

# **Defra Rural PSA 4 Final Report Headline Productivity, Intermediary Economic and Access to Services Indicators**

**Strong Rural Communities Programme, Defra  
2008**

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## 1. Introduction

Defra signed up to Public Service Agreement 4 (PSA 4) in 2004 to “Reduce the gap in productivity between the least well performing quartile of rural areas<sup>1</sup> and the English median by 2008, demonstrating progress by 2006 and improve the accessibility of services for people in rural areas”<sup>2</sup>. PSA4 covered the previous spending review period from 2004/5 to 2007/8.

PSA 4 was the first measure to be based on the urban/rural definition and classification which were also launched in 2004. At this point there were significant gaps in the evidence base relating to the outcomes experienced by rural people and places. The PSA was a key driver in the development of a significantly improved evidence base. However as our knowledge about rural areas developed it became increasingly clear that the component parts of this PSA did not add up to an effective measure of the social and economic outcomes in rural communities. This is why we are now focusing on ensuring rural needs are addressed in mainstream policies, with reliable sources of data and a clear focus on outcomes.

For CSR07 Defra has adopted a Departmental Strategic Objective (DSO) - Strong Rural Communities which we believe will provide us with an improved framework for measuring socio-economic outcomes in rural areas. A significant step forward in the DSO, when compared to PSA 4, is the creation of an improved headline indicator for measuring rural productivity which matches the GVA-based method currently advocated and employed at the regional level<sup>3</sup>. This has been developed in conjunction with the ONS Economic Analysis Division and is consistent with the methodology used to construct the regional GVA figures.

This report addresses the PSA 4 reporting requirements against the PSA 4 headline indicator, the supporting suite of intermediary economic indicators and all those access to services indicators against which it is possible to report for the period covered by this PSA.

Looking forward, the Department will be reporting regularly on its progress towards delivering its new Departmental Strategic Objective (DSO) on Strong Rural Communities, which, as set out above, includes a new and improved measure of productivity. This will therefore be the final report on PSA4 under the previous Spending Review period.

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<sup>1</sup> For an explanation of indicator districts, see annex 1

<sup>2</sup> <http://defraweb/corporate/busplan/spending-review/psa2004.htm>

<sup>3</sup> [http://www.statistics.gov.uk/about/data/guides/productivity/downloads/ProductivityHandbook\\_Chapter11.pdf](http://www.statistics.gov.uk/about/data/guides/productivity/downloads/ProductivityHandbook_Chapter11.pdf)

## 2. PSA 4 Headline and Intermediary Indicators

### 2.1 Headline Productivity Indicator

Productivity is a measure of economic success, and in the context of this PSA, it was intended to gauge whether economic conditions in rural areas with relatively poor economic performance are improving.

In technical terms, the objective can be met if, for a proxy measure of productivity at the Local Authority District (LAD) level, the gap between the Indicator Districts and the English Median in 2008/09, as demonstrated by the trend from 2003/04 to 2008/09, is significantly smaller than the gap at the end of the baseline period (2002/03) as demonstrated by the trend over the baseline period (1999/2000 to 2002/03).

The headline indicator for measuring productivity under PSA 4 is 'average employment income of working age residents, weighted by employment rate', used as a proxy for productivity. In recognition of delays over the data which support the headline indicator, and its imperfect nature as a productivity measure, Defra also tracked a set of intermediary indicators to supplement our knowledge of rural economic performance. These indicators are presented and analysed below in section 2.2 of this report.

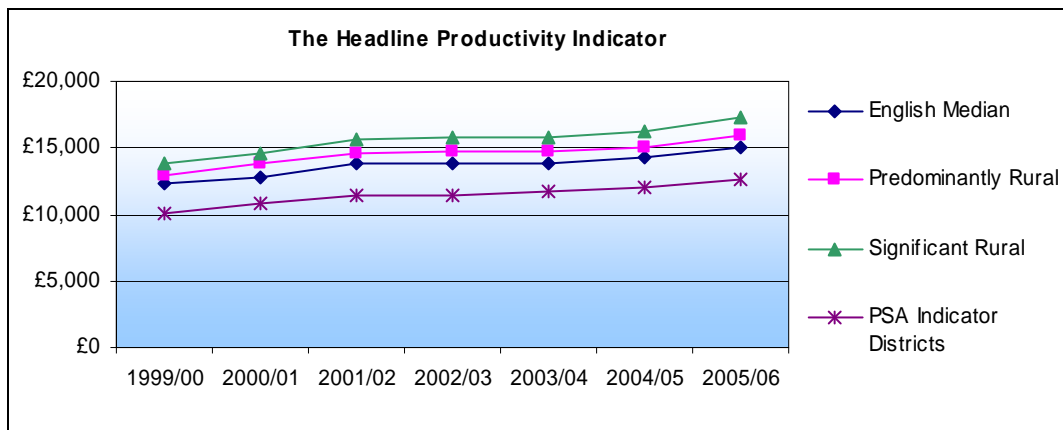
The first indicator is the headline productivity proxy indicator, established under PSA4, and which all other indicators seek to supplement to provide a more rounded picture of economic performance.

Headline proxy productivity indicator: Average employment income of residents of working age weighted by employment rate (excluding economically inactive full-time students)<sup>4</sup>

Headline Indicator	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
English Median	£12,340	£12,750	£13,870	£13,900	£13,850	£14,260	£15,050
Predominantly Rural	£12,910	£13,770	£14,560	£14,680	£14,700	£15,020	£15,920
Significant Rural	£13,900	£14,640	£15,700	£15,740	£15,780	£16,300	£17,310
PSA Indicator Districts	£10,070	£10,860	£11,400	£11,490	£11,660	£11,980	£12,560

Source: ONS, Labour Force Survey and HMRC Survey of Personal Incomes

<sup>4</sup> These series are the means of the relevant districts' scores (predominantly rural districts, significant rural districts, PSA indicator districts) weighted by working age rural population. As a result, means for urban districts have been omitted.



- Statistically, between the baseline and 2005/06, the gap between the Indicator Districts and the English median has remained relatively unchanged. The English median has increased by 22% from just over £12,000 in 1999/00 to around £15,000 in 2005/06.
- The PSA indicator districts figure has increased by £2,490 (25%) over the same period.
- Overall, rural areas report higher residence-based average earnings over time than the English median with significant rural areas reporting higher earnings than the predominantly rural areas. In 2005/06, average residence-based earnings in the significant rural category was over £2,000 higher than the English median.
- The PSA4 indicator districts report lower earnings than the English median over the time period, at around £2,500 lower.

## 2.2 Intermediary Indicators

This section presents the trend across the suite of PSA 4 intermediary indicators since 1999/00, the start of the baseline period for comparison. These indicators were used, along with the headline indicator, to analyse progress towards the PSA4 target.

The national results presented in the tables and graphs below compare the PSA4 indicator districts' average with the national average for each measure. Local Authority Districts are also disaggregated, using the rural/urban classification, and grouped into Predominantly Rural (the most rural districts: Rural 80 and Rural 50); Significant Rural; and Urban (Major Urban, Large Urban and Other Urban). The PSA4 indicator districts are a subset of the Predominantly Rural and Significant Rural districts<sup>5</sup>.

The England figure for each indicator presents the national trend, and the breakdown by area will show whether these trends in the economy have had a differential impact in rural areas.

The evidence shows that across the total set of indicators rural areas as a whole perform well compared to the national average, particularly in relation to employment, enterprise and skills. However, they fare less well on innovation, investment and earnings, particularly when the PSA 4 indicator districts are considered in isolation.

### 2.2.1 Earnings Indicators

<sup>5</sup> <http://defraweb/rural/ruralstats/rural-definition.htm>

Worker productivity is reflected by wage rates and annual earnings, and measures of earnings and wages are therefore used as proxy indicators for monitoring trends in productivity over time. The headline indicator uses residence-based earnings, but workplace-based earnings indicators have also been included to reflect the fact that people do not always live and work in the same place. Many people who live in rural areas commute in to cities and towns to work.

**2.2.2 Average earnings of workplace based employees**

	2000	2001	2002	2003	2004	2005	2006
England	£19,370	£20,280	£21,130	£21,850	£22,840	£23,980	£24,950
Predominantly Rural	£16,520	£17,350	£18,060	£18,630	£19,240	£20,230	£20,960
Significant Rural	£17,960	£18,610	£19,560	£20,260	£21,350	£21,850	£22,350
Urban	£20,680	£22,410	£23,000	£23,330	£24,190	£25,650	£26,860
PSA Indicator Districts	£15,100	£15,640	£16,320	£17,180	£17,500	£18,620	£19,170

Source: Annual Survey of Hours and Earnings, Labour Force Survey, Office for National Statistics



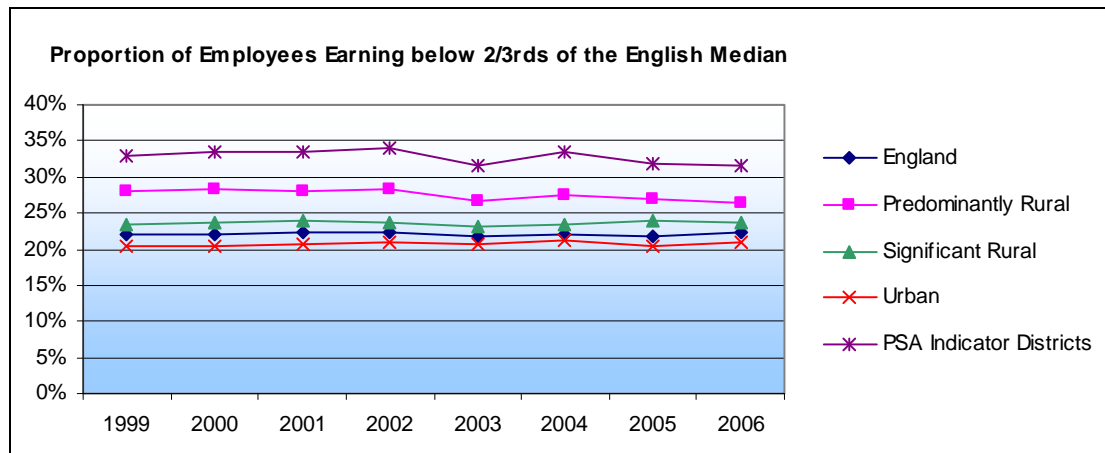
- Nationally this indicator has experienced an upward trend over time, from around £19,500 in 2000 to £25,000 in 2006, with an increase of around £1,000 between 2005 and 2006.
- Over the time period, rural areas have experienced lower annual earnings than urban areas, with predominantly rural areas having lower earnings than significant rural areas, but both performing below the national average.
- The PSA4 indicator districts perform least well out of all the categories, but has risen over time from £15,000 in 2000 to £19,000 in 2006.

**2.2.3 Percentage of employees earning below two thirds of the English Median (hourly workplace based pay)**

Percentage of Employees earning below 2/3rds English Median (hourly workplace based pay)								
	1999	2000	2001	2002	2003	2004	2005	2006
England	22.2%	22.1%	22.4%	22.4%	21.7%	22.2%	21.8%	22.4%
Predominantly Rural	28.2%	28.3%	28.0%	28.3%	26.6%	27.4%	27.0%	26.5%

Significant Rural	23.3%	23.8%	24.0%	23.5%	23.1%	23.5%	24.0%	23.7%
Urban	20.5%	20.5%	20.7%	20.8%	20.8%	21.2%	20.5%	20.9%
PSA Indicator Districts	32.9%	33.4%	33.5%	33.9%	31.6%	33.5%	31.9%	31.5%

Source: Annual Survey of Hours and Earnings, Labour Force Survey/Annual Population Survey, Office for National Statistics



- Nationally, this indicator has remained around 22% since 1999 with a 0.6% increase between 2005 and 2006.
- Since 1999, rural areas have experienced higher percentages than urban areas, and these percentages increase with increasing rurality. Significant rural areas typically hover slightly above the national average at 23% over the time period, whereas predominantly rural areas hover around 28%, with a fall down to 26.5% in 2006. Urban areas experience percentages slightly less than the national average at around 21%.
- The PSA4 indicator districts perform least well out of all the categories, fluctuating at a rate around 33%, with a fall similar to that in predominantly rural areas in 2006 to 31.5%.

## 2.3. Employment Indicators

Productivity differences across areas are a function of worker productivity and the proportion of the population in employment. The employment rate of the working age population is used to indicate employment differences across areas, which is influenced by the extent of successful job seeking activities.

Unemployment represents a waste of resources and underproduction, compared to its potential output. It is also a key indicator in analysing regional productivity differences.

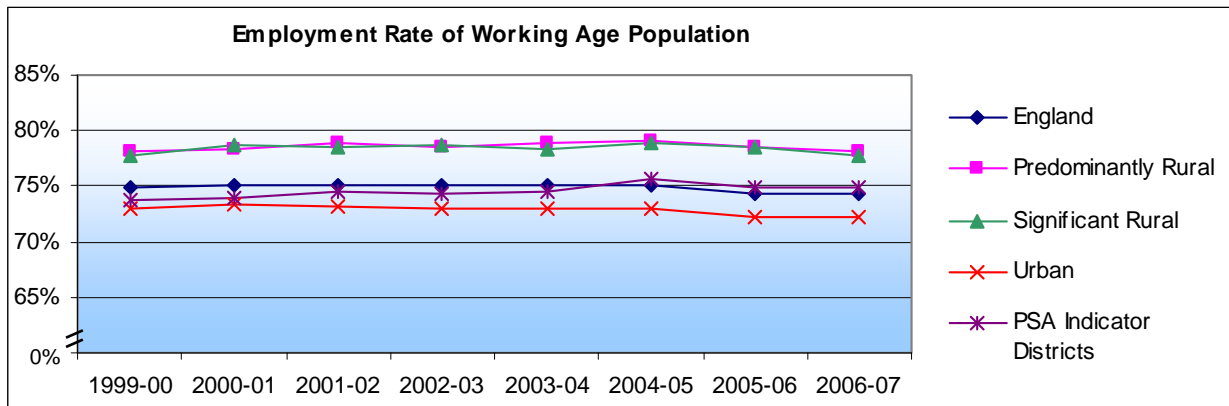
The indicators analysed below indicate that rural areas have higher rates of employment, and lower rates of unemployment, than urban areas. The PSA4 indicator districts perform less well than rural areas as a whole, but perform better than urban areas.

### 2.3.1. Employment rate of working age population

Employment Rate of Working Age Population								
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
England	74.8%	75.2%	75.1%	75.0%	75.0%	75.1%	74.4%	74.3%
Predominantly Rural	78.2%	78.4%	78.8%	78.4%	79.0%	79.0%	78.5%	78.2%

Significant Rural	77.8%	78.8%	78.6%	78.7%	78.4%	78.9%	78.4%	77.7%
Urban	73.0%	73.3%	73.1%	73.0%	72.9%	73.0%	72.1%	72.2%
PSA Indicator Districts	73.8%	74.0%	74.5%	74.4%	74.5%	75.6%	75.0%	75.0%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics

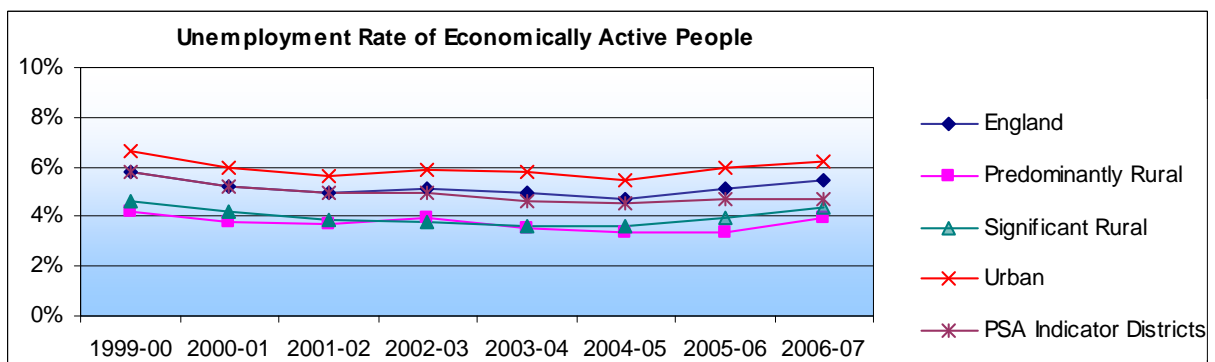


- The national employment rate over time is fairly stable, hovering at around 75% since 1999. There were no substantial changes between 2005/06 and 2006/07.
- Since 1999, rural areas have experienced consistently higher employment rates than the national average, at just above 78%, and the results are similar for predominantly rural and significant rural areas, demonstrating no general correlation between degrees of rurality and rates of employment. In contrast, urban areas have experienced consistently lower rates than the national average at around 73%.
- The PSA indicator districts generally experience lower rates than the predominantly and significant rural areas, and the national average, although they still do consistently better than urban areas.

### 2.3.2. Unemployment Rate of Economically Active People

Unemployment Rate of Economically active people								
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
England	5.8%	5.2%	4.9%	5.1%	5.0%	4.7%	5.1%	5.5%
Predominantly Rural	4.2%	3.8%	3.7%	4.0%	3.6%	3.4%	3.4%	4.0%
Significant Rural	4.6%	4.2%	3.8%	3.8%	3.6%	3.6%	4.0%	4.4%
Urban	6.6%	6.0%	5.6%	5.8%	5.8%	5.5%	6.0%	6.2%
PSA Indicator Districts	5.8%	5.2%	5.0%	5.0%	4.6%	4.5%	4.7%	4.7%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics



- The national unemployment rate has stayed around 5% since 1999, with a small increase between 2005/06 and 2006/07 of 0.4%.
- Over time rural areas have experienced unemployment rates at least 1% lower than the national average, whereas urban areas have experienced rates around 0.8% higher.
- The PSA indicator districts have had similar unemployment rates over time to the national average, but since 2003/04 the PSA indicator districts have not risen with the national average, but remained broadly stable.

## 2.4. Enterprise/Competition Indicators

Enterprise and competition are two key drivers of productivity. An entrepreneurial culture, leading to the successful development of new goods and services, and the emergence of new businesses are important factors for economic growth. A competitive environment that stimulates efficiency improvements is also important.

The first indicator analysed below is a proxy for the degree of business activity and competitive pressures that are operating in different areas. Rural areas experience greater numbers of businesses per 10,000 people than urban areas. This includes the PSA4 indicator districts, although it is important to bear in mind that rural businesses are generally smaller than urban businesses.

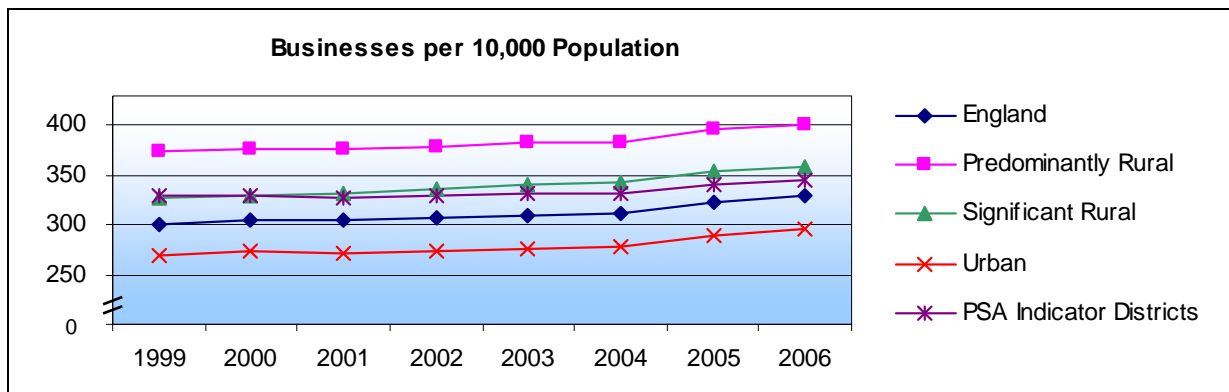
The second indicator is a proxy for the entrepreneurial culture in an area, and reflects the degree to which setting up a business is both desirable and feasible. Rural areas in general experience similar levels of entrepreneurial activity to urban areas, and the national average, although PSA4 indicator districts experience lower levels.

### 2.4.1. Businesses per 10,000 population

<b>Businesses per 10,000 Population</b>								
	1999	2000	2001	2002	2003	2004	2005	2006
England	301	304	305	306	309	311	324	329
Predominantly Rural	373	376	377	379	382	383	397	401
Significant Rural	327	331	332	336	340	342	354	359
Urban	269	273	272	273	276	278	290	295
PSA Indicator Districts	329	329	328	329	331	331	342	345

Source: "VAT registrations NOMIS" and ONS estimates

Note: The 1981 to 2000 population estimates have been revised in line with the 2001 Census results published in Feb 2003. The 2001 and 2002 estimates include further revisions made in Sep and Nov 2003 (including amendments to the Manchester estimates). Consequently, there is a break in the series between 2000 and 2001. All VAT data has been revised since the indicator was last reported. This has not made a discernable difference to the results.



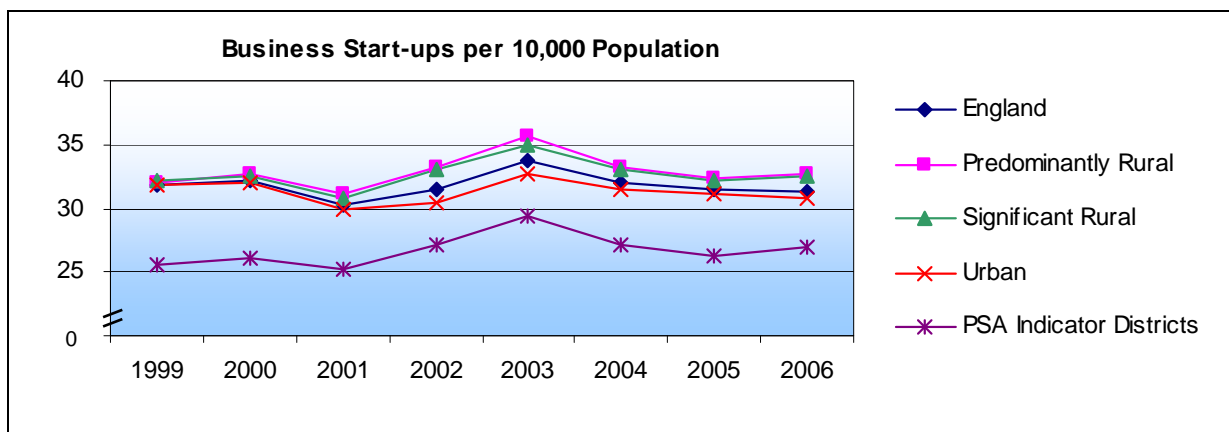
- Nationally there has been an upward trend in the number of businesses per 10,000 people since 1999, from 301 to 329 in 2006. There was an increase of 5 businesses per 10,000 people between 2005 and 2006.
- Over the time period, rural areas have been home to higher numbers of businesses per head of population than urban areas, by a magnitude of around 100. Number of businesses also increases with increasing rurality, i.e. from significant rural to predominantly rural.
- The PSA indicator districts have experienced similar numbers to the significant rural areas, and have similarly risen over time, and are above the national average.

#### 2.4.2. Business start-ups per 10,000 population

Business Start-ups per 10,000 population								
	1999	2000	2001	2002	2003	2004	2005	2006
England	32	32	30	31	34	32	32	31
Predominantly Rural	32	33	31	33	36	33	32	33
Significant Rural	32	33	31	33	35	33	32	32
Urban	32	32	30	30	33	31	31	31
PSA Indicator Districts	26	26	25	27	29	27	26	27

Source: "VAT registrations NOMIS" and ONS estimates

Note: The 1981 to 2000 population estimates have been revised in line with the 2001 Census results published in Feb 2003. The 2001 and 2002 estimates include further revisions made in Sep and Nov 2003 (including amendments to the Manchester estimates). Consequently, there is a break in the series between 2000 and 2001. All VAT data has been revised since the indicator was last reported. This has not made a discernable difference to the results.



- Over the period 1999 to 2006, there have been slight fluctuations around the number of business start-ups nationally per 10,000 people, although the figure

has remained around 31. Between 2005 and 2006, there has been one less business start-up, per 10,000 people.

- There is no notable difference between urban and rural areas, although rural areas have slightly higher figures.
- There is a notable difference between the national average and the PSA indicator districts, with the PSA areas recording lower than average business start-ups.

## 2.5. Skills Indicators

Investment in people and the level of skills within the working population is a key driver of productivity as it enables individuals to work more efficiently. Variations in skills composition across areas are therefore an important explanatory factor when analysing regional productivity differences.

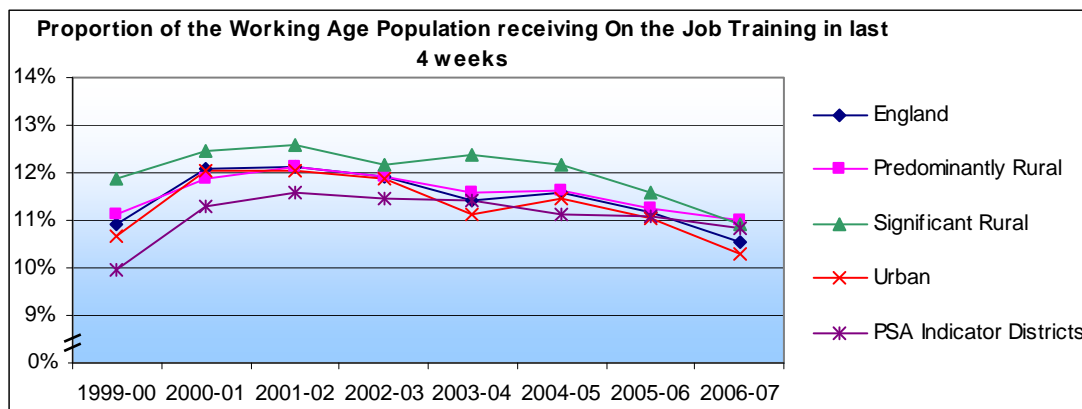
Skill levels are difficult to quantify exactly, as skill levels might be as much dependent on inherent individual characteristics and day-to-day learning experiences, as through more tangible skills qualifications as demonstrated through NVQ levels. However, they act as important proxies.

Four proxy skill indicators are analysed: recent on-the-job training, NVQ level 2, NVQ level 4 and no qualifications. Across the skills indicators rural areas generally perform better than urban areas, although the PSA4 indicator districts display less favourable outcomes than rural areas as a whole. The PSA4 indicator districts perform particularly less well in relation to high-level skills as proxied by NVQ 4<sup>6</sup>.

### 2.5.1. Percentage of the working age population receiving on-the-job training in the last 4 weeks

On-the Job Training in the last 4 weeks for the Working Age Population								
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
England	10.9%	12.1%	12.1%	11.9%	11.4%	11.6%	11.2%	10.5%
Predominantly Rural	11.1%	11.9%	12.1%	11.9%	11.6%	11.6%	11.3%	11.0%
Significant Rural	11.9%	12.5%	12.6%	12.2%	12.4%	12.2%	11.6%	10.9%
Urban	10.6%	12.1%	12.0%	11.9%	11.1%	11.4%	11.0%	10.3%
PSA Indicator Districts	9.9%	11.3%	11.6%	11.5%	11.4%	11.1%	11.1%	10.8%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics



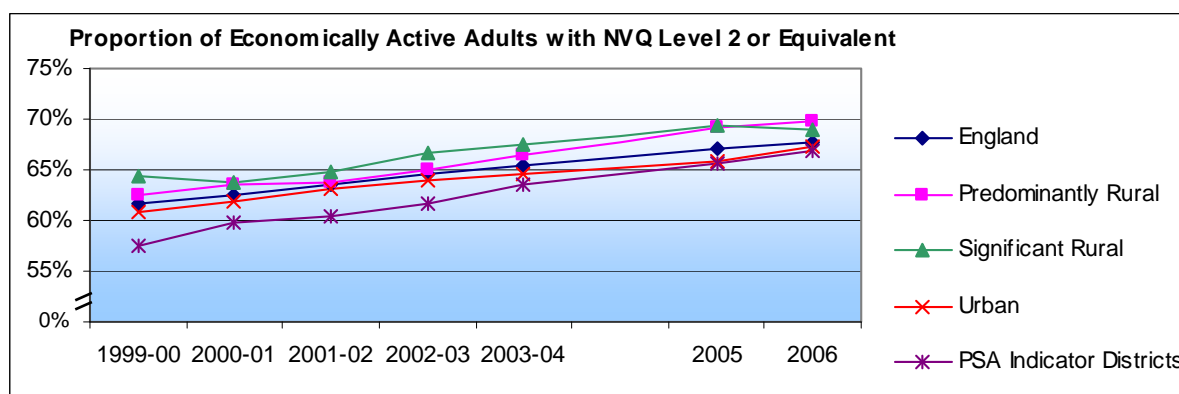
<sup>6</sup> NVQ4 is the equivalent of an undergraduate degree.

- Nationally this indicator experienced a small rise between 1999/00 and 2001/02 from 11% to 12%, but has since experienced a small decline back to around 10.5%. There was a decline from 11.2% in 2005/06 to 10.5% in 2006/07.
- Rural areas on average perform slightly better than urban areas.
- The PSA indicator districts have over time displayed slightly lower percentages than other areas, but have begun to show slightly better figures than urban areas since 2003/04.

## 2.5.2. Percentage of economically active adults with NVQ Level 2 or equivalent

Proportion of economically active adults with NVQ Level 2 or equivalent							
	1999-00	2000-01	2001-02	2002-03	2003-04	2005	2006
England	61.7%	62.6%	63.5%	64.5%	65.5%	67.1%	67.8%
Predominantly Rural	62.5%	63.5%	63.8%	64.9%	66.5%	69.1%	69.8%
Significant Rural	64.4%	63.9%	64.8%	66.7%	67.4%	69.4%	68.9%
Urban	60.8%	62.0%	63.1%	63.9%	64.7%	65.9%	67.4%
PSA Indicator Districts	57.5%	59.9%	60.4%	61.7%	63.6%	65.7%	66.9%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics

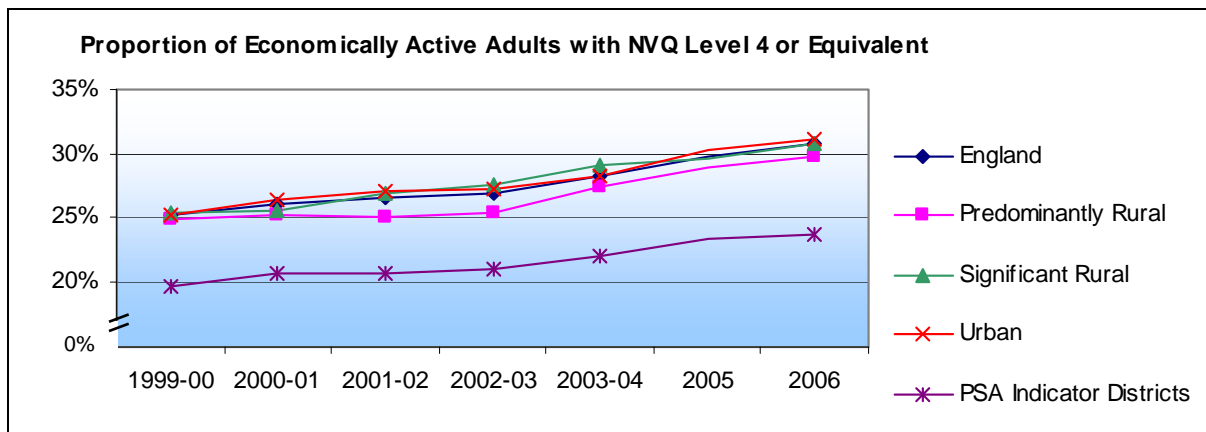


- At the national level, this indicator has increased steadily since 1999/00, from 62% to 68% in 2006. Between 2005 and 2006 there was a small increase of 0.7%.
- Generally rural areas have fared slightly better than the average, whereas urban areas have fared slightly worse, although all have improved over time.
- The PSA indicator districts display lower percentages than all other categories up to 2003/04, although they have narrowed the gap over time.

## 2.5.3. Percentage of economically active adults with NVQ level 4 or equivalent

Proportion of economically active adults with NVQ Level 4 or equivalent							
	1999-00	2000-01	2001-02	2002-03	2003-04	2005	2006
England	25.2%	26.1%	26.6%	27.0%	28.2%	29.9%	30.8%
Predominantly Rural	24.9%	25.3%	25.1%	25.5%	27.4%	29.0%	29.8%
Significant Rural	25.5%	25.5%	27.0%	27.7%	29.1%	29.6%	30.8%
Urban	25.3%	26.5%	27.1%	27.3%	28.3%	30.2%	31.2%
PSA Indicator Districts	19.7%	20.8%	20.6%	21.0%	22.1%	23.3%	23.8%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics

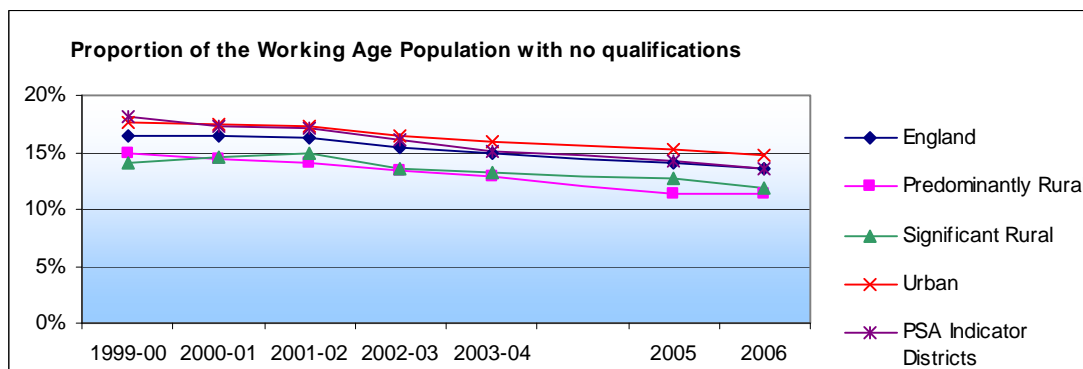


- Nationally this indicator has risen, from 25% in 1999 to 31% in 2006, with an increase of nearly 1% between 2005 and 2006.
- There is no major distinction between rural and urban areas according to the classifications.
- The PSA indicator districts perform consistently lower than the other areas by around 5%, although these areas display an improvement over the time period.

#### 2.5.4. Percentage of working age population with no qualifications

Proportion of working age population with no qualifications							
	1999-00	2000-01	2001-02	2002-03	2003-04	2005	2006
England	16.5%	16.4%	16.2%	15.4%	14.8%	14.1%	13.6%
Predominantly Rural	14.9%	14.4%	14.1%	13.5%	12.8%	11.4%	11.3%
Significant Rural	14.0%	14.6%	14.9%	13.6%	13.3%	12.6%	11.9%
Urban	17.6%	17.4%	17.2%	16.5%	15.9%	15.3%	14.8%
PSA Indicator Districts	18.1%	17.3%	17.1%	16.1%	15.1%	14.3%	13.5%

Source: Labour Force Survey/ Annual Population Survey, Office for National Statistics



- Nationally, this indicator has fallen over time from 17% in 1999/00 to 14% in 2006, with a 0.5% decrease between 2005 and 2006.
- Rural areas have demonstrated consistently lower figures than urban areas, and have also displayed lower percentages over time from around 14% in 1999 to 11% in 2006.
- The PSA indicator districts have performed similar to the national average, slightly better than urban areas, although less well compared to rural areas as a whole.

## 2.6. Investment Indicator

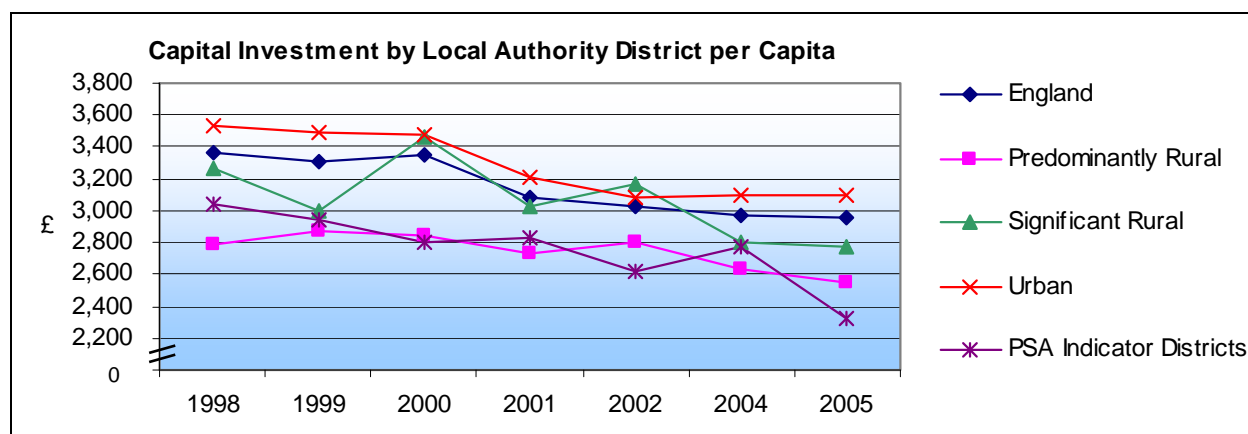
Investment in capital goods increases productivity and leads to economic growth, as it makes the workforce more productive. An inability to invest in capital can restrict productivity and hinder economic performance.

The following indicator displays the amount of capital investment per capita for different areas. It shows that rural areas invest in less capital than urban areas, and that PSA4 indicator districts invest even less.

### 2.6.1. Capital investment by Local Authority District per capita (£)

Capital Investment by LAD							
	1998	1999	2000	2001	2002	2004	2005
England	3,357	3,305	3,353	3,087	3,031	2,970	2,953
Predominantly Rural	2,793	2,878	2,846	2,725	2,801	2,629	2,554
Significant Rural	3,268	2,999	3,461	3,030	3,168	2,798	2,776
Urban	3,538	3,484	3,477	3,204	3,076	3,104	3,103
PSA Indicator Districts	3,042	2,944	2,803	2,831	2,616	2,766	2,325

Source: Annual Business Inquiry, ONS



- Nationally this indicator has fallen over the time period, from £3,400 per head in 1998 to £2,950 in 2005, with a £20 decrease between 2004 and 2005.
- Generally, rural areas have fared less well than urban areas over the time period, with urban areas being slightly above national trend, and rural areas fluctuating beneath the national trend.
- The PSA indicator districts have performed below the national average over time.

## 2.7. Innovation Indicators

Innovation is an important component of enhancing productivity. The prevalence of knowledge intensive businesses is an indication of the innovative ability of a region, since the ability to innovative and grow is thought to be influenced by a propensity to attract talented and creative workers in such knowledge intensive sectors, creating growth clusters.

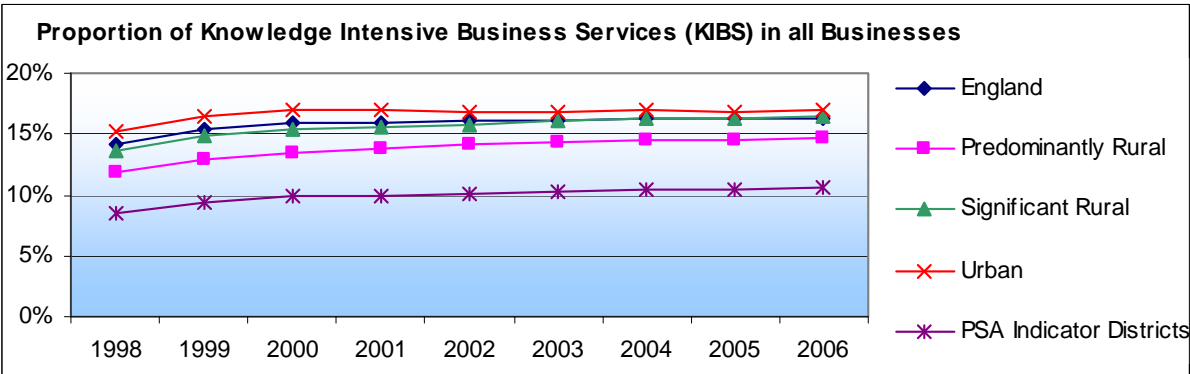
The following three indicators display the extent of knowledge intensive economic activity occurring in the private and public sector. Generally, in the private sector, rural areas do less well than urban, with PSA4 indicator districts performing least well, and significantly below the national average. In the public sector, all areas perform similarly.

**2.7.1. Percentage of Knowledge Intensive Business Services (KIBS) in all businesses**

**Proportion of Knowledge Intensive Business Services (KIBS) in all Businesses**

	1998	1999	2000	2001	2002	2004	2005	2006
England	14.2%	15.4%	15.9%	16.0%	16.0%	16.3%	16.2%	16.3%
Predominantly Rural	11.8%	13.0%	13.5%	13.9%	14.2%	14.5%	14.5%	14.7%
Significant Rural	13.7%	14.9%	15.4%	15.6%	15.8%	16.3%	16.3%	16.5%
Urban	15.2%	16.5%	16.9%	16.9%	16.8%	17.0%	16.9%	17.0%
PSA Indicator Districts	8.5%	9.3%	9.8%	10.0%	10.1%	10.5%	10.5%	10.6%

Source: Annual Business Inquiry, ONS



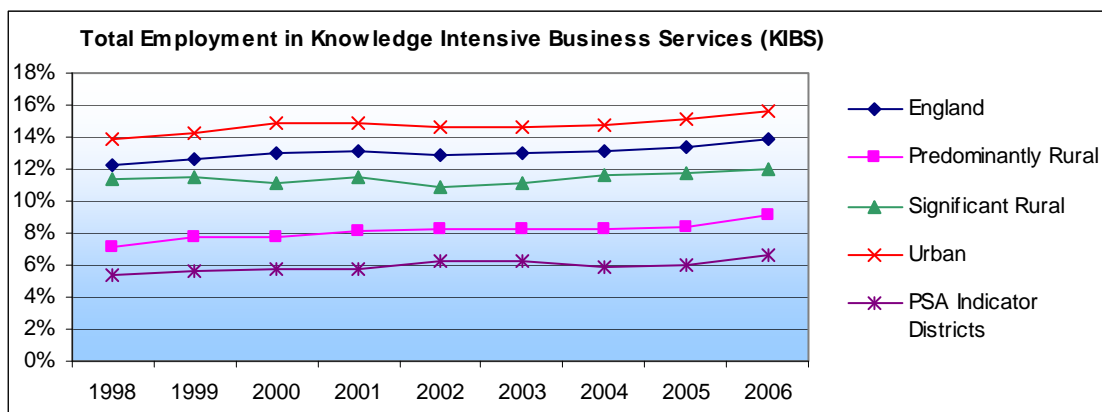
- Nationally this indicator has been on a slight upward trend since 1998, from 14% to 16% in 2006. Between 2004 and 2005 there was little change.
- Significant rural areas perform broadly in line with the national average over this period, whereas predominantly rural areas perform less well at roughly 2% lower. Urban areas have performed slightly better than the average over the time period at about 1% higher.
- The PSA indicator districts have performed least well overall in this indicator, staying around 10%, but rising slightly over time.

**2.7.2. Percentage of total employment in KIBS**

**Proportion of Employment in Knowledge Intensive Business Services (KIBS)**

	1998	1999	2000	2001	2002	2004	2005	2006
England	12.2%	12.6%	13.0%	13.1%	12.9%	13.1%	13.3%	13.8%
Predominantly Rural	7.2%	7.8%	7.8%	8.1%	8.2%	8.2%	8.4%	9.1%
Significant Rural	11.4%	11.5%	11.2%	11.4%	10.9%	11.6%	11.8%	12.0%
Urban	13.8%	14.2%	14.8%	14.9%	14.7%	14.8%	15.1%	15.6%
PSA Indicator Districts	5.3%	5.7%	5.7%	5.8%	6.2%	5.8%	6.1%	6.7%

Source: Annual Business Inquiry, ONS



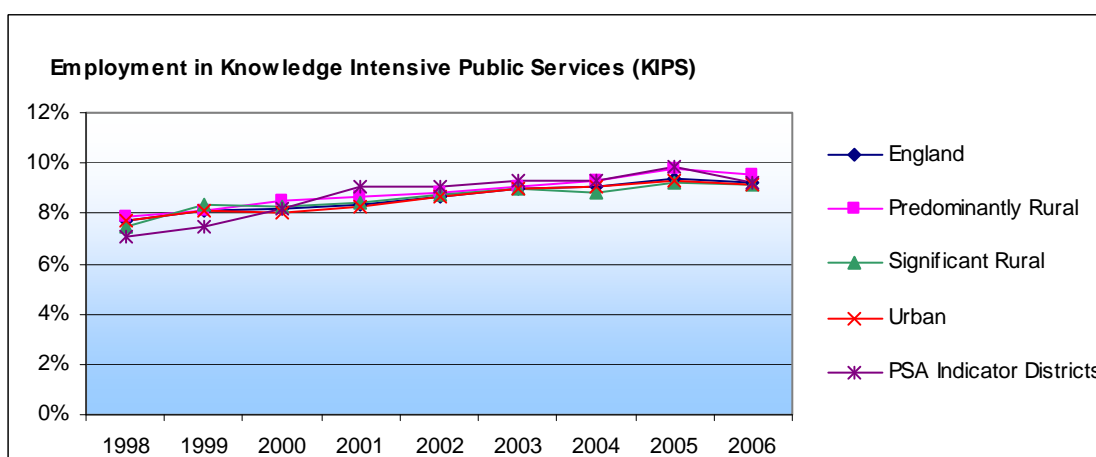
- Nationally this indicator has risen slightly from 12% in 1998 to 13% in 2006, with a 0.5% increase between 2005 and 2006.
- There is a clear difference between all of the categories, with urban areas displaying higher total percentages than the national average over time, significant rural areas running slightly below the national average, and predominantly rural running well below the average, hovering around 8%.
- The PSA indicator districts perform least well out of all categories, hovering around 6%.

### 2.7.3. % of total employment in Knowledge Intensive Public Services (KIPS)

**Proportion of Employment in Knowledge Intensive Public Services (KIPS)**

	1998	1999	2000	2001	2002	2004	2005	2006
England	7.7%	8.1%	8.2%	8.3%	8.7%	9.1%	9.4%	9.2%
Predominantly Rural	7.8%	8.1%	8.5%	8.7%	8.8%	9.3%	9.8%	9.6%
Significant Rural	7.5%	8.4%	8.3%	8.4%	8.7%	8.8%	9.2%	9.1%
Urban	7.7%	8.1%	8.1%	8.2%	8.6%	9.0%	9.3%	9.1%
PSA Indicator Districts	7.1%	7.5%	8.2%	9.0%	9.1%	9.3%	9.9%	9.2%

Source: Annual Business Inquiry



- This indicator has risen over time from around 8% in 1998 to just over 9% in 2005, with a slight increase of 0.3% between 2004 and 2005.
- There is no clear difference between urban and rural areas from the statistics, and all areas have broadly increased over time along with the national average.

- The performance of the PSA indicator districts in relation to this indicator varies over time, with it performing less well than the national average until 2000, exceeding it until 2005 and matching it in 2006.

## **2.8. Productivity Indicators Conclusion**

This analysis shows that, as a whole, rural areas perform well when compared to the national average for most indicators. However there are some rural areas where levels of economic performance are below average and prospects for growth are more limited. These tend to be in areas more distant from economic mass, with sparse populations; associated low densities of businesses; thin labour markets, and with a comparative advantage in low productivity activities.

### 3. PSA4 Access to Services Indicators

#### 3.1 Background

Defra's former Public Service Agreement (PSA4) for the Comprehensive Spending Review 2004 (from 2004-2008) was to:

*'reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006, and improve the accessibility of services for people in rural areas.'*

As well as a headline productivity indicator and suite of economic indicators to support it, the PSA target was assessed using a selection of indicators relating to access to services for rural people and areas, with differing degrees of success (see Annex 1). Of the eight proposed indicators, four were populated with data: drug treatment, childcare places, employment rates and pension credit. Full details of these indicators, including progress to date compared to baseline, are given below.

The period covered by SR04 ended in April 2008. Due to lags between data collection and publication, however, not all of the PSA4 Access to Services indicators have been fully populated with data up to and including 2008. This note summarises Defra's position on reporting on these indicators, and looks ahead to reporting on Defra's current indicator set for CSR07, from 2008-11.

#### 3.2. PSA 4 Progress reporting: summary table

For PSA4 (2004 – 2008), Defra identified five main themes relating to access to services. Indicators of progress were selected for each theme. Data availability allows progress to be reported against four of the eight sub-targets established to monitor progress.

1	to improve access to crisis services and child and adolescent mental health services in rural areas by 2008	
2	to reduce the waiting times for drug treatment from initial assessment to structured treatment and to increase the over-12 week retention rates on drug treatment programmes in rural areas by 2008	
3	to increase the number of childcare places in rural parts of the PSA Indicator Districts by 2008 compared to 2004	
4	to decrease the proportion of young people not in education, employment or training in rural areas by 2008.	
5	to increase the uptake employment rates in rural areas for the following groups by 2008 compared to 2004: All Rural people, Ethnic Minorities, People with No/Low Qualifications, Lone Parents, PSA4 indicator districts	
6	to increase the uptake of Pension Credit in rural parts of PSA Indicator Districts by 2008 compared to 2004	
7	Access to Services	
8	Road Safety	
9	Housing Affordability	

- **Target 1: to improve access to crisis services and child and adolescent mental health services in rural areas by 2008**
  - Little progress has been made on this indicator as neither the Mental Health Minimum Dataset nor the Health Survey for England dataset contains the rural definition.
  
- **Target 2: to reduce the waiting times for drug treatment from initial assessment to structured treatment and to increase the over-12 week retention rates on drug treatment programmes in rural areas by 2008:**
  - **Waiting Times** for those seeking drug treatment in all areas have fallen, at a roughly consistent rate. For England they have reduced from 4.3 in 2004/05 to 1.4 weeks in 2006/07, and for rural areas from 4.8 to 1.8 weeks. Thus whilst rates in rural areas are still slightly higher than England as a whole they are moving in line with England in a positive direction.
  - **Retention Rates** for those undergoing drug treatment in England have stayed constant at 76% for the first two reporting years decreasing to 75% by 2006/07. In rural areas, however, they have fallen from 80 per cent to 77 per cent. This is not in line with the target of increasing the over-12 week retention rates in rural areas.
  
- **Target 3: to increase the number of childcare places in rural parts of the PSA4 Indicator Districts by 2008 compared to 2004**
  - This indicator is about ensuring that the provision of childcare places and the ongoing development of this provision is rural-proofed. The baseline figures show that in December 2004, for all rural parts of PSA4 indicator districts there were 448 places per 1000 children available for take up. There was a slight decrease in places in 2005 (to 446) which increased to 463 places per 1000 children by 2006. Nationally, there were 408 places per 1000 children in 2004, dropping to 393 in 2005 and increasing to 407 in 2006. Data is no longer produced at the level to which the Rural Definition can be applied, and so reporting on this target cannot continue.
  
- **Target 4: to decrease the proportion of young people not in education, employment or training in rural areas by 2008.**
  - The lowest geography one can get NEETS for is Local Education Authority (roughly equivalent to upper tier local authorities) and as a result we cannot rural proof this. Looking to the future, however, a cross-government working group on which Defra sits is working to develop the methodology behind the Local Authority Rural Urban Classification to cover other administrative geographies, including Education Authorities.
  
- **Target 5: to increase the uptake employment rates in rural areas for the following groups by 2008 compared to 2004: All Rural people, Ethnic Minorities, People with No/Low Qualifications, Lone Parents, and rural parts of the PSA4 indicator districts**
  - The data received shows that for most groups, rural employment rates are slightly higher than the English average. Although employment rates are slightly lower in PSA indicator districts than the English average, the direction of change from 2005 to 2007 is consistent with national trends. Since 2005, there has been an increase within rural areas in employment rates of people with no/low qualifications and ethnic minorities. The other three groups have


remained relatively consistent over time, which is, again, consistent with the national average.

 **Target 6: to increase the uptake of Pension Credit in rural parts of PSA4 Indicator Districts by 2008 compared to 2004**

- This indicator is about ensuring that as Pension Credit continues to be taken-up rural areas, particularly the most needy, do not fall behind. The DWP target is that they will be paying Pension Credit to at least 3.2 million pensioner households by 2008. The current rate of take up in rural parts of PSA4 indicator districts is 19.9% of pensioners in November 2007, compared to 19.4% in November 2004. However the uptake varies quite a lot across rurality – over 22% in rural town and fringe areas (both sparse and less sparse) compared to between 16% and 18% in village and dispersed areas.

 **Target 7: Access to Services**

- Currently there is no data on this indicator. We based our target for this around DfT's target for each Local Transport Area (LTA) to submit a Local Transport Plan (LTP) and then deliver on it. We have identified a number of LTAs that are 'rural', based around the LA classification. If these LTPs are delivered (which DfT will judge as part of their PSA) then the rural part has been achieved. There are several issues with this, not least that a 60% 'rural' area is 40% urban and that all the achievements made might (or might not) be in the urban part, but there is no alternative at present.

 **Target 8: Road Safety**

- There is no data available on this indicator..[suggest this changes to:. The factors influencing road safety statistics in rural areas, including speed of travel, winding rural lanes with limited visibility and an absence of street lighting outside built-up areas are less susceptible to influence by Government intervention.

 **Target 9: Housing Affordability**

- There is no data on this indicator. It was taken out of PSA4 as at the time there was some ambiguity over the definition of affordability. However the Affordable Rural Housing Commission took forward a major programme of research in the production of their report. Data on Housing affordability is now available as part of Defra's Strong Rural Communities DSO reporting framework.

### 3.3. Detailed overview of progress to date

#### 3.3.1 Mental Health

The data underpinning this indicator could not be rural proofed within the appropriate timescale.

#### 3.3.2 Drug Treatment & Rehabilitation

**Target:** *to reduce the waiting times from initial assessment to structured treatment and to increase the over-12 week retention rates in rural areas by 2008*

**Baseline (2004/05):** Mean waiting time of 4.8 weeks in, retention rate of 80%.

**Latest Update (2006/07):** Mean waiting time of 1.8 weeks, retention rate of 77%.

**Status:** Amber

**Source:** National Treatment Agency

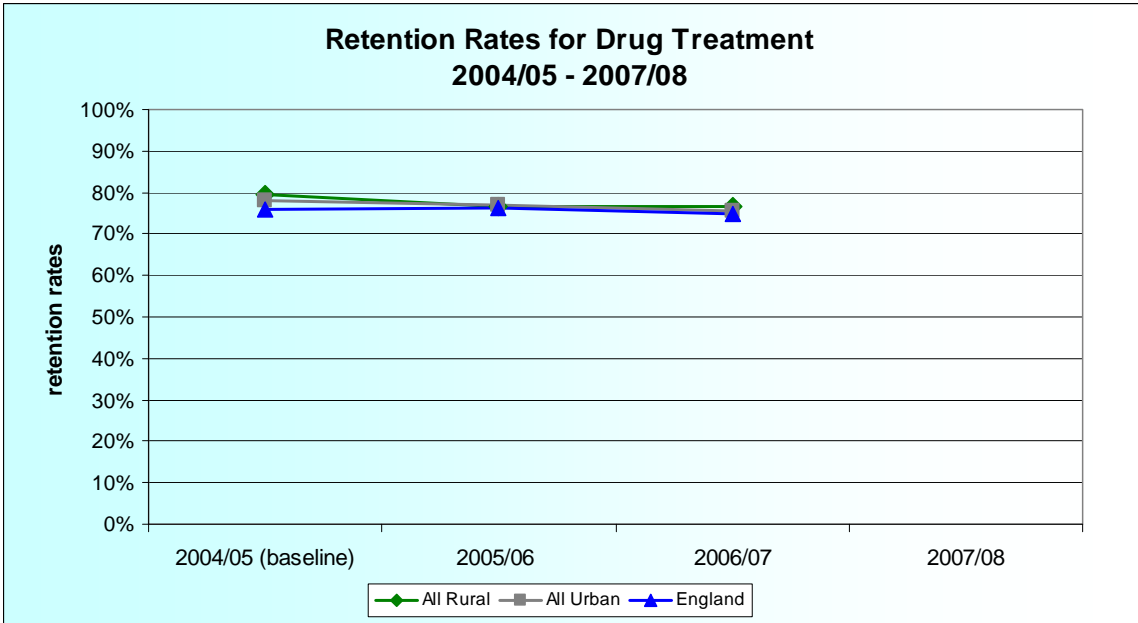
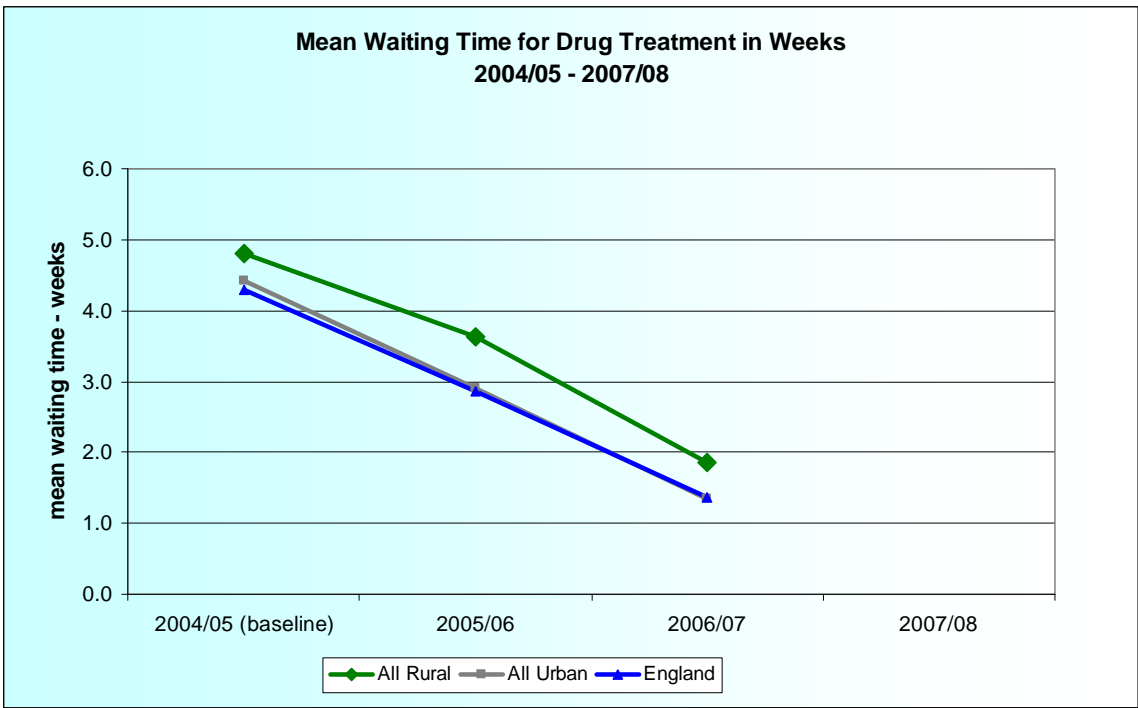
**Next Update Expected:** November 2008 (2007/08 data)

**Report:** This indicator is about ensuring a high quality provision of treatment and support for drug related issues in rural areas. There are two parts to the indicator, reflecting the Department of Health's previous PSA target (2004/8) – Waiting Times for treatment and Retention on treatment programmes. Ideally the waiting time from assessment to treatment would be as short as possible, whilst a structured treatment should be at least 3 months in duration, so the higher the over-12 week the better. After rural proofing of the dataset by Defra, calculations for both indicators are undertaken by the National Treatment Agency (NTA). This ensures that the methodologies used are consistent with other PSA targets.

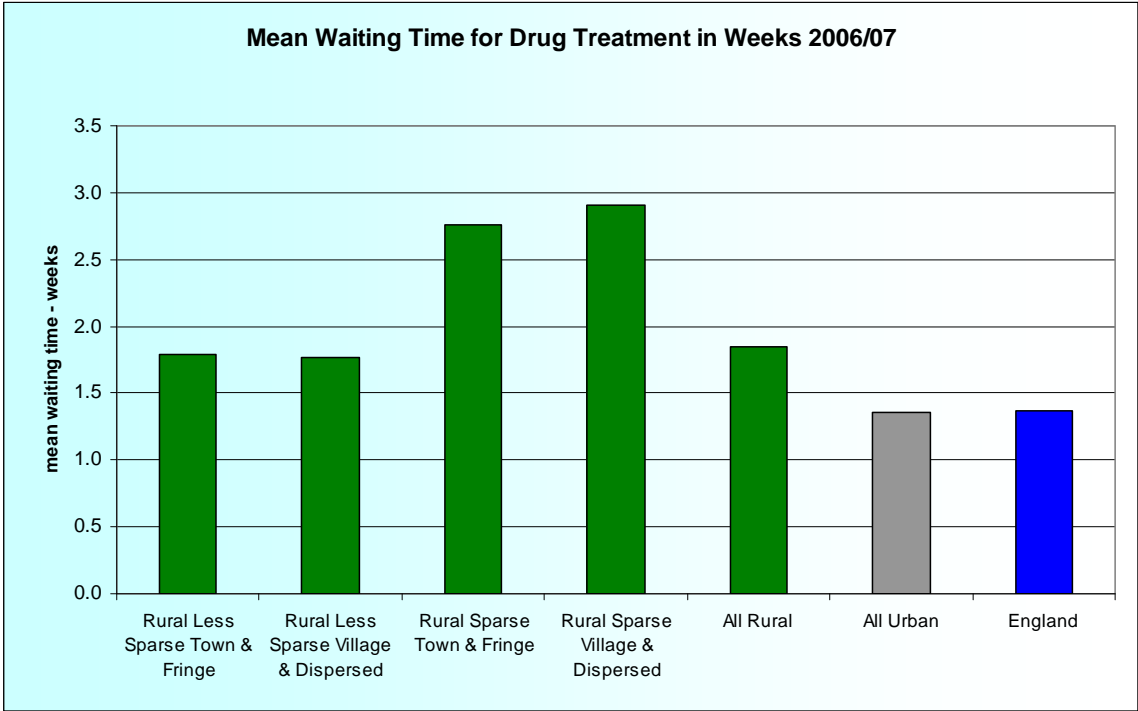
**Waiting Times** in all areas have fallen, at a roughly consistent rate. For England they have reduced from 4.3 to 1.4 weeks, for rural areas from 4.8 to 1.8 weeks in this reporting period. The rates in rural areas are slightly higher than England as a whole but overall there has been a marked reduction in waiting times in the reporting period.

**Retention Rates** in England have stayed constant at 76% for the first two reporting years decreasing to 75% by 2006/07. In rural areas, however, they have fallen from 80% (baseline) to 77% for both subsequent reported years. This is not in line with the target of increasing the over-12 week retention rates in rural areas.

**Data Considerations:** In 2004/05 approximately one third of treatments recorded did not currently have accurate postcode information and thus could not be mapped to the rural/urban definition. There is no reason to suppose that this missing data is in anyway biased in its distribution across different types of area. For 2005/06, this number of 'missing' treatments has reduced to a quarter and by 2006/07 to less than 10%. The NTA are continuously working to improve this information.



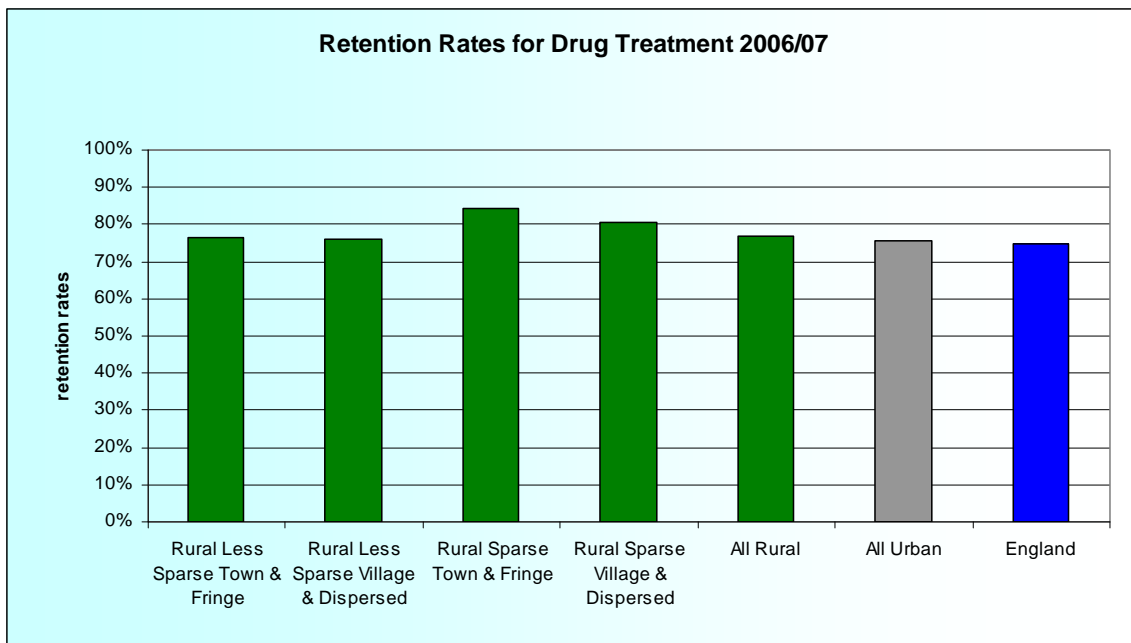
**Rural Analysis:**



Waiting times in sparse areas are higher than in less sparse ones, whilst all rural areas are above the England average. Waiting times in all areas have fallen with the largest rural decreases seen in Less Sparse Town and Fringe areas (from 5.0 to 1.8 weeks) and Sparse Town and Fringe areas (from 5.9 to 2.8 weeks) in the reporting period. See table 1 below:

Table 1: Mean Waiting Times per week by the Rural Definition

Mean Waiting Times	2004/05	2005/06	2006/07
Rural Less Sparse Town & Fringe	5.0	3.5	1.8
Rural Less Sparse Village & Dispersed	4.4	3.8	1.8
Rural Sparse Town & Fringe	5.9	4.0	2.8
Rural Sparse Village & Dispersed	5.5	4.4	2.9
England	4.3	2.9	1.4



For retention rates there is more marked rural variation and fluctuation in the reporting period, with all rates higher than the England average by 2006/07. In 2006/07 sparse areas reported higher retention rates than less sparse.

Compared to 2004/05, most rural areas have shown slight decreases in retention rates. Although Sparse Village and Dispersed areas showed a slight increase from 2004/05 to 2006/07, the numbers involved are small and are therefore more subject to change. See table 2 below:

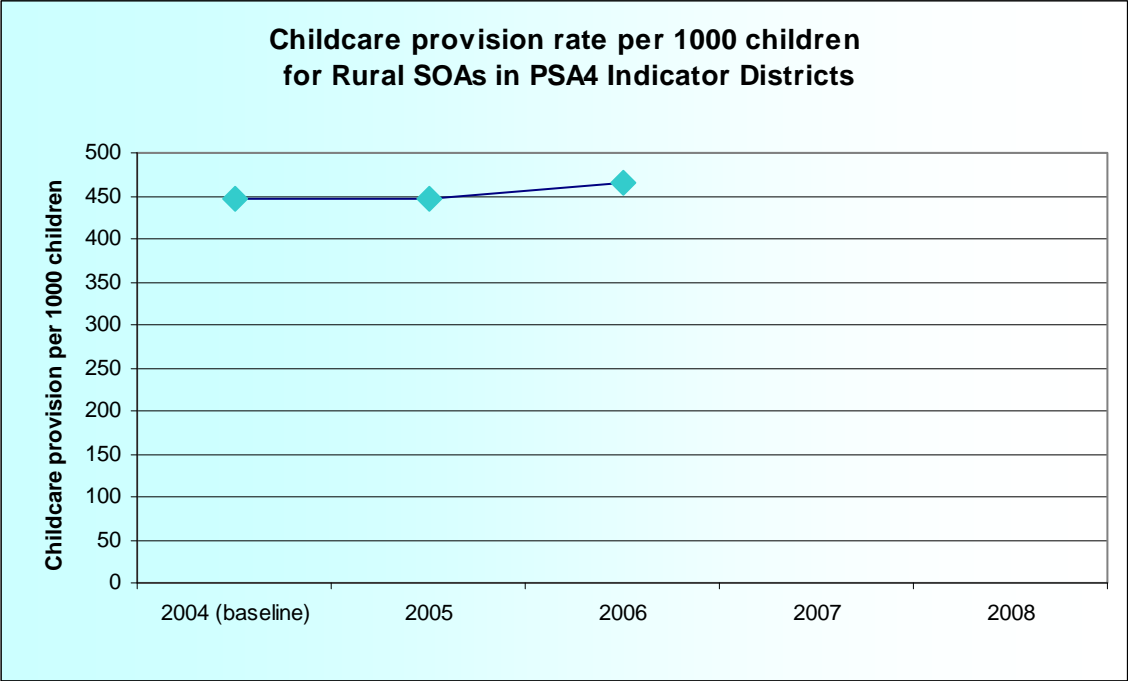
Table 2: Percentage of Retention Rates by the Rural Definition

Retention Rates	2004/05	2005/06	2006/07
Rural Less Sparse Town & Fringe	79%	78%	77%
Rural Less Sparse Village & Dispersed	80%	74%	76%
Rural Sparse Town & Fringe	85%	87%	84%
Rural Sparse Village & Dispersed	80%	72%	81%
England	76%	76%	75%

**3.3.3. Children’s Services**

**Target:** *to increase the number of childcare places in rural parts of the PSA4 indicator districts by 2008 compared to 2004*

**Baseline:** (Dec 2004): 448 childcare places per 1000 children (aged 0-4) in rural parts of the PSA4 indicator districts.



Source: Ofsted

**Latest Update:** 2005 and 2006  
**Status:** Green  
**Source:** Ofsted  
**Next Update Expected:** Data no longer produced at LSOA level

**Report:** This indicator was designed to ensure that the provision of childcare places and the ongoing development of this provision over the period of SR04 was rural-proofed.

The baseline figures show that in December 2004, for the rural parts of PSA4 indicator districts there were 448 places per thousand children available for take up. There was a slight decrease in 2005 to 446 places which subsequently increased in 2006 to 464 places per thousand children.

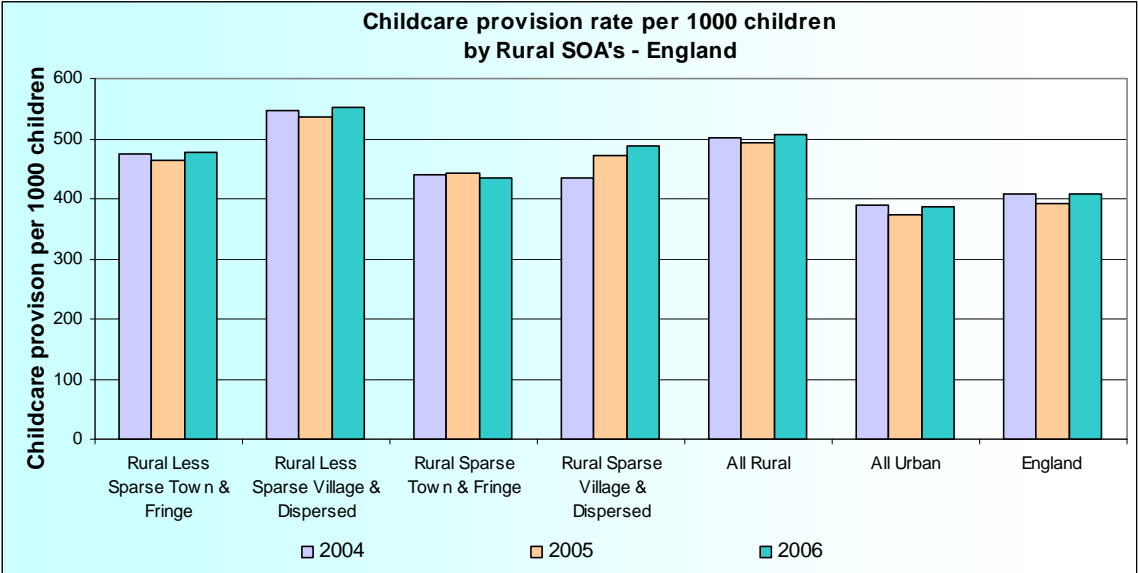
In rural areas more generally, there were 503 places per thousand children in 2004, increasing to 508 in 2006. This compares to urban figures of 390 places in 2004 decreasing slightly to 387 in 2006, and national figures of 408 and 407 places per thousand children in 2004 and 2006 respectively.

**Data Considerations:**  
 The data used for this analysis has been collected by the following categories of provision: Childminder, Sessional Day Care, Full Day Care and Crèche Day Care data.

There are several minor caveats related to this dataset which are detailed in the attached annex 2005 and annex 2006 which cover lack of post codes in the data, double counting, unknown provision/use and notification of de-registered providers.

**Rural Analysis:**

Chart 1: Childcare provision rate per 1000 children by the rural definition - England



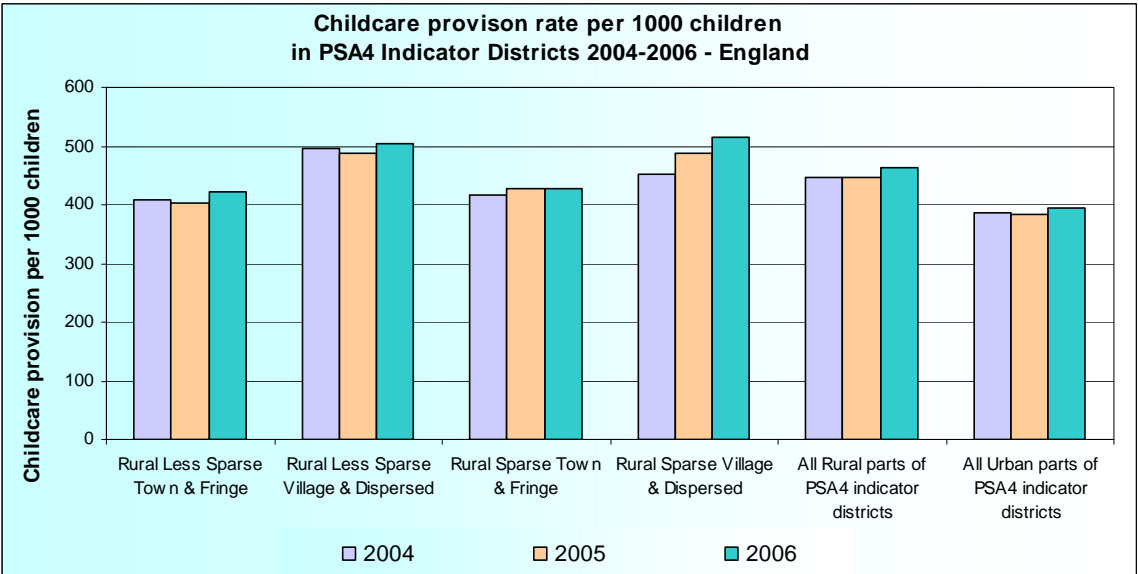
Source : Ofsted

In 2004 the lowest rural provision per child was 433 places per thousand children in Rural Sparse Village and Dispersed areas. For 2005 and 2006 the lowest rural provision remained in Rural Sparse Town and Fringe with 442 places 2005 and 435 places 2006 per thousand children.

In comparison the highest provision remained for all three reporting years in Rural Less Sparse Village and Dispersed areas. There were 546 places per thousand children in 2004, 535 places in 2005 and 551 places by 2006.

**Analysis of PSA4 indicator districts:**

Chart 2: Childcare provision rate per 1000 children in PSA4 indicator districts - England



Source: Ofsted

In all three reporting years the lowest provision in rural parts of the former PSA4 indicator districts was in Rural Less Sparse Town and Fringe with 409 places per thousand children for 2004, 402 places in 2005 and 422 places per thousand children by 2006.

In comparison the highest provision occurred in Rural Less Sparse Village and Dispersed areas for two years; 496 places per thousand children in 2004 and 488 places in 2005. Rural Sparse Village and Dispersed had similar figures, recording 487 places per thousand children in 2005. By 2006 the highest provision was Rural Sparse Village and Dispersed with 516 places per thousand children.

The following table shows the number of childcare places per thousand children in all areas of England, 2004 to 2006.

<b>Childcare places per 1000 children</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Rural Less Sparse Town & Fringe	475	464	477
Rural Less Sparse Village & Dispersed	546	535	551
Rural Sparse Town & Fringe	441	442	435
Rural Sparse Village & Dispersed	433	472	488
All Rural	503	494	508
All Urban	390	373	387
<b>England</b>	<b>408</b>	<b>393</b>	<b>407</b>

### **3.3.4. Not in Employment, Education or Training (NEET)**

After detailed discussion with DfES and a sample of the data it was established that the collection and publication of NEET data is at the higher tier Local Authority level and is not possible to ruralise.

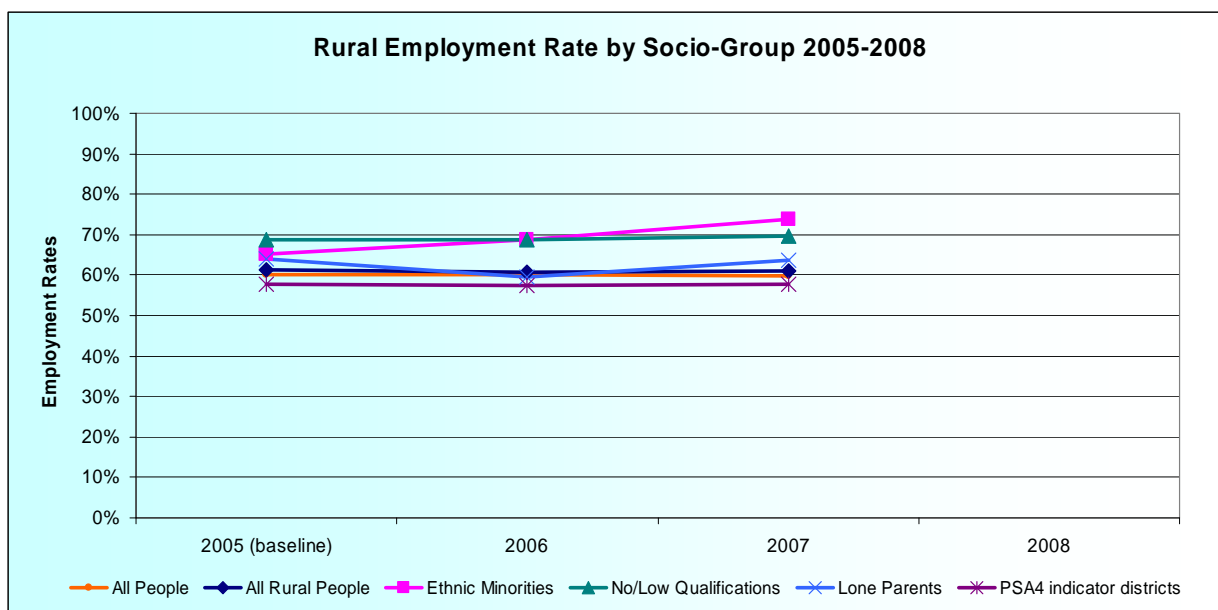
### **3.3.5. Employment Rates**

**Target:** *to increase the uptake employment rates in rural areas for the following groups by 2008 compared to 2004:*

- *All Rural people*
- *Ethnic Minorities*
- *People with no/low qualifications*
- *Lone Parents*
- *Those in PSA4 indicator districts*

#### **Baseline (Spring 2005) and Latest Update (Spring 2007):**

	<i>Spring 2005</i>	<i>Spring 2007</i>
- <i>in all people in England</i>	60.2%	59.7%
- <i>in all rural people</i>	61.3%	60.9%
- <i>in ethnic minorities</i>	65.1%	73.7%
- <i>in people with low/no qualifications</i>	68.6%	69.7%
- <i>in lone parents</i>	63.9%	63.6%
- <i>in PSA4 indicator districts</i>	57.7%	57.8%



**Status:** Green – see explanation below

**Source:** Labour Force Survey, LFS Dataservice, ONS

**Geography:** Output area

**Next Update Expected:** August 2008 (Spring/Q2 2008 data)

**Report:** This indicator was about ensuring that employment rates were not disproportionately low in rural areas, and that they increased over the period of SR04 in line with national trends. The graph above shows that for most groups, rural employment rates are slightly higher than the English average. Although employment rates are slightly lower in the former PSA indicator districts than the English average, the direction of change from 2005 to 2007 is consistent with national trends. Since 2005, there has been an increase within rural areas in employment rates of people with no/low qualifications and ethnic minorities. The other three groups have remained relatively consistent over time.

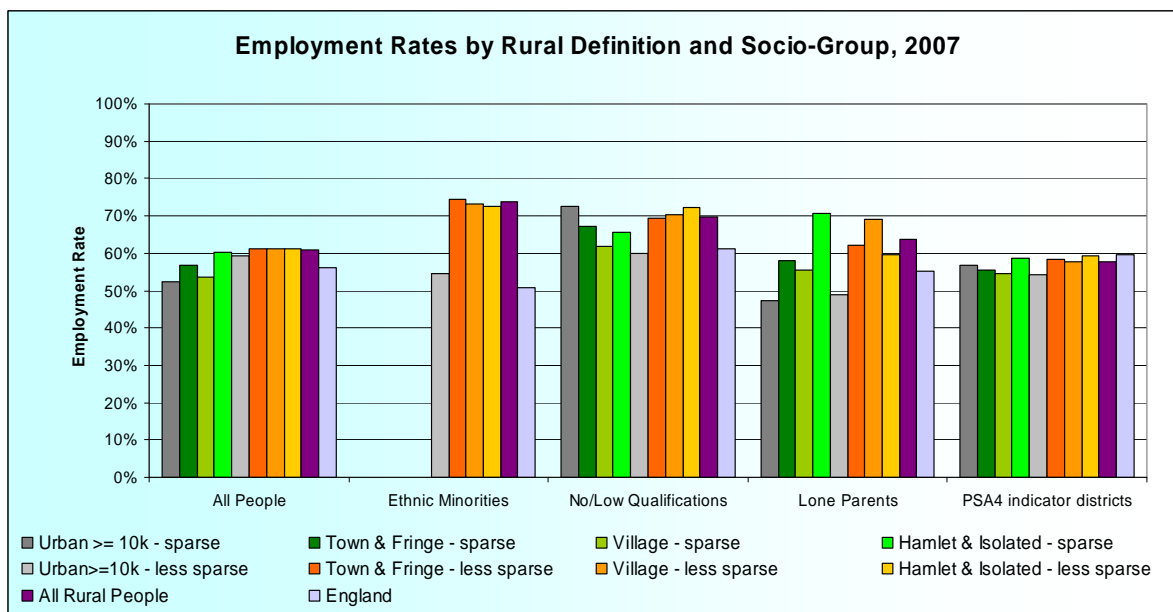
As explained in more detail below, care must be taken when comparing estimates based upon sample surveys from different years and the level of change seen here would not be considered statistically significant. For this reason, and because the trends in rural areas are similar to those seen nationally, the status of this indicator is **green**.

**Data Considerations:** The LFS Dataservice have rural-proofed this data in order to avoid any disclosure issues that would arise from providing Defra with ward level data.

People with No/Low Qualifications are defined as those with either no NVQ qualification or NVQ Level 1 only.

The ONS state that as the LFS is a separate sample survey each year, timeseries comparisons such as shown here should be treated with caution. Sampling error means that value given are best estimates with a degree of error attached and so small changes from one year to the next are not necessarily significant.

**Rural Analysis:** This graph allows the user to consider the relative employment rates for each of the groups across the range of rural and urban areas for 2007.



The graph above illustrates that employment rates for all people and those in the former PSA4 indicator districts were fairly consistent across rural and urban areas and England as a whole. For ethnic minorities, employment rates in less sparse rural areas were consistently higher than those in less sparse urban areas. Due to confidentiality constraints, there is no data available for ethnic minorities in sparse rural areas. Employment rates for people with no/low qualifications were higher in rural areas than less sparse urban areas and for England as a whole. For lone parents there was more variation, but the employment rates in rural areas exceed those in urban areas. However, caution should be taken when interpreting these figures, as small sample sizes (especially for lone parents and ethnic minorities in rural areas) may exaggerate differences between groups.

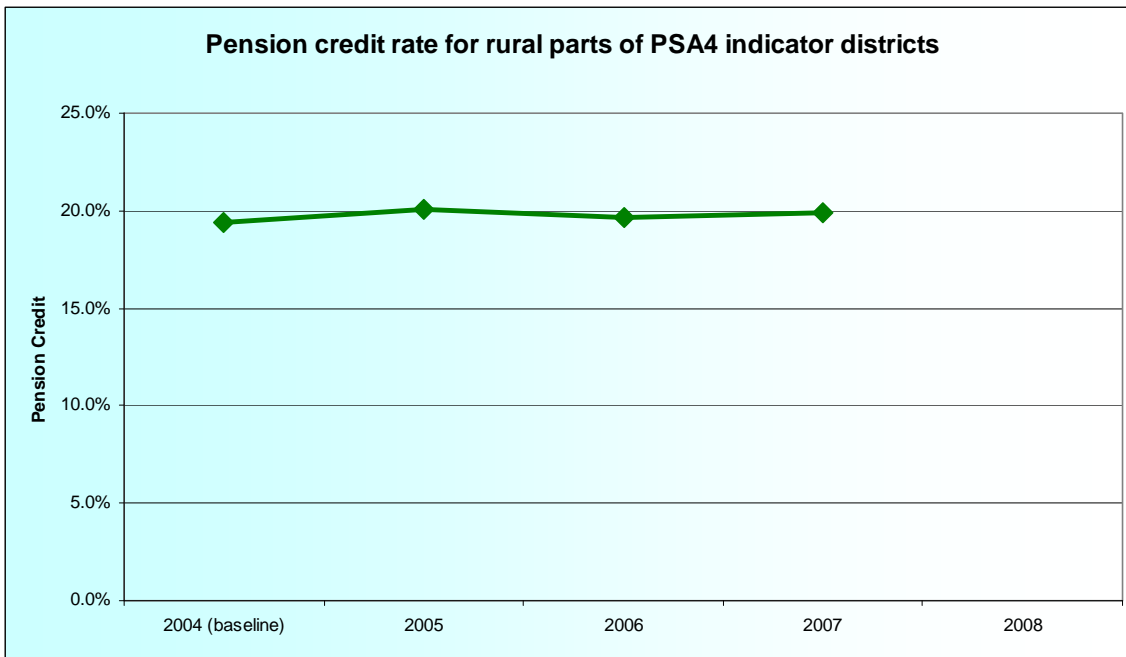
### 3.3.6. Pension Credit

**Target:** to increase the uptake of Pension Credit in rural parts of PSA4 indicator districts by 2008 compared to 2004

**Baseline** (November 2004<sup>7</sup>): 19.4% of rural pensioners in PSA4 indicator districts claim pension credit.

**Latest Update** (November 2007): 19.9% of rural pensioners in PSA4 indicator districts claim pension credit.

<sup>7</sup> **Data Considerations:** The 2004 and 2005 data has been provided by DWP with 'disclosure' rules applied. All SOAs where there are less than 10 pensioners claiming credit are marked "10 or Less". There are less than 100 rural SOAs thus marked, and we have treated these as zero uptake, which means our count of the number of pensioners claiming credit will be at worst around 1000 (less than 0.5%) too low. The 2006 and 2007 data has been supplied with credit take up numbers being 5, 10 or zero to deal with this disclosure and to give deeper explanation to the term 10 or less.



Source: DWP - Newcastle

**Status:** Green

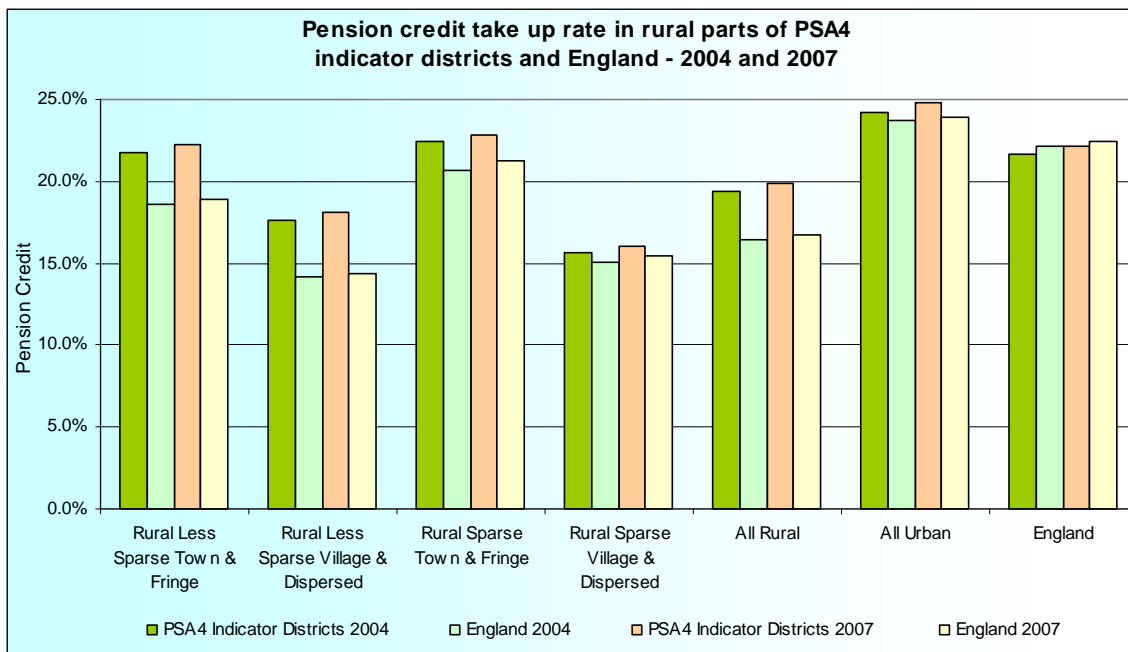
**Source:** DWP

**Geography:** Super Output Area (SOA) and Unitary/Local Authority (U/LA)

**Next Update Expected:** November 2008 (February 2008 data)

**Report:** This indicator was about ensuring that as Pension Credit was taken-up rural areas, particularly the most needy, did not fall behind. The former DWP target was to be paying Pension Credit to at least 3.2 million pensioner households by 2008. The assumption was that, potentially, the most needy rural pensioners would be those in PSA4 indicator districts, which were rural districts defined as economically lagging. The current rate of take up in rural parts of these districts is 19.9% of pensioners, up from 19.4% in 2004. This compares to 16.8% in all rural areas, 24.0% in urban areas and 22.4% nationally. Comparisons between these differences in take up should be approached with caution as there will be a correlation between take-up and eligibility.

**Analysis:** Former PSA4 indicator districts



The pension credit take up rate in 2007 varied across rural England – over 22% in rural town and fringe areas (both sparse and less sparse) compared to between 16% to 18% in rural village and dispersed (sparse and less sparse) areas.

The following table displays the percentage of take up of Pension Credit for all former PSA 4 indicator districts by Rural Urban England for the period 2004 to 2007.

PSA4 Indicator Districts	2004	2005	2006	2007
Rural Less Sparse Town & Fringe	21.8	22.5	22.1	22.3
Rural Less Sparse Village & Dispersed	17.6	18.3	17.8	18.1
Rural Sparse Town & Fringe	22.4	23.0	22.6	22.8
Rural Sparse Village & Dispersed	15.7	16.3	15.9	16.1
All Rural	19.4	20.1	19.6	19.9
All Urban	24.2	25.0	24.5	24.8
England	21.6	22.4	21.9	22.1

### 3.3.7. Access to Services

N/A (see summary above).

### 3.3.8. Road Safety

N/A (see summary above).

### 3.3.9. Housing affordability

N/A (see summary above).

## **4. Moving from SR04 to CSR07 PSA4 to the Strong Rural Communities DSO**

Although Defra works closely with OGDs to ensure that policy delivery reaches those in rural areas as well as in urban areas, Defra does not own the inputs, outputs and processes involved in OGDs' policy making and delivery. The inclusion of direct delivery targets as part of the PSA4 indicator set was therefore not practical, or indeed helpful, in terms of creating clear lines of accountability for the delivery of policy. Furthermore, several of the measures for the former PSA4 have been deemed not fit for purpose by the National Audit Office. As a result of this, Defra Ministers took the decision not to extend the life of PSA4 indicators beyond the end of the SR04 spending period.

### **4.1 Defra DSO on Strong Rural Communities**

For the current Spending Review period (CSR 07), effective from 2008/09 to 2010/11, Defra has developed a set of strategic objectives which set out a picture of what the department as a whole aims to achieve over the next few years. They also provide an overarching framework for performance management and progress reporting. The DSOs are equally important as the PSAs and will similarly last for the period of the CSR, until 2011.

The Strong Rural Communities DSO will be measured against the following intermediate outcomes. Further detail, including the rationale behind the DSO, the supporting indicators and further information is available on the Defra website<sup>8</sup>.

- The evidenced needs of rural people and communities are addressed through mainstream public policy and delivery; and
- Economic growth is supported in rural areas with the lowest levels of economic performance.

We believe that this framework better enables us to analyse and monitor rural outcomes, and ensures that our rural economies programme is supported by a comprehensive evidence base.

### **4.2 Measuring Rural Productivity**

A key advantage of the new DSO framework over PSA 4, is the development of an improved measure for analysing rural productivity which parallels that used at the regional level.

Productivity measures how efficiently inputs are turned into outputs. The more outputs which can be produced from the same inputs, the higher the productivity. Inputs to production include labour, technology, capital and land. "In the long term, it is only increases in productivity that can raise wages, profits and ultimately overall prosperity". *HMT DTI Productivity in the UK 5: Benchmarking UK productivity performance – A consultation on productivity indicators. March 2004.* For this reason, productivity is important for telling us how the economy is performing.

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<sup>8</sup> <http://www.defra.gov.uk/rural/dso/index.htm>

At the national level, economic activity is measured by Gross Domestic Product (GDP), where the production or output method measures the sum of the value added through the production of goods and services within the economy. At the sub-national level, GDP is estimated using Gross Value Added (GVA). GVA is the increase in the value of outputs over the value of inputs, i.e. the value added by the production process. GVA is an estimate of GDP from the 'production approach' before taxes and subsidies are taken into account, and are related terms. As tax and subsidy data is only available for the UK, GVA is used to measure output at the sub-regional level instead of GDP. The most commonly referred to aspect of overall productivity is labour productivity. This is usually measured either in terms of GDP (or GVA) per job, worker or hour worked.

On agreement of PSA 4, GVA data was not available at below NUTS3 level and therefore the rural classification could not be applied and analysed. As a consequence, On agreement of PSA4, average earnings of working age residents weighted by employment rate was chosen as a suitable proxy for productivity. This was because earnings represent the major constituent part of GVA calculations, and so represented the best available proxy under the circumstances.

In early 2008 a new measure of rural productivity was developed by Defra in conjunction with the ONS Economic Analysis Division. This new measure is GVA per workforce job by LA/District, which is available at a low enough spatial scale for the rural classification to be applied. The indicator uses GVA as the output measure and Workforce Jobs (WFJ) as the input measure. This is consistent with the methodology used to construct the headline estimates of regional productivity published by ONS. This new measure enables us to improve our understanding of rural economic performance at lower spatial scales, which is an important first step towards better understanding rural outcomes. The DSO will be further supported by a developing research programme.

#### **4.3 Measuring the Impacts of Services in Rural Areas**

For CSR07, Defra's Departmental Strategic Objective (DSO): *Strong Rural Communities* includes an Intermediate Outcome (IO) examining whether the evidenced needs of rural people and communities are addressed through mainstream public policy and delivery. The IO is roughly comparable to the Access to Services aspect of the PSA4 reporting in that it assesses the outcomes experienced by rural people and communities in relation to policy priorities led by government departments external to Defra.

The DSO underpins a programme of work, using IO1 to monitor mainstream policy outcomes in rural areas, and underpinning a rural research programme in policy areas where there seems to be a need for further work. This will lead to cross-government activity exploring the underlying reasons for any evidenced instances of poorer performance in rural areas compared to the national average.

The DSO is a significant improvement on the access to services element of PSA4 in the following ways:

- The indicators focus directly on outcomes for rural people and places rather than drawing inferences from inputs, outputs or processes,
- The outcomes in rural areas are measured against the national picture,

- The indicators are based on readily available mainstream Government data to which we can reasonably expect to have access to over the full three years of the CSR.

Rather than narrowly focused and target-driven indicators, the DSO looks at broad outcomes in each policy area and examines how rural people and communities perform compared to the national average. For example, instead of monitoring rural drug treatment waiting times and retention rates as in PSA4, the DSO examines health outcomes in rural areas compared with England as a whole. The indicators chosen are in line with the Department of Health's objectives for the current CSR period (2008 – 2011) and as such are a more useful tool for Government when examining the provision of services in rural areas.

While the indicators which underpin the DSO have been selected because of their links to OGDs' PSA targets and priorities, they have also been designed to be measurable. As such, data is available at a level to which the rural definition or classification can be applied. None of the indicators is immeasurable in the same way that some of the previous PSA4 indicators were. Furthermore, an historic baseline of data has been developed for each indicator to enable us to assess trends over time.

More information can be found at <http://www.defra.gov.uk/rural/dso/index.htm>.

### Annex 1. PSA4 Indicator districts

In order to measure the PSA target, the 44 rural areas in the lowest quartile of productivity performance needed to be identified. (rural areas are identified as 'significantly rural' or 'predominantly rural' using the Defra classification). When PSA4 was in development, productivity could not be measured at LAD level, therefore in order to establish the least well performing quartile of rural LADs in England for the purposes of the PSA target. Proxy measures were needed. The 44 districts were chosen using a basket of socio-economic indicators, with agreement from the eight Regional Development Agencies which have rural areas. The indicator districts are illustrated on the following map:

