be more variable:
 - the incidence of manufacturing employment ranges from 10.6% to 16.9% across the Type-3 towns – a differential of about six percentage points. Conversely across the Type-1 towns, the variation is much greater – from 1.8% in Cheadle to 29.5% in Stourport-on-Severn – a differential of over 25 percentage points
 - however, in “distribution, hotels and restaurants” – the best proxy we have for tourism – it is the Type-3 towns which appear to be more differentiated in their character especially given the smaller number of towns present: employment in the sector ranges from 21.5% in Leek to 37.3% in Ludlow.

5.8 The analysis deriving from Table 5-2 should not be taken too far – not least because ABI is known to contain sampling and other errors and we are using it at a disaggregated scale which is where the compound consequences of errors tends to be greatest. However in terms of the economic characteristics of different market towns, we appear to be observing the following:

- although there is a hierarchy within them, Type-3 market towns appear to have a similar profile in local services which is consistent with their relatively self-contained character. In general, their economies appear to be less specialised than other market towns. However there is one exception which is tourism-related activity: this appears to be a strong feature of some Type-3 market towns but not others

- the economic structure of Type-1 market towns appears to be much more variable: some have strong specialisms in local services but others do not, suggesting flows in relation to local services (such as healthcare and education). Additionally, some intrinsically outward facing sectors also display a great deal of variability, the clearest example being employment in manufacturing.
- 5.9 Tourism aside, the implication of these arguments is a more advanced division of labour within and between the Type-1 towns than those classed as Type-3, with a correspondingly greater reliance on trade and the flow of goods and services, as well as labour. Classical economics would suggest that these economies are potentially more competitive but also more vulnerable. In terms of rural policy – bearing in mind that all but one of our case study towns are located in a district which is classed by Defra as “rural” – the implications of these differences are potentially really quite important.
- 5.10 However, this conclusion needs to be put in the context of Table 5-1. **Rural-80** districts, in particular, comprise an amalgam of Type-1 and Type-3 market towns (and also Type-2). Hence it is most unlikely that a single policy response is likely to be appropriate. *Instead, a finer grained understanding of rural areas is needed in which the differential impacts of flows are considered alongside population-based measures of rurality.*

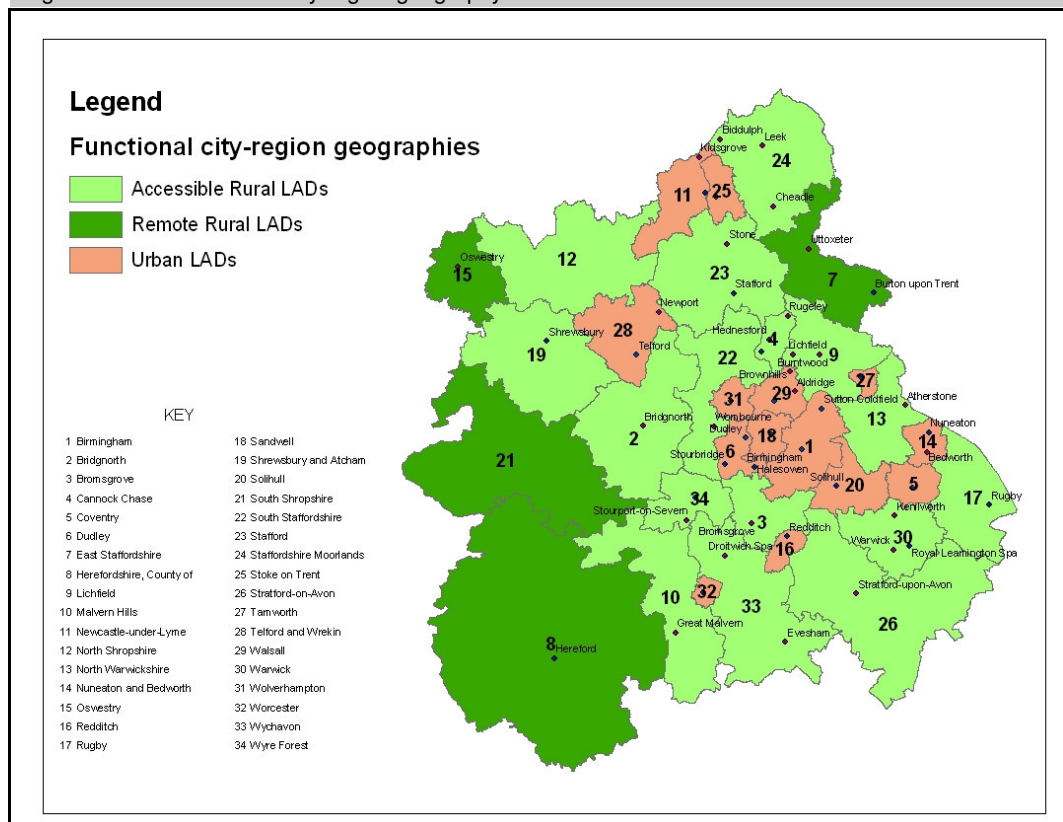
A possible way forward

- 5.11 But this conclusion leaves unresolved the pragmatic questions of how to interpret district-level data and, second, how best to use Defra’s district-based rural definition; neither can simply be abandoned and ignored. One possibility that AWM may wish to consider is a categorisation of LADs which treats commuting flows in relation to larger urban areas as the first “cut” and the Defra rural definition as the second. Figure 5-1 overleaf is based on some work completed by SQW for Defra in which LADs were categorised as being inside or outside of functional city-regions⁵. LADs were classified as being within city-regions (defined in relation to the 39 nodes identified within a study produced by then-ODPM⁶) if they met both of two key criteria:
- first, the outflow of commuters from the source District to the node must be at least 10% of the total outflow from the source District; and
 - second, the outflow of commuters from source District to node must be at least 5% of all workers who live in the source District.

⁵ *Economic Performance of Rural Areas Inside and Outside of City-Regions: Final Report to Defra* (SQW/CE, 2006)

⁶ *A Framework for City-Regions* Study completed by Alan Harding, Simon Marvin and Brian Robson, for ODPM, February 2006

Figure 5-1: The functional city-region geography of the West Midlands



Source: SQW/CE, ©Crown Copyright

5.12 In the West Midlands, there are 16 rural districts that are ‘Accessible Rural LADs’, that is falling within city-region geographies defined on this basis⁷, and four that are ‘Remote Rural LADs’, falling outside of city-region geographies: East Staffordshire (**Significant Rural**), Herefordshire (**Rural-50**), and Oswestry and South Shropshire (both **Rural-80**). It is noticeable, firstly, that three of these Remote Rural LADs are Defra PSA4 indicator districts and hence have some shared socio-economic characteristics. Second, it is apparent – as Table 5-3 demonstrates – that the fit between the market town typologies and this second, district-based, taxonomy is much closer. In short, Type-1 market towns tend to be within LADs classed as “Inside City-Regions” whilst Type-3 market towns are in LADs “Outside City-Regions” which are mainly in the west of the region, but also include East Staffordshire in the east, with the sole exception in terms of market towns of Leek in Staffordshire Moorlands.

⁷ Bridgnorth, Bromsgrove, Cannock Chase, Lichfield, Malvern Hills, North Shropshire, North Warwickshire, Rugby, Shrewsbury and Atcham, South Staffordshire, Stafford, Staffordshire Moorlands, Stratford-on-Avon, Warwick, Wychavon and Wyre Forest

Table 5-3: Mapping towns (and districts) in relation to (a) our market towns typology (vertical axis) and (b) a functional city-region-based definition of LADs (horizontal axis)

Classification	Remote Rural LADs - Outside City-Region	Accessible Rural LADs - Inside City-Region	LAD within Urban Node
Market town: “high dependence on nearby urban centres”		<ul style="list-style-type: none"> Stourport-on-Severn (Wyre Forest) Bewdley (Wyre Forest) Cheadle (Staffordshire Moorlands) Coleshill (North Warwickshire) Alcester (Stratford-upon-Avon) Southam (Stratford-upon-Avon) Shipston-on-Stour (Stratford-upon-Avon) Bridgnorth (Bridgnorth) 	<ul style="list-style-type: none"> Newport (Telford and Wrekin)
Market town: “moderate dependence on nearby settlements”	<ul style="list-style-type: none"> Uttoxeter (East Staffordshire) Church Stretton (S Shropshire) 	<ul style="list-style-type: none"> Evesham (Wychavon) Pershore (Wychavon) Whitchurch (N Shropshire) Market Drayton (N Shropshire) Atherstone (N Warwickshire) 	
Market town: “free standing towns”	<ul style="list-style-type: none"> Leominster (Herefordshire) Ross-on-Wye (Herefordshire) Kington (Herefordshire) Oswestry (Oswestry) Ludlow (S Shropshire) 	<ul style="list-style-type: none"> Leek (Staffordshire Moorlands) 	

Source: SQW

5.13 To some extent at least, there is a certain tautology with regard to Table 5-3 for both classification systems are based around commuting flows. However to the extent that aggregate district data will continue to need to be used as a measure of rural economic performance, it would appear to be functionally more meaningful than the Defra taxonomy. If policy – and funding – decisions need to be defined at a LAD level, then the taxonomy set out in Figure 5-1 would appear to be a reasonable basis for moving forward.

6: Emerging implications

Synthesis

- 6.1 Overall, Defra recognises 20 of the West Midlands' 34 LADs to be "rural" on the basis of its 2005 classification. But these administrative units cut across the functional complexity described in the previous Chapters.
- 6.2 For a few LADs – and Oswestry is one example – the relationship between the market town, the surrounding rural area and the LAD boundaries is a reasonable one; hence drawing straightforward inferences with regard to the character of the local economy on the basis of district-level data is quite reasonable. On a bundle of indicators, the Index of Local Competitiveness 2005 (developed by Robert Huggins and Associates), for example, gives Oswestry a ranking of 253 among 434 UK LADs (where a rank of 1 implies the strongest performing LAD, and 434 the worst). As shown in Table 6-1 below, Oswestry is mid-range on most of the indicators, although its relative performance is stronger on economic activity rates (ranked 37) and weaker on innovation (ranked 354 on the proportion of knowledge-based businesses) and earnings (376 on gross weekly workplace-based pay). With further investigation, appropriate policy responses ought to be possible.

Table 6-1: Indicators used to derive the UK Competitiveness Index 2005

Indicator	LAD ranking (1 = most competitive; 434 = least)	
	Oswestry	Stratford-on-Avon
Employment rate as a % of working-age people (Dec 2003-Nov 2004)	223	116
% of working-age population with NVQ Level 4+ (Mar 2003-Feb 2004)	128	191
Business Start-Ups (2003)	163	18
Business Density (2003)	131	20
Gross weekly workplace-based (full-time) pay (2003)	376	103
Estimated claimant count as a proportion of resident working age population (2004)	191	72
Economic activity rate as a proportion of working-age population (2003)	37	16
Proportion of Knowledge-Based Businesses (2003)	354	99
GVA per capita (2002)	284	102
UK Competitiveness Index 2005 (overall ranking)	253	58

Source: Robert Huggins Associates

- 6.3 However, in most other cases the relationships are more complicated. Stratford-upon-Avon is a case in point. On the face of it, this is a strongly performing **Rural-80** LAD; indeed on the Index of Local Competitiveness 2005, it is the highest ranking district in the West Midlands and the 58th best performing LAD across the UK. But this needs to be recognised in terms of the complicated geography of flows of people, goods and services within and between places within the district and outside. It is notable that – as a district – Stratford-upon-Avon performs much more strongly on some dimensions of the Index (e.g. economic activity rate, business start-ups and business density) than others (e.g. GVA per capita, workplace-based pay, employment rate, and higher level qualifications; note that the poor performance on per capita GVA and workplace-based pay is consistent with net out-commuting). In this context, the growth of high quality jobs locally ought to be a priority even though unemployment rates are low and – presumably – there may be issues with regard to the supply of employment land. At first sight, the regional/national case for interventions of this nature in what appears to be the best performing LAD in the region may appear counter-intuitive, but there are grounds for making the case strongly.
- 6.4 Arguably – particularly with regard to rural areas within functionally-defined City-Regions – flows are integral to what much of the contemporary rural economy actually is: *suggesting that somehow the flows mask the “real picture” is – in some respects – missing the point.* However another perspective can also be ventured. First, for individuals who are unable to participate fully in the “economy of flows” – perhaps because they do not have access to a car, or they have caring responsibilities at home – the risk of economic exclusion is apparent. Second, serious questions must be asked with regard to the economic and environmental sustainability of economies in rural areas which appear to be strongly shaped by the continual movement of people using private means of transport (i.e. cars). What, in this situation, might be the impact of a significant increase in fuel prices and in this event, would the apparent economic resilience portrayed in the district level data suddenly disappear?
- 6.5 Against this backdrop – and as evidenced by the Type-3 market towns – the apparent robustness of local economies in the far west of the region (which are outside functionally-defined City-Regions) is, perhaps, worthy of particular consideration. Here, in general, workplace-based and residence-based earnings are more closely aligned, levels of self containment are higher and – in at least some market towns – the incidence of home-working (across a variety of sectors including agriculture) is much greater. On the face of it, this scenario appears closer to a sustainable rural community and on that basis, its continued well-being is worthy of support – whether or not this has any resonance with the priority clusters identified in the current West Midlands Economic Strategy (WMES)⁸. But there is a second, less sanguine, interpretation: is self-containment and sustainability simply an illusion borne out of necessity and limited opportunity, rather than choice?

Wider policy Implications

- 6.6 These different vantage points are important and the implications of them are worthy of consideration in the development and implementation of rural policy in the region. The

⁸ Delivering Advantage: The West Midlands Economic Strategy and Action Plan 2004-2010 (Advantage West Midlands, 2004). Note that the recently published consultation draft of the revised WMES moves away from the previous strategy's focus on business clusters as a regional delivery vehicle.

findings explored in this Overview Report, and the detail contained within the accompanying Working Papers, should help to inform the delivery of the current WMES and review of the Regional Spatial Strategy, and provide intelligence to feed into the forthcoming update of the Rural Renaissance Framework.

- 6.7 Table 6-2 provides a summary assessment. It contrasts the Type-3 market towns (and corresponding Remote Rural LADs, outside functionally-defined City-Regions) from the Type-1 settlements (and associated Accessible LADs inside functionally-defined City-Regions). Both are rural – and **Rural-80** LADs appear in both – but the core economic characteristics and drivers are different, as are the primary imperatives with regard to rural sustainability.

Table 6-2: Policy implications arising from the West Midlands Rural Economy Study

Rural area type	Key conclusions and policy imperatives
Type-1 market towns / Accessible Rural LADs inside functional city-regions	<p>The economy in rural areas is strongly influenced by flows – of people and of goods and services. This means that:</p> <ul style="list-style-type: none"> the roles of different market towns ought to be defined and developed in ways that are complementary and build on their relative strengths the nature of relationships to the conurbations / major urban areas within the West Midlands ought to be examined in depth such that appropriate investments can be made there may be a need to develop better jobs locally, so that local people have greater employment opportunities and the need for commuting is reduced steps need to be taken to ensure that individuals and communities which are unable to participate fully in an “economy of flows” are not seriously disadvantaged consideration ought to be given to the resilience of local economies and the possible impacts arising from radically different costs of transportation appropriate forms of employment land allocation and development ought to be encouraged to defend market towns from dormitory status the challenges and opportunities facing rural areas need to be considered as an integral part of wider city-region dynamics – hence the consequences of, for example, urban renaissance need to be considered in terms of their impacts on rural areas and market towns. At the same time, steps need to be taken to conserve the distinctive character of rural areas. Rural areas need to be treated – in terms of resource allocation and policy thinking – as an integral part of the agglomeration processes that make city-region economies competitive in the round: an holistic spatial approach is needed
Type-3 market towns / Remote Rural LADs outside functional city-regions	<p>The economy in rural areas is relatively free-standing and rural areas typically are “unaligned” in terms of geographies of flows. This means that:</p> <ul style="list-style-type: none"> particular consideration should be given to the scope and potential of home-working which is already a distinctive and significant part of the local economy. This has many potential implications including in relation to ICT/broadband, etc. and actions to facilitate local business-to-business networking, etc. notwithstanding the fact that the fit between market town economies and the priority sectors/clusters identified by AWM and its partners may be a poor one, the essential coherence of the local economy needs to be supported through relevant forms of business support and the like for some market towns, tourism is a dominant sector locally and one in which distinctive specialisms exist. These can and should be developed, recognising that not every market town can or should aspire to be a major tourism destination there is a need to recognise that the economy in rural areas is not synonymous with agriculture; appropriate forms of business support are needed which recognise their contemporary form market towns and economies in other rural areas need to be encouraged to innovate and evolve; they cannot be fossilised but at the same time, they should

Rural area type	Key conclusions and policy imperatives
	not be treated as off-shoots of metropolitan areas. In this context informed local leadership and “place shaping” is likely to have a significant contribution to make.

Source: SQW Consulting

Implications for Business Support

- 6.8 Within the context provided by Table 6-2, we can explore one aspect of policy for rural areas in a little more detail, thereby responding to the final element of the original brief as set out in paragraph 1.1. Working Paper V examined the implications of the findings of the four earlier Working Papers in relation to the delivery of business support in rural areas. It identified three routes to wealth creation – new start businesses, established enterprises and inward investors – and it recognised that each of these processes occurred against a spatial backdrop that could be considered in terms of the typology set out above. However it also argued against taking this too far: although the mix might vary, the processes of wealth creation are similar across different rural areas, but what also needs to be recognised is the context in which support might be delivered.
- 6.9 Hence it argued – given the high level of self containment – that business support delivered within the Type-3 market towns was unlikely to experience significant leakage and hence the use of market towns as hubs for business support was welcomed. Conversely, those businesses operating in the Type-1 market towns were more likely to be part of diffuse networks and – particularly where the associated firms had a strong knowledge base and strong growth potential – links with wider and more “place-less” regional ventures were encouraged.
- 6.10 Beyond this, it suggested that many of the “basics” in terms of the development of rural businesses simply needed to be “got right”. The need for employment provision is universal – and everywhere it is a challenge. Equally, for all businesses in rural areas, it is important that good use is made of the available broadband infrastructure. Finally, it argued that the economic role of in-migrants ought to be recognised fully and supported (including in relation to homeworking) as appropriate. As argued in paragraph 3-2 of this Overview Report, the population of the rural West Midlands has grown quickly and self-employed in-migrants account for significant levels of job creation in rural areas – both remote and accessible.
- 6.11 A summary of key possible interventions with regard to the rural economy is provided in Table 6-3.

Table 6-3: Key considerations with regard to rural business support

	Challenge/opportunity	Possible response(s)
Homeworking	Homeworking is a growing phenomenon and it has many benefits – including the fact that more working age people are within rural communities during the working day. However there are some drawbacks and the carbon footprint linked to homeworking is quite problematic (as more houses are heated during the day)	Already there are examples within the West Midlands of networking hubs for home-based businesses. These potentially offer locations for meetings, the delivery of business support and more informal networking

	Challenge/opportunity	Possible response(s)
Micro-businesses	The incidence of micro-businesses within the rural economy is high. At one level this is indicative of high levels of entrepreneurship – and is therefore to be encouraged. However in supporting business growth, very small enterprises are difficult – and, on a unit cost basis, expensive. There is a need to respond creatively to some of the surrounding challenges	Within the West Midlands there is a need to understand the profile of rural micro-businesses better. Some research has been completed nationally – notably in the North East – and this suggests that between a third and a half of micro-enterprises have no aspiration to grow. However the implication is that a proportion do want to grow. In terms of building the rural economy, it will be important to support those with genuine growth ambition. In this context, skills and workforce development may be key
Larger businesses at the hub of complex supply chains	There is a need to recognise the wider significance of some of the larger enterprises within rural areas, including in relation to their supply chains	There is a need for economic development officers and others to stay close to the major players and take steps to ensure that local authorities and others are aware of business needs
Broadband infrastructure	In the main, rural businesses now have good broadband access. However not all businesses are using this to the full. Additionally there is the prospect of a second digital divide in the context of Next Generation Broadband	There is a need to ensure that more businesses make better use of the broadband infrastructure that does exist; this may well have implications in terms of training, etc.
Employment provision	Employment provision (land and premises) is under a good deal of pressure in many areas	Employment provision needs to be conserved and – in recognition of the increasing proportion of economic activity that is not physically based on designated employment land – there is a need to be flexible in the use of buildings, etc.
In-migration	In-migration is a key feature of many rural communities and there is evidence that it can be a catalyst for significant economic growth. However locally it can be met with suspicion	Possibly more needs to be done to inform local people about the positive economic benefits of in-migration and the economic opportunities that are created as a result Steps could be taken to ensure that in-moving entrepreneurs are quickly networked to potential local customers and suppliers, etc.
Links to big urban markets	Rural businesses within the West Midlands have on their doorstep opportunities linked to a major urban market	Providers of business support in rural areas ought to work this hard, facilitating access to market, etc. for rural enterprises
Sectoral specialisms	It should be recognised that within rural areas there are some specialised businesses, a proportion of which have significant growth potential and are knowledge intensive	Particularly where local businesses are knowledge-based and are selling to national or international customers, steps should be taken to ensure that they are included within regional sector-development initiatives – not just those that are locally focused. This includes, in particular, those encouraging innovation

Source: SQW Consulting