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Summary & Conclusions

i) The debate about what drives economic development and inclusion in rural areas started long before the Foot and Mouth outbreak in 2001 but its impact has led to fresh interest about the future direction of rural economies. It is now widely accepted that agriculture is no longer the main economic driver in rural economies and that the traditional analytical framework that saw rural areas through an agricultural perspective is out of date. Rural economies have undergone a process of uneven change over many years driven by different sets of internal and external drivers.

ii) One of the key processes of change has been demographic with a process of counterurbanisation taking place. People from urban areas – often affluent and middle class – have moved to the countryside attracted by the high quality environment and way of life. In some cases this has displaced less affluent groups in rural areas, often through competition for scarce housing. Technological developments have also been important as have improved transport links enabling more commuting.

iii) The business structure in rural areas has changed radically from 50 years ago when farming was the key rural industry. The mix of industrial sectors in rural areas is now very similar to that in urban areas with the service sector being by far the largest employer. Agricultural now accounts for less than 4 per cent of employment although this is higher – up to 20 per cent – in some remote areas. On the other hand, the growth of spending on leisure and recreation activities has significantly boosted the size and importance of the rural tourist industry. Further research is needed to better understand the impact of demographic and technological changes on rural economies, including developments in ICT. Better data and analysis of how the business structure in rural areas is changing is also needed.

iv) Thus the difference between rural and urban economies has become less distinct and economies in different rural areas have developed along very different trajectories. Some clear differences between rural and urban areas remain, particularly the sparcity of population and the importance of land-based industries and the environment.

v) Yet the main policy framework and much of the analysis of rural economies is still sectoral and centralised – driven in large part by the CAP. Yet, this approach is no longer compatible even with agriculture, which is now itself highly differentiated. It is certainly incompatible with other concerns associated with rural areas such as rural development, social inclusion and the environment.

vi) These changes, it is argued, suggest the need for a more integrated rural policy based on a regional rather than a national basis. In turn, this indicates the
requirement for a different approach to the analysis of rural economies using territorial rather than sectoral frameworks and based on regions or sub-regions rather than the country as a whole. Regional analysis of economies may tend to still mask differences both between localities and social groups but it would offer a better way of capturing the difference that exist between rural economies as well as cutting across the various ‘policy silos’ that currently exist. Such an approach suggests co-operation with the many regional partners that exist, notably the RDAs. A number of cross-sectoral and cross-community analyses do exist that already head in this direction such as on the Environmental Economy, the Voluntary Sector and Social Economy and the Heritage or Cultural Economy (see note on page 20).

vii) Models used to analyse the development of rural economies have evolved over the years. The traditional exogenous approach assumed that development was largely about promoting inward investment, providing road access and finding, where possible, economies of scales especially in agriculture. By the late 1970s, however, exogenous models had fallen into disrepute. Problems with the ever-increasing intensification of agriculture as well as the closure of many branch-manufacturing plants reduced confidence in this approach.

viii) Endogenous models of rural development emphasise the importance of enabling localities to realise their own potential by using local resources and capital and thereby developing from within. They emphasise the strong linkages between the high quality environment, regional identity and local prosperity. It is also argued that the diversity of rural areas means problems and needs are best identified and solutions developed at a local level. However, while these factors appear implicated in endogenous development, theory has not really been able to provide a model to inform the approach. Instead, it is suggested, it has often been driven by practical realities with development agencies focussing on buoyant areas and trying to transfer their experience.

ix) Related to this approach is work on rural industrial districts. This describes how groups of small and medium sized firms located near each other, such as specialised food producing firms, can gain advantage through among other things low transaction and information costs. This work leads into a more recent approach to rural development that rejects the polarisation of the endogenous/exogenous approaches. It stresses the interplay of local and non-local forces in the development process. It views rural development as a complex mesh of networks: within businesses, between businesses, between businesses and local and non-local institutions and among institutions. Work by the DTI and RDAs in mapping, planning and supporting cluster development may be useful in any further analysis in this area.

x) Endogenous development involves the building of the ‘capacity’ of localities and there is often comment about the building of social capital. But there is
Concern that initiatives to do so tend to favour those who are already powerful and articulate, particularly where the time frame associated with development projects is short. Further research is needed to inform our understanding of the role of informal economy and informal networks within rural economies, how social capital can be built, how it works and who benefits from the process. More information is also needed on rural business support needs.

Evidence of the importance (or not) to rural development of many of these factors has come from comparative studies of regions in similar economic, social and environmental circumstances that have nonetheless experienced very different economic performance. The DORA and RUREMPLO projects, covering areas in several EU countries although not England, emphasised there was not one unique development path towards rural development and job creation. The RUREMPLO project found, for example, that industrial employment development was more prevalent in leading areas. Both reports noted, however, the importance of developing the capacity of ‘local actors’ and the role played by networks as well as the collective features of local culture and society in rural development. Also highlighted however is the fact that geographical location still matters, as does the level of inward investment. The use of comparative analysis between ‘leading’ and ‘lagging’ regions within in England might be a powerful analytical tool and provide insights into a wide range of issues related to rural development.

The FMD crisis in 2001 appeared to expose strong economic linkages both between industries within economies in rural areas and between those economies and regional and national economies. However, analysis of the economic impact of the crisis highlighted the lack of understanding of these linkages and in particular the impact that agriculture has on other industries such as tourism. Others have argued that the high profile media coverage of the disease and the disease control policy, in particular the impact it had on mobility in rural areas, may have been as much the cause of the impact on tourism and other industries as a strong economic linkage between agriculture and rural economies per se. Further research to analyse the economic linkages within rural economies and how local supply chains work is needed to provide a more coherent picture of the issues at stake here. The Countryside Agency in conjunction with the ETC is currently doing work studying the routes to, and impacts of, retaining more visitor spending in rural areas.

As well as having the development of a dynamic competitive and sustainable economy in the countryside as an objective, the Rural White Paper also identifies tackling social exclusion in rural areas as an important objective. Significant evidence exists that processes of social exclusion do operate widely in rural Britain, but not as visibly as in urban areas. The relative rising prosperity of rural households, it is sometimes argued, is not so much the result of strong rural economies, but rather the effect of wealthy people moving into rural areas. Migration tends to be socially selective with, in many
cases, affluent middle-class people migrating to the countryside and less affluent groups moving out. Evidence of a decline in quality and availability of service provision in rural areas also exists.

xiv) Work is being carried out in a number of areas to identify the existence of poverty and social exclusion in rural areas. Area based indicators are often used but are criticised because the nature of rural areas is such that people of similar characteristics do not tend to cluster together (as is often the case in urban areas) and hence people in very different circumstances live in close proximity to each other. Work has also been carried out on the use of ‘bundles’ of indicators, an advantage of which is that by using several factors some of which may only be characteristic of either rural or urban areas, allows a better comparison between the two. Analysis of panel data has also provided information about the processes that cause social exclusion rather than a snapshot at a point in time. Further research is needed to provide a better comparison of the degree of social exclusion in rural areas when compared to urban areas. Research on service provision needs to go beyond ‘headline indicators’ and assess who is benefiting or not from local services – again relative to urban areas. Further evidence of how the processes of change in rural societies connect with individuals, for example in the distinctive operation of rural labour markets, is also needed. Some work is already being carried out in this area by the Countryside Agency under its Social Exclusion programme (see page 74).

xv) Rural regeneration issues arise in two respects. The first relates to areas which are not experiencing economic growth such as in less accessible areas which have traditionally been reliant on agriculture or other primary industries such as mining. The second regeneration issue in rural areas is more difficult to identify and tackle and is where even in regions of relative prosperity there are areas of decline. Rural as well as urban regeneration is a key objective of the RDAs and the regeneration of market towns is seen as key in this process. Research on the benefits and improvements achieved by market town regeneration is important given their central role in the Government’s rural regeneration strategy.

xvi) Many funding agencies demand community involvement in regeneration projects in order for a partnership to win or even take part in the bidding process for competitive funds. Often, it is reported, this can amount to a little more than a co-option of key individuals in an area and the substance of community involvement is variable. Rural partnerships that have been initiated in response to competitive opportunities for funding from Brussels on specific rural programmes have, it is claimed, produced a highly uneven geography of partnership working. Thus some areas become ‘partnership rich’ and others ‘partnership poor’. The importance of this in rural development policy is likely to grow as money is shifted from Pillar I to Pillar II of the CAP. More research on the effectiveness of partnerships in rural regeneration projects.
and the means of empowering the disadvantaged within communities is needed both in respect of securing rural development funding and in engaging the whole community in development projects.

xvii) Evidence exists that relatively large proportions of actual or potential entrepreneurs move to rural areas because of the desirable residential environment and that the quality of the environment is important to rural regeneration. Questions arise here over the sustainability of this process. Tensions arise between the ‘further development’ and ‘no change’ agendas in rural areas. Further research is needed to inform this debate including robust evidence of the importance of environmental quality to rural regeneration, a method of valuing that importance and the consequent sustainability of further development.

xviii) In order to monitor how national policy developments and national programmes take account of those who live in rural areas the Rural White Paper proposed the establishment of a rural proofing mechanism. Use of the rural proofing mechanism is still at a very early stage and there appears to be little analysis of either its effectiveness or cost efficiency in the literature. At the appropriate time research to assess the effectiveness and cost efficiency of the rural proofing mechanism seems essential.

xix) There is much discussion about the changing governance of rural areas with the increasing importance of a whole host of agencies drawn from the public, private and voluntary sectors. The importance of non-market institutions has become apparent in rural development. Several government departments including DEFRA and the DTI as well as others, the RDAs, the Countryside Agency, local government and a whole range of private and voluntary interest groups and enterprises, all have a stake in development policy in rural areas.

xx) The importance of a ‘joined-up’, partnership approach is noted in the literature on economic development and rural regeneration and is highlighted in Government statements and reports. Monitoring may be needed to assess the degree to which all the bodies involved in rural development policy are acting in a ‘joined-up’ manner and further research may be needed to understand better the balance of power and influence in rural areas and what barriers there are to the implementation of public policy. The Countryside Agency have been undertaking some work to study the organisational barriers to integrated rural development.
Priorities

DEFRA economic analysis
xxi) DEFRA should review the analytical approach used in their internal research and analysis. This should consider the balance in their approach between sectoral and territorial analysis with greater emphasis being placed on the latter, than has historically been the case. A review of the nature and role of publications such as ‘Agriculture in the UK’ might be appropriate.

xxii) In doing this careful consideration needs to be given to the statistical needs of such analysis. One issue, for example, is where data would most usefully be made available on a regional (and sub regional) basis and where it needs to be provided split along an actual rural/urban divide.

Working with others
xxiii) Given the wide range of government departments and agencies that have an interest in rural development policy, DEFRA should take forward research of the socio-economic evidence base in close consultation with others. Research is already being undertaken, for example, by the Countryside Agency and the RDAs and other departments such as the Social Exclusion Unit may have an interest in undertaking research in some policy areas.

xxiv) DEFRA could try and co-ordinate the development of a common methodology to be used across those government departments and agencies involved in the collection of data on, and the analysis of, rural development. This would help in the development of a more coherent and comparable evidence base for rural areas across the country. There may also be a role for DEFRA in signposting the various sources of economic research on rural development.

Gaps in the evidence base
xxv) This review suggests a number of areas where further research may be useful. Of these, four areas that may merit early attention are:

- Achieving a better understanding of the interlinkages between key industries in rural areas such as tourism, the local service sector and agriculture. This may be best undertaken on a regional rather than a national basis and using a case study approach. Work currently being undertaken by the Countryside Agency may, at least in part, be addressing this issue.

- Gaining a better understanding of the extent of social exclusion in rural areas in two respects in particular. First, whether current methodologies underestimate it’s extent because of the dispersed nature of those experiencing social exclusion in rural areas and its apparent lack of visibility amongst apparent affluence. Second, how the level of social
exclusion in rural areas directly compares with the level found in urban areas.

- Gaining a better appreciation of the importance of informal linkages and networks in economic development in rural areas, for example, how labour markets in rural areas may work differently from urban ones. Studying leading and lagging areas across England in economic terms may be a useful methodology for both this and other research projects.

- Developing a methodology to provide more robust estimates of the importance of the quality of the environment to economic development and regeneration in rural areas.
Introduction

1. The debate about the development of rural economies and particularly government’s role in that development, started well before the Foot and Mouth outbreak. Several important trends, pointing to a significant change in rural areas, have been apparent for some time. But the impact of the outbreak on such a wide range of businesses and people in both rural and urban areas has caused many people to reappraise their views on rural issues and has prompted the question - what really drives economic development and inclusion within rural areas?

2. The population of rural areas in Britain has for some considerable time been increasing with, in general, more affluent people moving into rural areas and the less well off moving out often in search of jobs and in some cases, affordable housing. On average, people in rural areas enjoy higher incomes than in urban areas, but this broad pattern conceals pockets of deprivation and earnings, again on average, are lower. There is evidence of declining availability of certain services in rural areas such as village shops and post-offices. Many more people are visiting the countryside both for overnight stays and day visits. Interest in environmental issues continues to grow.

3. In many ways the economies in rural areas have been developing along the same lines as the national economy. Most people in rural areas are now employed in the service sector and although farming still occupies by far the majority of the land area its contribution to GDP had fallen to below 1 per cent.

4. The CAP has been the subject of incremental reform since the early 1980s - largely in response to budgetary pressures, the liberalisation of agricultural trade and the increasing emphasis on the integration of social and environmental policy aims. Yet despite many years of discussion about the development of a more integrated rural policy, agriculture remains by far the largest policy area in budgetary terms. Around £3bn per year is still spent on agricultural support, the bulk of it direct payments and production-related support.

5. In November 1996 a conference on rural development in Cork – convened by Dr. Franz Fischler, EU Commissioner for Agriculture, Rural Development & Fisheries – attempted to engender some broader support for ideas on CAP reform and integrated rural policy. The Cork Declaration recalled that agriculture and forestry are no longer predominant in Europe’s economies; that their relative economic weight continues to decline, and that, consequently, rural development must address all socio-economic sectors in the countryside (Cork Declaration, 1996).

6. In 1997 a report by a group of experts charged by the Agricultural Directorate of the European Commission outlined the principles that might guide future CAP reform. The report outlined a series of steps whereby the CAP could be transformed into an integrated rural policy over the medium term. It argued that the objective of a Common Agricultural and Rural Policy for Europe should be to ensure an economically efficient and environmentally sustainable agriculture and to stimulate the integrated development of the Union’s rural areas (Buckwell et al, 1997).
7. The Agenda 2000 agreement reached in Berlin in 1999 linked together changes in agricultural policy and the Structural Funds with plans for enlargement of the EU and the framework for the medium term budget of the EU. Included was a new proposal to combine the agri-environmental Regulation and LFA policy with rural development measures, to create a new instrument (the Rural Development Regulation) to support integrated agricultural and rural development across the whole EU.

8. In England, in August 2001, the Government appointed the Policy Commission on the Future of Farming and Food. Their remit was to advise the Government on how to create a sustainable, competitive and diverse farming and food sector, which contributed to a thriving sustainable rural economy. It urged the UK Government to press for further substantial reform of the CAP and argued to reduce price support and direct payments and progressively shift resources into Pillar II of the CAP to pay for rural development and environmental protection schemes.

9. Despite having a remit limited largely to the farming and food sector, the report argued that Pillar II money, as well as paying for environmental public goods, should also be made available in the UK to support a much wider range of economic activity in rural areas. It said: “We believe that this will be as much in the interests of farmers as it will be in the interests of other rural businesses. This move would improve business development in rural areas, giving farmers more opportunities for diversification” (Policy Commission, 2002).

10. This was in line with the thinking in the Government’s Rural White Paper published in November 2000 (DETR/MAFF, 2000). It set out five objectives for Government Rural Policy. The first two of these objectives relate directly to economic development and inclusion in rural areas.

- **Objective 1** is to facilitate the development of dynamic, competitive and sustainable economies in the countryside, tackling poverty in rural areas.
- **Objective 2** is to maintain and stimulate communities, and secure access to services, which is equitable in all the circumstances, for those who live or work in the countryside.

11. The White Paper noted that while farming was in crisis and that many related businesses were affected that it only accounted for about 4% of GDP in rural areas. Instead it said that the economy in rural areas was increasingly dependent on regional, national and global business links rather than the traditional pattern of rural trades.

12. The creation of a new Department for Environment, Food and Rural Affairs in 2001 brought together the separate strands of several Departments’ work including the Environment Protection Group and the Wildlife and Countryside Directorate from the

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1 Pillar I is the stream of funding within the CAP that subsidises production. Pillar II supports rural development and environmental protection.
former DETR and all the functions of the former MAFF. This prompted the development of a new aim and supporting objectives for the new Department (DEFRA 2001a).

13. With regard to economic development and inclusion in rural areas, objectives two to six seem particularly relevant.

- **Objective 2**: To enhance opportunity and tackle social exclusion through promoting sustainable rural areas with a dynamic and inclusive economy, strong rural communities and fair access to services.
- **Objective 3**: To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements.
- **Objective 4**: To improve enjoyment of an attractive and well-managed countryside for all.
- **Objective 5**: To promote sustainable, diverse, modern and adaptable farming through domestic and international actions and further ambitious CAP reform.
- **Objective 6**: To promote sustainable management and prudent use of natural resources domestically and internationally

14. The changes taking place in rural areas – economic, demographic, social – reflected in the changed objectives for government, point to the need for a wider economic analysis. Sectoral interests had traditionally dominated MAFF economic analysis. While these interests remain important the new aims and objectives point to a need for something different.

15. As one step in this process a programme of work has been taken forward to enhance DEFRA’s rural evidence base. Two scoping studies have been commissioned. The first, undertaken by Professor Berkeley Hill from Imperial College, was to identify the key rural statistics that DEFRA needs and to propose a strategy for obtaining these.

16. This report forms the second scoping study. The approach taken in this study has been as follows:

- First, a series of discussions was held with a range of stakeholders to ascertain what they saw as the key socio-economic questions facing rural England with regard to economic development and social inclusion.
- Second, an initial paper was drafted summarising those questions for agreement with DEFRA. Further consultation by email was carried out and where possible, within the scope and timing of the study, the questions were further refined.
- Third, the available socio-economic literature was reviewed to provide answers to the identified questions where possible. In this process possible gaps in the literature were identified and suggestions made about how DEFRA and key stakeholders might fill these gaps.
17. The breadth of this policy area is huge and there is a vast literature on economic development and inclusion in rural areas. The methodology of the study was predetermined by DEFRA in the terms of reference. In retrospect, it may have been useful to have carried out a literature review first and then used the stakeholder meetings to focus the line of enquiry further. Certainly this study should be seen as only a first step towards improving DEFRA’s rural evidence base. To take this forward, on-going consultation with stakeholders will be needed. In addition, it has become clear in the process of producing this report that significant research is already being undertaken on rural issues by various Government agencies. That research has not always proved to be easily identifiable or accessible. Securing collaborative input from other government departments and agencies in particular the Countryside Agency seems crucial to developing the research base in an efficient joined-up manner.
Analytical Framework

Key Questions:

- What is the analytical and conceptual framework within which the economy in rural areas is traditionally analysed? How have rural conditions changed? Is that traditional concept now too narrow? Has the framework changed over the years and how appropriate is it to the situation today?

- What is meant by rural? How is it defined statistically? What are some of the major gaps in the statistical and analytical framework, which constrains economic and policy analysis?2

- What makes the economies in rural areas different from those found in urban areas? In fact do distinct ‘urban’ and ‘rural’ economies exist at all? What characteristics and features in those rural economies are distinctive from that found in the economy as a whole?

18. Over the past fifty years, both the nature of rural areas and the way in which they are used and valued by society as a whole, has undergone major change. The role of both agriculture, and rural economies more widely, has changed significantly. The divide between rural and urban has become less clear.

19. It is widely accepted that agriculture is no longer the main economic driver in rural economies and that the traditional analytical framework that saw rural areas through an agricultural perspective is out of date. This view is expressed widely in academic literature (Ilbery et al 1998, Hodge 1997) and is clearly outlined in the report on rural economies produced by the Performance and Innovation Unit.

20. The report argued that the current framework for rural policy has its roots in the late 1940s. It says: “At that time the government had a clear view of what the countryside was for, and could command a wide consensus in support of this view. It saw agriculture as the key function of rural areas and therefore as the key economic sector; and it viewed agriculture’s primary role as to ensure security of food supply. It assumed that farmers, as the stewards and shapers of the ‘countryside’, could be relied upon to protect the quality of the rural environment. It assumed that the shift of population from rural to urban areas would continue, and therefore that the greatest threat to the rural environment would be around the fringes of urban areas. And it believed that rising output from agriculture and other primary sectors in rural areas,

2 For a discussion on the definition of rural, how is it defined for statistical purposes and what some of the major gaps in the statistical framework are, see the accompanying report ‘Determining DEFRA’s Rural Statistics: Discussion document for DEFRA’ (Hill, 2001).
combined with universal models of public service provision, would generate sufficient wealth to tackle rural poverty” (PIU, 1999).

21. These arguments, the reports points out, were valid at the time and constituted a coherent framework for rural policy. However social and economic trends have combined to produce a fundamental change in rural areas, in the views of what the countryside is for and in values and priorities for public policy. Public concern about food has shifted from issues of quantity to issues of quality. There has been a marked increase in levels of interest in and concern for the environment, so that many people now value rural England more as a source of environmental goods than as a place for food production. Although farming created the English landscape, the problem is that the sort of farming practices that produced it are not commercial anymore.

22. The Policy Commission on the Future of Farming and Food supported this view. In most respects the Commission felt that farms should no longer be seen as different from any other business in the economy. The one thing that did make farms different is their role as managers of the land and in that respect the Commission argued that there was a clear case for continuing public support. The Commission’s report says: “We want to see a shift in public payments towards the goal of reconnecting farming with the countryside. FMD underlined the strong nexus of links here. As well as being valuable for its own sake, the countryside has an earning potential, which goes way beyond its use as a base for production of food. It is the sustainer of tourism and the key comparative advantage for the rural economy. Properly looked after it could be a valuable part of farmer’s own brand too” (Policy Commission, 2002).

23. A growing consensus has also emerged that rural areas are appropriate for more than just land-based economic activity. This is shown empirically to be the case by a review of available government statistics considering the number of businesses and employment in rural areas. Farming has been widely considered to be the traditional and quintessential ‘business’ of the countryside. However farm businesses no longer hold a large stake amongst the totality of businesses in rural areas. Only around 15 per cent of businesses in rural areas are classified as belonging to agriculture, hunting and forestry (Countryside Agency, 2001).

24. As, by and large, the types of businesses found in rural areas – other than agriculture – are very similar to the types of businesses found in urban areas, the dividing line between the ‘rural’ and ‘urban’ economies becomes increasingly blurred. In fact it is often argued now that distinct urban and rural economies do not exist at all. The process of counter-urbanisation, whereby population has tended to shift from urban to rural areas, has added to the changing nature of rural economies, activity in those economies, and demands upon them. Migration, both inward and outward from rural areas is one of the key changes that is occurring. It creates a ‘two tier’ society – made up of old and new inhabitants - and impacts on key economic variables such as land and house prices (Philips, 1993; Shucksmith, 2001)
25. Over the last two decades there has been a growing economic, political and environmental debate surrounding the farming and food industries and the whole nature of the wider rural economy. Marsden argues that the period of what he calls “progressive productivism” has given way to what has been termed a post productive countryside. This change, he says, requires new theoretical understanding (Ilbery et al, 1998 – chapter 2).

26. The economy and employment in rural areas is often discussed in terms of reflecting the wider economy, albeit, with some particular characteristics (State of the Countryside Report 2001). The key characteristics, which do differentiate rural areas from urban ones, are population sparsity and the linkages involved with the land and environment. Other characteristics include a somewhat differentiated role within the service economy with an emphasis on tourism and leisure, land-based and environmental services and a smaller scale business structure with fewer large firms and a greater number of self-employed people.

27. Thus it is argued that there is not a single rural economy separate and distinct from urban economies. Regional and local economies are often ‘mixed’ economies containing both rural and urban areas, which are inextricably linked. Indeed local economies in rural areas vary considerably.

28. Marsden puts forward a framework within which to analyse the rural socio-economic structure. He identifies four idealised types of characterised British countryside.

- **Preserved Countryside** – often found in the English lowlands and in inaccessible parts of the uplands. Preserved countryside is typified by preservationists and anti development interests. Farming has diversified in many ways because of demands from new ex-urban groups including the leisure industry and residential property. The development process is strongly influenced by middle class concerns and on the whole these areas are typified by high economic growth and development with high levels of inward investment and firm formation.

- **The Contested Countryside** – these areas are outside core commuter areas but are also areas with no specific special environmental features. In the contested countryside farmers are still dominant in the development process, although incomers into the area are increasingly contesting this.

- **The Paternalistic Countryside** – these are areas of the country still dominated by large private farming estates, development is dominated by farmers and land owners often in an attempt to shore up or increase their levels of income. In these areas, Marsden says “farmers and landowners still take the long custodial view of land and property.”

- **Clientelist Countryside** – found largely in very remote upland areas, farming remains very important but is dependent on subsidies from the state.
Development therefore is dominated by a combination of farmers and state agencies (Marsden et al., 1993).

29. This typology characterises the process of uneven rural change driven by different sets of internal and external interests. While the boom and bust scene in British agriculture in the mid and then late 1990’s has dominated much of the public perception (and discussion) about rural areas, a good understanding of rural economies today must be based upon capturing the processes of differentiation occurring in parts of the country.

30. In developing the rural evidence base a better understanding of these arguments is essential. The crucial argument that there is not one rural economy but many rural economies points a way to developing a more coherent picture of contemporary rural areas. As Marsden asks “Does it suggest the demise of national rural structures in the differential emergence of regional ruralities?” (Ilbery et al., 1998 – chapter 2).

31. Given the changes taking place, the PIU report suggested that a new policy framework was needed based upon:

- Economic insights into what government can and should do;
- Evidence about the problems of rural areas that new policies will need to address; and
- A clear and coherent vision for the future of the countryside. (PIU, 1999)

32. Since the publication of the PIU report several major policy changes have taken place. The absorption of MAFF within DEFRA has provided a department with a much wider remit within rural areas. The publication of the Rural White Paper has attempted to address some of the concerns expressed within the PIU report such as the establishment of a rural proofing mechanism to ensure that all major policies are assessed for their rural impact. More recently the Policy Commission on Farming and Food has outlined a vision for the food and farming industry and recommended further changes to agricultural policy in order to reduce subsidies for food production and increase support for the provision of environmental public goods.

33. The view is still expressed, however, that while it is widely accepted that the traditional analytical framework that saw rural areas through an agricultural perspective is out of date, we lack a new framework with which to address the contemporary conditions and agenda. Consequently it is argued, there is no longer a widely accepted framework within which rural issues can be analysed and the frameworks used are often too narrow or exist in separate ‘policy silos’.

34. In the light of the changes to rural economies how should rural areas and their economies be analysed? The diversity across the country makes it inappropriate to think of a single rural economy. Local economies in rural areas differ considerably from one another. There seems to be some uncertainty here about the way forward.
35. The decline in the importance of agriculture, both as the driver of economic growth in rural areas and the answer to the problem of low incomes and disadvantage, points to the need for a more integrated rural policy and an analysis of rural economies using territorial rather than sectoral frameworks.

36. The Cork Declaration also pointed towards an integrated approach to rural development policy in that it must be ‘multi-disciplinary in concept, and multi-sectoral in application, with a clear territorial dimension’. Hodge supports this arguing “this points to the need for a decoupled rural development policy – one based on territorial rather than sectoral concerns – that addresses problems faced in rural areas because of the rural character of the area and one that identifies and promotes a new vision of the role of rural communities in national and international life” (Hodge, 1997).

37. Agreement, however, is not universal about the movement away from sectoral frameworks. Thomson argues that agriculture in terms of food production has now even less connection with the development of the rural economy in Britain and Western Europe than it did 20 years earlier. Instead, he says, a large number of internal and external factors, primarily the lifestyle choices of rural residents and the scale features of new communication technology effect the development of the rural economy.

38. He suggests that in the longer term, farmers will continue to manage most of Britain’s land while simultaneously more and more people will be living, though not necessarily working, in rural areas. These are two separate phenomena, which, Thomson argues, can largely be analysed and administrated separately. He concludes that “the separation of rural development policy both from agricultural and environmental land management policy would clearly represent a shift of focus away from ‘integration’ and towards a more targeted, and to some extent sectoral policy approach” (Thomson, 2001).

39. Some reservations about solely area-based intervention also exist such as in the literature referring to social exclusion in rural areas. In a recent report Shucksmith points out that those experiencing social exclusion in rural areas live dispersed amongst apparent affluence, rather than concentrated together in specific areas. Area based intervention he argues may therefore be insufficient. (Shucksmith, 2000).

40. A number of academic disciplines are interested in this area of study including agricultural economists, rural sociologists and rural geographers. In the policy arena, a large number of often fairly disparate stakeholders are also engaged in debate on this subject. The approach, analyses, interaction and influence of these various groups are very different. Traditionally, agricultural economists have been the central academic discipline associated with government analysis of rural economies. The changing nature of those economies – and the policy issues associated with them – indicate the need perhaps for a wider approach to the analysis.
Recommendations

a) The nature of rural economies and the way they are used and valued by society and the economy as a whole has undergone major change. Further work is needed to develop analytical frameworks that take account of the new set of concerns surrounding rural economies today. In doing this careful consideration needs to be given to the statistical needs of such analysis. One issue, for example, is where data would most usefully be made available on a regional (and sub regional) basis and where it needs to be provided split along an actual rural/urban divide.

b) Key DEFRA economic analyses might in the future approach rural economies on a more territorial basis (rather than a sectoral one). Both here and in wider research, a better understanding is needed of the differentiated nature of development in regional and local economies. While a regional approach alone is not ideal – due to the differentiated nature of rural economies even within regions – it offers potential to cut across the wide range of issues at stake e.g. agricultural, social and environmental*.

c) Given a move towards a more regional and sub regional analysis (rather than sectoral) it would seem sensible to develop future DEFRA analyses in close co-operation with regional offices and partners e.g. the RDAs. DEFRA could also try and co-ordinate the development of a common methodology to be used across those government departments and agencies involved in the collection of data on, and the analysis of, rural development. This would help in the development of a more coherent and comparable evidence base for rural areas across the country.

d) Either a review of the sectoral nature of ‘Agriculture in the United Kingdom’ may be useful, or recognising its sectoral approach, consideration should be given to a parallel review of wider rural economies. Consideration of the inter-linkage with the Countryside Agency’s ‘State of the Countryside’ reports would need to be taken into account.

e) Where new frameworks are developed, communication and discussion is needed between all stakeholders in the rural economy, including both academics and those involved in the policy debate, to achieve understanding and where possible, agreement, of the analyses. DEFRA could play a useful role in facilitating this process and in bringing stakeholders out of their individual ‘policy silos’.

* A number of cross-sectoral cross-community analyses do exist that head in this direction e.g. The Environmental Economy - consortia studies in SW, NE, WM and the East of England; Voluntary Sector and Social Economy - studies in Herefordshire and Worcs., Devon and Cornwall, East Midlands RDA and West Lancs., and the Heritage or Cultural Economy, studies by English Heritage, some of the RDAs and National Trust. These analyses have not however been reviewed in the preparation of this report but were highlighted by the Countryside Agency when commenting on this paper.
Processes of Change

Key Questions:

- What is the nature of economic and social change in rural areas in Britain? What are the key processes of restructuring in rural areas? What are the outcomes of these changes? What has been the impact of ICT?

- What conflicts and tensions have arisen as a consequence of these changes?

41. The ‘traditional’ model of rural change began with the agricultural sector and pursues the implications of changes in agriculture for the local economy in the absence of alternative forms of economic activity (Hodge 1997). In short this involves a decline in the number of people involved in agriculture and a decline in the relative importance of agriculture in the national economy. If no other employment is available then people are forced to migrate to other (urban) areas to seek employment. This has an effect on the local economy in particular a decline in local services as the unit cost of provision rises. This argues Hodge was the received wisdom concerning rural development until the late 1970s.

42. In Britain the trends seen in practice have been very different. There has been an increasing integration of economic activity in urban and rural areas and a process of counterurbanisation has taken place. Since the 1950s Britain’s rural areas and smaller and medium sized settlements have grown at the expense of large agglomerations. Net population growth has occurred due to several factors including the movement of (non-agricultural) employment to rural areas, retirement migration and increased commuting. Between 1971 and 1996 the Census of Population showed an increase of 24% in the population of rural England, compared to 6% across England as a whole (PIU 1999).

43. A recent MAFF working paper analysing economic adjustment in rural areas also outlines these changes pointing out that the marked shift in the UK population from urban towards rural areas is mainly accounted for by migration rather than differential natural growth rates. This partly reflects the growing job opportunities in rural areas (especially in small firms); the improved transport links enabling commuting; as well as people retiring to the countryside (MAFF 1999).

44. There is a great deal of literature describing the processes of change that have shaped rural areas. A good summary is provided in a recent report commissioned by the English Regional Development Agencies (Centre for Rural Economy, 2001). It sets out how rural areas are being shaped by a range of restructuring processes including international trade and European policy reforms, changes in economy and society, the development of new technologies, environmental pressures and changes...
in service provision. In addition it says that recent farming and food crises have impacted heavily upon key rural sectors.

45. Many of the key changes affecting rural areas are social and economic changes that affect the whole of the UK economy. Technological changes including rapid advances in information communication technology (ICT) have implications both for business and service delivery across the whole economy. It opens up the prospect of more people in some types of jobs being able to work from home in rural areas but also brings greater competitive pressures upon businesses.

46. With regard to the food industry, although there are still problems with food poverty, disposable incomes are generally rising and consumers are demanding more choice and higher quality, though price and convenience are still the main factor in their purchasing decisions. There have been heightened concerns about health and safety and animal welfare. Increasing awareness of environmental problems is beginning to impinge more and more on consumer buying practices.

**Economic Change**

47. The rise of the service sector of the economy in the UK (and across developed economies) has tended to close the gap between rural and urban economies. The service sector has grown relative to primary and manufacturing sectors and this has affected both rural and urban areas alike. By far the bulk of rural jobs are in fact now in the service sector – for example 21% in distribution and catering and 28% in ‘other services’ compared to only 7.5% (including self employment) in agriculture, fisheries and food (Cabinet Office, 2000). Even in England’s 150 most rural districts, agricultural employment (excluding self-employment) amounts to less than 5% of the workforce (Centre for Rural Economy, 2001).

48. The long-term contraction of the agricultural workforce (particularly the hired workforce) has speeded up in recent years as farm incomes have fallen by more than 70% from their mid-1990s peak. Particular factors such as the strength of sterling and world commodity markets have been, in large part, responsible for the precipitous fall. But more fundamental underlying forces are at work. As incomes rise an increasing proportion of people’s expenditure goes on non-food items. In addition, increased expenditure on food often goes on eating out of the home or on convenience foods where value has been added beyond the farm gate (Policy Commission 2002). Given a continuation of the long-term improvement in agricultural productivity, a continuation in the decline of agricultural employment seems likely.

49. These trends are not confined to Britain alone and are found in all developed economies. In the US, for example, farming no longer anchors most rural communities and economies as it did through the mid-twentieth century. Seven out of eight rural counties are now dominated by varying mixes of manufacturing, services and other non-farming activity. Farming accounted for 20% or more of earnings in 877 non-metro counties in 1969 in the US. By 1999, farming accounted for 20% or
more of earnings in only 258 non-metro counties (USDA, 2001). Similarly, during the 1980s, agricultural employment in predominantly rural areas in most OECD countries declined by more than 10% - sometimes by even more than 25% - whereas service sector employment increased considerably (OECD, 1997).

50. On the other hand, there is evidence that the decline in manufacturing employment seen across the British economy as a whole has not been reflected in rural areas. Between 1960-1991, a time when Britain lost nearly 43% of its manufacturing employment and the major conurbations lost in excess of 60% of theirs, rural areas experienced a 45% increase in manufacturing jobs. By 1991 the rural areas of Britain had almost 250,000 more manufacturing jobs than they had three decades earlier. Much of this growth was in southern England (and particularly East Anglia).
Evidence for the period 1960-1981 suggests that rural areas in southern England experienced a 32% increase compared to a 10% increase in northern England. On an intraregional scale it is rural areas furthest from conurbations that have shown the greatest increase in manufacturing employment; rural areas more than 80kms from the nearest conurbation experienced a 38% increase compared to a 4% increase for those areas which were less than 40kms away. An attempt to correlate manufacturing employment with rurality, however, did not yield significant results. This indicates that there is a complex relationship between rurality and manufacturing employment, which cannot be reduced to a few generalisations (Ilbery et al. 1998 - chapter 8).

51. Within this relatively positive overall picture, some rural areas and particular sectors have suffered decline. In particular, employment in primary industries such as mining has declined dramatically and regions heavily dependent on these industries have suffered high unemployment, sometimes for many years afterwards. More generally, areas affected by rapid decline in primary industries have found it difficult to adjust and the challenges have been exacerbated by areas’ remoteness, sparsity of population and poor transport access. Rural economies in different parts of Britain have therefore developed along very different trajectories over the past two decades. Understanding these differences appear to be one of the key factors in understanding development in rural economies.

52. It is important to note that there is some concern about the quality of the statistics available for analysing businesses in rural areas. The Countryside Commission’s State of the Countryside reports provide an annual analysis of businesses in rural areas but there are considerable concerns over the limitations of the current data set. For example, the chapter on the economy and employment within The State of the Countryside report uses Government statistics, which rely on the official register of businesses - the interdepartmental business register (IDBR). This register holds records of all businesses registered for value added tax (VAT) and/or operating a pay-as-you earn (PAYE) scheme.

53. However, many small rural businesses are likely not to appear in the IDBR having no employees or only low paid employees and therefore not operating a PAYE scheme and/or because VAT registration is not obligatory for businesses with an
annual turnover of less than £51,000 or who trade exclusively in VAT exempt goods. In addition, there remain questions about the apportioning of the business data collected across the entire business population of the country into urban and rural areas. These data issues are being addressed separately in a scoping report on rural statistics that has been produced for DEFRA (Hill, 2001).

54. Another important trend in rural economies has been the increase in spending and employment in rural tourism. Spending by visitors to the countryside now amounts to £12bn per year and supports some 380,000 jobs. Spending on leisure and tourism activities has tended to rise in line with disposable incomes. Between 1993 and 2000 the number of tourist trips to the countryside grew by 50% while the number of nights away from home grew by 30%. There has been a gradual shift towards shorter, more frequent trips – i.e. 1-3 nights which now account for 56% of the total countryside market in England (Countryside Agency, 2000). The majority of tourists to rural areas fall within the socio-economic groups A, B and C1 correlating with the increased number of short breaks being taken.

55. Tourism is thus a major contributor to the economy in many rural areas. The standard industrial classification system often used for analysing business stock covers many sectors that would undertake tourist activities. These include agricultural, manufacturing, construction, wholesale and retail businesses as well as hotels and restaurants, transport and real estate firms. Thus tourism is an industry involving far more than just those directly involved in providing accommodation and food. A wide number of stakeholders in local areas - from local authorities who may be responsible for footpaths, organisations that provide the many attractions and ultimately the farmers who provide the landscape - are dependent, at least in part, on the buoyancy of the tourism sector.

Social Change

56. The process of counter urbanisation along with other social changes such as the ageing of the population and the decline in the average household size has led to pressures in rural areas. One particular pressure has been the large increase in demand for housing development particularly in Southern and Central England. Migration flows are critical in this process and while some areas continue to lose population, in other parts, people are moving into rural areas attracted by a clean environment and the perceived healthy lifestyle of rural living. As Shucksmith points out migration tends to be socially selective. Gentrification has been evident in many areas as the affluent middle classes migrated to the countryside, in some cases displacing less affluent groups, often through competition for scarce housing. This process has not just led to social gentrification – but also to a changing skills base within rural areas (Newby, 1979; Murdoch and Marsden, 1994; Shucksmith, 2001).

57. It is also argued that mobility and service trends have combined to weaken many of the traditional self-support systems within rural communities. A higher demand for quality services, allied to a reluctance to pay higher prices and taxes, has brought into
question the viability of universal models of service provision in all locations (PIU 1999, CPRE 1999). Poverty in rural areas is also a persistent problem with one in three people in rural Britain experiencing poverty at some time between 1990-96 according to a recent report by the Joseph Rowntree Foundation. Another report from the Rural Poverty and Inclusion Working Group reported that based on the evidence they had collected the effects of poverty and social exclusion in rural areas are similar to those in urban areas, but that the causes and solutions to poverty in rural areas can be very different (Rural Poverty and Inclusion Working Group 2001).

Rural/Urban Links

58. On the whole, with the exception of employment in land based industry, rural economies largely mirror urban economies in terms of employment by sector. Rural areas are also increasingly integrated for regional, housing and labour markets into there surrounding regional economy (Centre Rural Economy 2001).

59. Other important and growing external links with regional and national economies also exist. Of these one of the most important is the growth of rural residents who do not have local occupations. These include ever growing numbers of commuters and pensioners both of whom receive income from external sources whilst spending only some of it on local consumption or investment. Tourism forms another crucial link and one growing in importance.

60. Transport links have also developed significantly in recent decades. Motorcars are now by far the dominant mode of travel particularly among rural households. The demographic changes seen – in particular migration – have an effect here. More commuting, higher car ownership per family and the consequent reduced dependence on local services has raised important issues in recent years for those living on low incomes in rural areas who spend significantly more on motoring per week then those living on low income in urban areas.

The role of ICT

61. Information and Communications Technologies (ICT) was identified in the Rural White Paper as playing a central role in the widening of the economic base in the rural areas. The White Paper pointed out that the ability of rural businesses, however, to take advantage of the new opportunities is currently limited by poor communication infrastructure in rural areas particularly the absence of broadband together, it suggests, with the level of awareness and relevant skills.

62. There is a reasonable amount of literature including a number of surveys addressing the issue of ICT and its potential for rural businesses – in particular farms.

63. Warren outlines the pros and cons of ICT for rural development. He sees the potential benefits as including: enhanced effectiveness of public sector organisations in providing services, improved access to education and training at a distance,
improved communications for individual businesses and managers, provision of an improved market place for products and inputs, and improved access in terms of business credit (Warren, 2000).

64. He points out, however, that there is scepticism over the ability of people in rural areas to share equitably in the fruits of ICT development. He agrees that a major barrier to the use of ICT in rural areas is inadequate telecommunications structure and in some countries (Australia and the US) higher cost of telephone services in rural areas. He also highlights concerns with the use of ICT in the delivery of public services including health and education and the decline in some local services such as bank branches due to the development of online banking. For those people living in rural areas without access to a car and the Internet this could exacerbate social exclusion by limiting their access to a full range of services. Warren also suggests that access to global markets can increase competition for local producers as well as providing access for those producers to larger markets.

65. This view is supported by Malecki (2001) writing about the use of the internet in rural America. He says, “in short, telecommunications is not a ‘magic bullet’ for rural development”. Going digital he says means opening doors to nearly unlimited possibilities to exchange information on a scale never before imagined. But it is, he argues, a necessary but not sufficient condition for rural growth. He concludes “telecommunications is but one piece in the more complex puzzle of rural development. Because the issue is wrapped up in human capital, it is far more than relatively simple infrastructure supply issue”.

66. Several surveys show the extent of the use of both computers and the internet by farmers. For example recent surveys indicate significant take up of e-business both within the agricultural and agricultural supply industries. A survey conducted between April and June 2001 found that 82% of UK agricultural supply businesses have a Website. The majority of those, however, use it as a means of providing information and a communication tool, with only 2 per cent using the internet for trading (ICG Europe 2001; DBT Ltd 2001). Similar trends have been noted in other countries such as the US (USDA 2001a).

67. With reference to the use of ICT in non-agricultural firms in rural areas computing was identified as the most useful area of business support used by non-agricultural rural micro businesses in North East England (CRE, 2000). Although interestingly, when the sample was split between those firms definitely not interested in growth and those categorised as expansion businesses, the top two areas of business support for expansion businesses were in fact marketing and identifying market opportunities with computing in third place.

68. Generally there appears to be less information readily available about use of computers and the internet by non-agricultural businesses in rural areas than agricultural ones.
69. In September 2001 DEFRA published an e-business strategy developing on from the departmental e-business strategies that were published in Autumn 2000. DEFRA’s vision for e-business is linked to it’s new aim and objectives. It contains details of several e-business projects including the creation of the Rural Payments Agency (RPA), The England Rural Development Program (ERDP) IT system, plans for a rural portal and plans for electronic records and document management (DEFRA 2001b).

70. In developing the evidence base concerning economic growth and social inclusion in rural areas it will be important to have a good understanding of what the impact of ICT has been on the development of rural areas to date. Also of interest will be research on the possible impact on rural economies of future developments in ICT. Given DEFRA’s wider remit compared to that of MAFF it will be important to develop this knowledge base across all rural businesses not just those in the food and farming sector.

**Suggestions for further research**

f) A basic analysis of the ‘stock’ of businesses in rural areas is presented in the State of the Countryside Report but is constrained, in part, by data limitations. While there is no simple definition of what rurality means, a study looking at the definition of rurality for statistical purposes is being prepared (Hill 2001). Once this and other data quality problems have been addressed a more in depth analysis would be useful. Moreover, a better understanding of the underlying trends would be helpful to improve understanding and to help monitor the changing nature of rural economies.

g) In particular there appears to be a particularly poor understanding of the nature of the tourist industry in rural areas. The view of rural tourism is often too narrow in concept and its impact on growth and inclusion in rural areas (with respect to its impact on rural services) is not well understood. Further work to better understand the current structure and future potential of the tourist industry in rural areas is needed. The recent Countryside Agency/English Tourism Council ‘Working for the Countryside’ strategy for rural tourism may go some way towards achieving this aim.

h) There appear to be several studies outlining the ‘potential’ of ICT for rural areas – particularly for farm businesses. Concrete evidence measuring the actual benefits achieved to date seems less readily available. Further work in this area particularly addressing the benefits for non-agricultural businesses in rural areas and the potential impact of future technological advances is needed.
Economic Growth

Key Questions:

- What are the key drivers of economic growth in the economies of rural areas? Are these drivers global, national, regional or local in basis?

- What is the role of social capital in the formation of business aspirations? How important are informal linkages in the economy and labour markets of rural areas?

- How important and what are the factors affecting the development of an entrepreneurial culture in rural areas?

- What is the impact of tourism on growth (and social exclusion) in rural areas? How is this affected by the quality of the local environment?

- What is the nature of the rural business population? What drives or constrains the growth of such businesses?

- What role do transport improvements have in increasing economic activity in rural areas? What tensions exist between transport needs for economic development and other objectives for rural areas such as protection of the environment?

- How important is diversification in rural economies to avoid vulnerability particularly when local economies are dependent on primary industries, such as agriculture or mining? How have farms diversified both on and off farm? To what extent do the economies of rural areas depend on agriculture and to what extent does agriculture depend on the rest of the economy in rural areas?

71. As outlined in the previous sections, the economy and employment in rural areas of England largely reflect the national economy, but with some particular characteristics. It is often argued that it is wrong to think of key drivers of growth as being within the rural economy. There is not a single rural economy separate and different to economic activity in urban areas. The economies in different rural areas are quite different and in many cases there are more similarities between the rural and urban economies within a region, than between different rural economies in different regions.

72. It is widely accepted that farming no longer forms the ‘backbone’ of rural economies and that its contribution to GDP and employment in most rural regions is both small and in relative decline. (OECD, 1997; Cabinet Office, 2000). The post war policy framework for rural areas was largely centred around protecting the countryside from pressures generated by population shift from urban to rural areas,
particularly on the fringes of urban areas and promoting economic growth by supporting the agricultural industry and boosting agriculture output. Farmers were encouraged to achieve this by adopting new technologies, taking up mechanised inputs and reducing the use of hired labour. The main economic problem was termed “agricultural adjustment” and in many ways was aimed at helping farmers to achieve economies of scale. As well as being outlined in the PIU report, this period of development is well documented in the academic literature (Marsden 1993, Newby 1979).

The role of farming

73. Nevertheless, there remains considerable interest both in the academic literature and particularly among those interested in policy development in the restructuring and development of the farming industry. This is driven in part by the continuing dominance of agriculture within rural policy (and its level of public support) and in particular over recent years to the series of “crises” that agriculture has gone through.

74. In response to this, the Government appointed the Policy Commission on the Future of Farming and Food. The central theme of the Policy Commission’s report was one of reconnection, it argued that the real reason why the present situation of farming is so dysfunctional is because farming has become detached from the rest of the economy and the environment. It states that the key objective of public policy should be to reconnect the food and farming industry: to reconnect farming with it’s market and the rest of the food chain; to reconnect the food chain and the countryside; and to reconnect the consumers with what they eat and how it is produced (Policy Commission, 2002).

75. The report outlines a strategy for farmers to employ in order to survive in the more competitive market place. In short, that strategy revolves around farmers increasing efficiency, adding value and diversifying their businesses. The report also looks at the food and farming industries environmental responsibilities and in particular the special role of farming as a steward of the countryside. It sets out proposals to start to address the industry’s environmental problems based largely on the introduction of whole farm plans and a new entry level stewardship scheme to get more land managers involved in environmental protection and enhancement.

76. While concentrating on the food and farming industry as a sector the Policy Commission report also acknowledges the interdependencies between it and the wider rural economies. It points out that for farmers this offers opportunities for diversification in areas like non food crops, tourism and water management and suggests a shift in UK support to a much wider range of economic activity in rural areas.

77. A further area of importance the Policy Commission focussed on is the growing importance of local and regional foods, which, they argue, offers a great opportunity for farmers to add value and retain a bigger slice of the retail price. This links into a
strand of argument within the academic and policy literature about the inter-linkages between rural economies and the wider national and global economies.

78. Marsden proposed a theory to try and encapsulate the changes that are taking place. He argues that the economy as a whole has been caught up in a complicated process of social and economic restructuring. Within rural economies, Marsden argues that restructuring can be seen in two important dimensions, horizontal and vertical.

- The horizontal dimension he argues is the shift from urban to rural both in population and economic activity. Here he refers to the impact of commuters, retirees and tourists and the different demands they place on rural service activity as well as the relocation and set-up of new industries within rural areas.

- His second dimension is a vertical one. Here he looks at the impact that distant food markets have on the agriculture industry in rural areas. This impact is largely via large multi nationals in an increasingly concentrated processing and retailing sector in particular.

Marsden goes on to state the importance, of what he terms “actors”, both those in situ in rural areas and their sense of relationship with non-local actors and agencies. He says “such a perspective – broadly defined as a new political economy – has begun to redefine the concept of rural space and rural restructuring itself.”

Exogenous and endogenous models of rural development

79. Beyond farming, much of the literature on rural development does not concentrate on any one particular sector. An important area of discussion within the literature on economic development in rural areas has been between exogenous and endogenous models of rural development. Exogenous models of economic development formed the traditional basis of the understanding about rural development. In short, this model of development largely assumes that rural areas were dependent on urban areas and development was largely about promoting inward investment, providing road access and finding, where possible, economies of scales. Remoteness from urban areas was largely seen as a problem that had to be solved. The development problems of rural areas were diagnosed as those of marginality.

80. The question as to whether transport improvements lead to increased economic activity was addressed recently in a report published in 1999 by the Standing Advisory Committee on Trunk Road Appraisal (DETR, 1999). The report found that there was a strong theoretical expectation that all or part of a successfully achieved transport cost reduction may subsequently be converted into a range of wider economic impacts. This, in principle, provides for the possibility of improved economic performance. The empirical evidence of the scale and significance of such linkages is, however, weak and disputed. The report concludes, “the theoretical
effects can exist in reality, but none of them is guaranteed. Our studies underline the conclusion that generalisations about the effects of transport on the economy are subject to strong dependence on specific local circumstances and conditions.”

81. The report also points out that there is no guarantee that transport improvements will benefit the local or regional economy at only one end of the route. Roads operate in two directions and in some circumstances the benefits will accrue to other competing regions. Thus, for example, where monopoly prices in a sector or region may be reduced by competition from outside some benefits such as increased employment may accrue to distant competitors rather than the local producers.

82. The report also recognises that ‘transport costs’ are not the same as ‘transport prices’. The real resource costs that transport impose on the economy include the hidden or external costs of congestion, accidents, pollution and other environmental impacts. Thus when these are included, the overall marginal cost of a trip to society may be quite different from the direct money cost of car use, or public transport fares, paid by each individual traveller. Accepting that the full money valuation of all external environmental costs is not in prospect, it is still unavoidably necessary argues the report, to make a case-by-case judgement about whether these costs are likely to be large enough to make the marginal social cost greater than the price.

83. On a more general level, a number of reports have highlighted transport as a major barrier to getting a job in rural areas (PIU 1999, State of the Countryside 2001, Joseph Rowntree Foundation 2000). 84% of households in rural areas own a car compared with only 69% in towns and cities and according to the Joseph Rowntree Foundation report “most people felt that public transport if it existed at all was inappropriate and unreliable for work journeys”. The need for private transport makes access to the labour market very difficult for those without the daily access to a car. This is a particular problem for young people. Having no car was also found by the report as a barrier to training.

84. Returning to the exogenous models of rural development the main government approach to these problems in the post-war period was to encourage the modernisation of rural services and agricultural practices. However it became apparent that such measures could not stabilise rural economies. A second approach then was to emphasise the attraction of new types of employment to rural areas. Manufacturing firms were encouraged to relocate from urban areas or set up branch plants. (Lowe et al, 1995).

85. By the late 1970s exogenous models had fallen into disrepute. Problems with the ever-increasing intensification of agriculture as well as the closure of many manufacturing plants in the early 1970s recession reduced confidence in this approach. This is supported by recent research from HM Treasury. In terms of regional economic development it argues that large-scale infrastructure developments, despite providing a short-term demand boost, have frequently failed to stimulate long-
term growth. In contrast it argues that demand driven investment programmes have been rewarded with success (HM Treasury 2001).

86. Instead endogenous models of rural development emphasise the importance of enabling localities to realise their own potential by using local resources (both natural and human) and capital and thereby developing from within. This model sees the characters of rural areas not as a constraint or handicap but as a source of opportunity and strength (CPRE 1999).

87. Central to the endogenous approach is the recognition that an attractive rural environment is a competitive advantage of rural areas. It emphasises the strong linkages between the high quality environment, regional identity and local prosperity. It is also argued that the diversity of rural areas means problems and needs are best identified and solutions developed at a local level.

88. Attributes seen as important for endogenous development to be a success include the ability of agricultural labour to engage in new enterprises, a cultural orientation towards self-employment and a network of small and medium sized enterprises often strongly interdependent on each other. Also seen as important is a network of services provided by local administrations aimed at strengthening development patterns. Lowe et al argue however that while these factors appear implicated in endogenous development that theory has not really been able to provide a model to inform the approach. They argue that the approach has really been driven by practical realities with development agencies focussing on buoyant areas and trying to transfer their experience. Thus endogenous development may not be so much a clearly defined concept with theoretical roots as a perspective on rural development underpinned by value judgements about desirable forms of development.

89. Lowe et al argue that the exogenous/endogenous distinction “privileges an artificial spatial polarity and we propose an approach to the analysis of rural development that instead stresses the interplay between local and external forces in the control of the development process”. While it is inevitable that development processes whether exogenous or endogenous are shaped by local factors, the crucial issue, it is argued, should be between the local and external control of development processes. They go on to say “an institutional focus which specifies precisely how the links between local actors and those situated elsewhere are established and the nature of the relation specified by those links is a useful way to proceed. This approach recasts endogenous and exogenous concerns into the analyses of economic relations as power relations”.

90. This is supported by Marsden who argues that “a focus upon network construction and mediation thus begins to provide a way of breaking down the inevitable rigidities in conceiving rural space as derived from its physical composition or its strictly internal or external definition alone.” This, he argues, begins to collapse the exogenous and endogenous dichotomy (Ilbery et al, 1998 – chapter 2).
Rural Industrial Districts

91. An evolution of these arguments concerns models of rural industrial districts. In some ways this has similarities to endogenous development in that the concerns of researchers studying industrial districts have been dominated by the need to move away from top down global explanations of change to micro locally based studies. Agro industrial districts are perhaps best understood in the context of the growing integration between food production, processing and retailing.

92. Using examples from Italy Lowe et al describe how, like in much of rural Europe, different types of agricultural production have become increasingly geographically concentrated. This has facilitated the evolution of agrifood clusters with locally agglomerated small and medium sized firms specialising in the processing and distribution of local high quality foods. Closely networked relations between local farms, processors, distributors and retailers make for flexibility in adapting to the technological and market changes. At the same time they allow value added in the non agricultural aspects of the food chain to remain within the regional economy rather than being captured by exogenous and often multi national food companies (Lowe et al, 1995).

93. Agglomerations of specialist food producing farms and firms in specific localities or regions can, it is argued, lead to transaction costs being very low. It is this network of social, economic and institutional relationships that may be crucial in understanding the success of agro industrial districts. Thus one possible difference between exogenous and endogenous development patterns is that they entail different transaction, transformation and management costs with higher costs being associated with exogenous development.

94. Lowe et al argue, however, that it is not simply low transactional costs that explain the success of agro industrial districts. Rather it is claimed there is a range of advantages arising from the institutional mixtures and linkages that are found. They ask “how is the value generated in the chain of production and consumption and who exercises control in such chains?” It is suggested that networks of local ‘actors’ and institutions can be built up such that the sum is greater than the parts. The idea of networks is used to examine the local embeddedness of networks in regions, their relationships with the outside and the conditions that allow for the successful retention of control and value by local actors.

95. This leads into a more recent approach to rural development that rejects the polarisation of the endogenous/exogenous approaches. This stresses the interplay of local and non-local forces in the development process. It views rural development as a complex mesh of networks between various parts within the firm, links among firms, links of firms with local and non-local institutions and links among institutions.

96. Lowe et al conclude that “if we adopt the view that rural development must be considered as a complex mesh of networks in which resources are mobilised,
identities fixed and power relations consolidated than we might be able to move on to propose a ‘macro’ account of rural development which remains in tune with a complexities of networks that give rise to more widespread patterns of change. For those seeking to promote rural development it is worth attempting to gain some understanding of the most likely successful development strategies.” Within these a mixture of local/non-local elements are likely to be discerned. For example, they note that where regions remain peripheral it might be the case they simply cannot generate development from within and will therefore be particularly reliant on development from without.

Social Capital

97. One aim of endogenous development commented on in the literature is to enable local areas to assume greater control of their own development by re-orientating development and growth around local resources, and by setting up local structures to sustain development and momentum after the initial official intervention.

98. However, Shucksmith asks, “if endogenous development involves the building of capacity of localities or territories against the broader forces of global competition. How does an “area” assume control?” He questions whether it is only the capacities of communities which is to be built or might development seek to build the capacity of individuals (especially disadvantaged individuals) to act? (Shucksmith, 2000a)

99. In attempting to answer this he discusses the role of social capital within endogenous development. According to Shucksmith, Putnam proposed one of the most influential uses of the concept of social capital (Putnam, 1993). Social capital, he says, “refers to features of social organisation such as trust, norms and works that can improve the efficiency of society by facilitating coordinated actions”.

100. Although Shucksmith questions the validity of this definition he also states that it has important implications for the practice of endogenous rural development. In particular he cites the long time horizon over which social capital is built (if it can be built consciously at all) and secondly, the importance of focussing on social development and norms and networks of civic engagement, rather than on profits or job creation as the underlying basis of economic performance. Insufficient time is, he argues, frequently allowed in development programmes such as LEADER. He cites the case of the South Pembrokeshire Partnership for Action and Rural Communities (SPARC) as a good example where capacity building has been explicitly addressed.

101. Shucksmith also highlights concerns however, about the tendency of endogenous development initiatives to favour those who are already powerful and articulate and who already enjoy greater capacity to act and engage with the initiative. More marginalised groups, he points out, are less able to participate or engage with development programs and are less likely to be empowered unless explicit attention is given to their inclusion.
102. A central question then, he says, “is how to build capacity at a collective territorial level (perhaps through the symbolic construction of a community or territorial identity), while at the same time positively redistributing power and building the capacity to act with the least disadvantaged individuals?” With reference to the experience of LEADER in the UK Shucksmith points out that the imposition of very short timescales has disadvantaged those lacking individual social and cultural capital and that it will be important to allow more time for future initiatives if inclusion is to be a goal.

**Rural Businesses and their business development needs**

103. As in the economy as a whole micro businesses (defined as those employing fewer than ten full time staff) make up over 90% of all rural firms (PIU 1999). Evidence available on the number of larger businesses employing over ten people suggest that this makes up a greater proportion of firms in non rural districts than in rural districts (State of the Countryside Report 2001).

104. The literature describing small businesses in rural areas suggest there are both strengths and weaknesses due to the high preponderance of small micro businesses. Small businesses in rural (especially remote rural) areas have more trouble reaching their customers and suppliers - many being constrained by the local demand for their products. Problems in recruiting appropriately skilled staff are also highlighted as an issue. On the other hand the importance of the local environment and the better living conditions that this provides is quoted as a strength as is the potential for the enhancement of market position gained through being in a rural.

105. The Centre for Rural Economy undertook the first large-scale regional survey of rural micro businesses in the UK, which covered the North East of England and was published in July 2000. It provides evidence on the role of, and needs of, micro businesses both in the agricultural and non-agricultural sectors. The survey suggests the principal “exporters” from rural economies (i.e. those businesses with greater prospects for expanding sales compared with businesses constrained by local demand) are in the hospitality, business services and manufacturing sectors. (Raley and Moxey 2000).

106. The report concludes that while it is clear that generating a principle income is the primary purpose of most firms, expansion is the goal of only 13% of small rural micro businesses. More commonly firms are looking to maintain their current position over the next ten years.

107. The report comments on the uptake of public sector business support among these businesses. They find that “newer firms, externally orientated firms and firms run by operators with post ‘A’ Level education and to some smaller extent firms run by in-migrants all make greater use of public support than other firms.” Non-users of public support did not make compensating use of informal or private means of business support. Business support in a variety of areas was perceived to be of greater
use by expansion orientated firms, nevertheless, some firms, which are not growth orientated, identified various areas of being of current value. Such firms, the report argues, nevertheless also may play a valuable role in delivering local services.

108. Lowe and Talbot argue that rural areas have distinctive business support needs. These they say can be conceptualised in two ways. First, that rural firms tend to differ somewhat from urban firms and hence have different business support needs. Second, that there is a need to deliver business support services in rural areas in a different way. For example rural firms tend to be very small and in remote areas they tend to be labour intensive and make less use of technology and innovation. The sparsity and remoteness of businesses also make service delivery more difficult and costly (Lowe and Talbot, 1999).

Diversification in rural economies

109. Although overall employment is higher in rural areas than in urban areas and claimant unemployment lower (State of the Countryside, 2001), some rural sectors and rural areas have experienced particular problems. Employment in primary industries including farming has declined over the past two decades and in some sectors such as coal mining it has declined rapidly. Consequently, areas dependent on these industries have been badly hit. From 1960 – 1995 the number of people employed in coal mining fell from 583,000 to just over 10,000 (PIU, 1999). It has proved difficult for such areas, often in remote locations, to adjust and develop alternative sources of employment.

110. In these instances, specialisation in a particular industry has proved a weakness for these areas. In general, experience from Europe reflects the same situation. For example, evidence from the DORA Project - a two-year international comparative research study covering areas in Scotland, Germany, Greece and Sweden (see section on leading & lagging areas) suggested that historical features of structure such as high levels of dependence on large landowners or on externally owned extractive industries were important in several less well-performing areas (DORA, 2001).

111. Results from the RUREMPLO project - a study of agriculture and employment in the rural regions of the EU - suggest a more mixed situation with evidence that in leading areas both specialisation and diversification can be successful strategies. In some areas, specialisation of a region’s economy has enabled it to compete on an international scale (Terluin and Post, 2000).

112. An example of this is in Pesaro and Macerata located in the so-called ‘third Italy’. In these regions, a spontaneous industrialisation process characterised by small family firms and concentration in industrial districts developed. The main and traditional industrial specialties are wooden furniture in Pesaro and footwear in Macerata, around which districts have emerged. In the 1980s and 1990s, both areas were faced with a decline in agriculture and service employment. The development of
industrial employment made the difference: it increased in Pesaro and decreased in Macerata. Reasons given for the differing performance include greater capacity in Pesaro of firms to find new markets, new niches and specialisations than firms in Macerata. A key message from this example is that industrial success can be achieved based upon small-medium highly specialised enterprises but that a capacity to achieve a continuous process of reorganisation and technological innovation is needed, in order to move towards new markets, new niches and new specialisations.

113. A recent report by HM Treasury (2001) addresses the question of whether industrial composition constrains future growth in regions of the UK. The mix of different industries in regions, the report argues, is key in determining skills investment and technology requirements in that region. However, while there is limited academic work on the issue of industrial composition and productivity growth at a regional level, the evidence suggests that regional specialisation appears to have a very minor role in explaining inter-regional inequality in productivity. Recent work by the Bank of England finds that the broad manufacturing/services split explains little of the differences in output between UK regions. However, at the sub-sectoral level differences in structure can be important, it says, in explaining differences in growth performance. It concludes that a region’s industry mix, while playing some role in explaining individual regions’ and localities’ economic problems, is not critical in constraining a region’s growth potential. The industry mix evolves over time and regions are able to either adapt their industrial composition or attract higher value-added activities to improve their productivity (HM Treasury, 2001).

114. In agriculture, diversification has proved crucial in income generation for some farms. An NFU report (NFU, 1999) estimated that on average over the previous ten years, around a fifth of whole-farm income on English farms had come from non-agricultural sources. By 1998/1999 this had grown to almost 40 per cent with the decline in traditional farm income and represented significantly higher proportions of overall income in some sectors such as lowland and LFA cattle and sheep. Off-farm income accounts for the bulk of non-agricultural income including employment, self-employment in other sectors as well as income from investment, pensions and social payments

115. The evidence suggests, however, that the level of on-farm diversification activities did not increase dramatically in the late 1980s and through the 1990s (McNally, 2001). Using an analysis of farm business survey data suggested that between 1988 and 1997 there had been no big changes in diversification activities except for the renting out of farm houses, cottages and other buildings which had increased from 22 percent to over 30 percent by 1997. McNally points out that the opportunities for diversification are not available to all farms. In particular she argues that farm size and type are strong predictors of where particular types of diversification activities will develop. For example for hire work and renting out of buildings, there is a strong positive correlation with farm size.
116. Hodge & Kiddle (2001) suggest that while farm incomes are diversifying, the gains are uneven through time and between agricultural sectors and locations. They argue that the evidence from the farm business survey is ambiguous and that there may be some doubts as to how reliable it may be. They conclude “the opportunities will be greater within areas with successful local economies making the challenge greater in areas where the economy is less successful. Thus diversification cannot be a panacea.”

Suggestions for further research

i) The research on rural development suggests that the informal economy and informal networks within rural economies are important both in furthering economic development and social inclusion. These informal activities are not well documented in the UK and further work in this area may be useful in improving the understanding of their importance, how they work and how they can be encouraged.

j) The role of social capital in endogenous development and in family and business aspirations is thought to be important but is not well understood. Further work in this area may be appropriate. Furthermore, the imposition of short timescales in some rural development programmes may, it is argued, have disadvantaged those lacking individual social and cultural capital and it may be important to allow more time for future initiatives if inclusion is to be a goal. This suggests a possible gap in the evidence base about the experience of endogenous development, how social capital can be built, how it works and who benefits and who loses from the process.

k) Further work to identify the business development needs of all businesses in rural areas (not just farming) might also be useful.

l) The Farm Business Survey should be reviewed to ensure that data is collected on all activities within farm businesses to enable the formation of a better understanding of the role of diversified enterprises. This information will be increasingly useful as public support is switched from Pillar I to Pillar II of the CAP and away from production support.
Leading and Lagging Areas

Key Questions:

- What factors explain persistent differences in economic performance between rural regions and localities? Which of these factors are tangible such as the natural resource base or the level of investment and which intangible such as performance of markets or the existence and functioning of local networks?

- What is the role of inward investment into rural economies? How important is the degree of embeddedness of businesses in local and regional economies?

117. Interest in the comparative analysis of ‘leading’ and ‘lagging’ areas of economic development in rural areas has increased in since the mid 1990s. The research largely concentrates on leading and lagging in economic terms – and often that of employment – rather than other factors such as social or environmental performance.

118. The comparison of rural versus urban economies that is often made can be very misleading. No straightforward correlation exists between the degree of rurality (or urbanisation) of regions and their performance in creating additional jobs. Understanding differential economic performance at local and regional levels is therefore a key element in devising practical strategies and programmes for sustainable rural and regional development in different contexts.

International studies

119. Many conventional studies until the mid 1990s concentrated on differential economic performance at the national level. Abundant data was available at the national level showing the structural details of sectoral mix by activity or on unemployment by sex, age and skill.

120. But it is questionable whether nations are really the most appropriate territorial units for even international comparisons. One alternative way of reflecting the diversity of territorial conditions and trends is to rank regions according to a rural/urban gradient, say predominately rural, intermediate and predominately urbanised. Using this typology the OECD show that employment indicators reveal some systematic features that differentiate rural and urban labour markets. For example, overall unemployment rates in OECD countries tend to be higher in rural regions and rural labour force participation rates are lower than in urban regions. The opposite is true for some rural regions such as in Japan, Germany and United Kingdom (OECD, 1997)
121. In terms of development performance they also showed across OECD countries that during the 1980s many of the metropolitan areas ceased to generate as many employment opportunities as before. On balance they showed that the rural regions experienced a net increase in employment although usually at a slower pace than the rest of the country in question. The emerging “winners” were apparently intermediate regions which are significantly rural in character but possess a network of easily accessible towns.

122. There are implications in their finding for the analysis of rural areas. In territorial analysis, the OECD argued, in addition to the settlement dimension (rural vs. urban) regions should also be distinguished according to a development dimension (dynamic vs. lagging). Focussing on the differences between rural and urban implicitly make the urban the model for the rural. Yet dynamic rural regions may provide a more realistic policy reference for lagging rural regions than do urbanised ones.

**European Studies**

123. At an EU level, European Commission has in the late 1990s funded two projects considering leading and lagging rural areas. They asked the question: why do rural areas in apparently similar economic, social and environmental circumstances have markedly different economic performance over relatively long periods of time?

124. The RUREMPLO project (Agriculture and employment in the rural regions of the EU) studied leading and lagging rural areas in Germany, Greece, Spain, France, Italy, Holland and Austria. The regions were first split into most rural regions, intermediate regions and most urban regions before being split further into leading and average lagging regions based on the performance of non-agricultural employment in the 1980s and the early 1990s. A region was considered to be leading if the growth rate of non-agricultural employment was 0.5 per cent above the national growth rate. On the other hand the region was considered to be lagging if the growth rate of non-agricultural employment was 0.25 per cent below the national growth rate (Terluin and Post, 2000).

125. A statistical analysis for the period 1980 – 1995 showed that leading rural regions:

- Have both growth in industrial employment and services employment;
- Show a smaller decline in agriculture employment than lagging regions;
- Show population growth as well, whereas in lagging rural regions population growth stagnates;
- Tend to have a lower unemployment rate than lagging regions.
126. However, for a number of socio-economic indicators hardly any differences were found between the leading and lagging regions, such as the educational level of the population, share of females employed in total employment, participation rates, the number of farm holders with other gainful activities and small differences in the sectoral structure of employment.

127. Overall, the research found that lagging regions tended to have a somewhat larger share of employment in agriculture, whereas leading regions tended to have a larger share of employment in industry and services. Both leading and lagging areas suffered declines in agricultural employment and increases in service employments since the 1980s. The most striking difference in employment development was the increase in industrial employment in a number of leading regions, which was absent in lagging regions. Employment in services also increased in most leading regions at a higher rate than in lagging regions. Leading regions also showed an increase in population during the last decade whereas the lagging region’s populations declined or showed only a moderate increase. The evidence revealed that employment growth tended to be accompanied by population growth.

128. Going beyond the statistical analysis of employment development the RUREMPLO project designed a new conceptual model for its analysis based on a mixed exogenous/endogenous approach. They considered rural development as a mesh of networks of local and external actors in which resources are mobilised and which control of the processes consist of interplay between the local and external forces.

129. This template was used for developing questions for the case study analysis used across all the regions in the EU. The RUREMPLO project concludes with some lessons for employment creation in rural regions. At a general level they state there is no one unique development path towards more jobs. The lessons listed therefore cannot be considered as a success formula, which will always result in more jobs. Nevertheless, general guidelines included making a comprehensive territorial development plan based on the strengths and weaknesses of the region. Improving the capacity (knowledge, skills and attitudes) of local ‘actors’ and strengthening the co-operation of local actors both inside and with those outside the region was seen as important. More detailed results are shown in Annex III.

130. The second project entitled the DORA project (Dynamics of Rural Area project) was a two-year international comparative research study covering areas in Scotland, Germany, Greece and Sweden. Professor John Bryden at the Arklington Centre, University of Aberdeen, co-ordinated the project (DORA 2001).

131. The DORA project involved an interdisciplinary and comparative approach; this was based on the belief that the problem of economic disparity is both complex and diverse and its causes are many and various and often deeply rooted historically. The project began with a selection of two matched pairs of study areas, in each of two distinct regions, in each of the four countries. Sixteen study areas in all.
132. The basic research hypotheses of the DORA project was that the differential development of rural areas can be explained by a combination of tangible (or conventional) and less tangible (or underlying) factors, in a way in which they interact in specific national, regional or local contexts. The DORA team identified ten factors for analysis. Tangible factors included natural resources, human resources, investment, infrastructure and economic structures and organisations. Less tangible factors included market performance, institutions, networks, community and culture and quality of life.

133. As well as reports from the individual countries involved, an international comparison was also undertaken. The report found that the categories which seem to account most strongly for differential economic performance were the tangible factors; human resources and investment and the less tangible factors; institution and community.

134. A major conclusion of the DORA report was that collective features of local culture and society often (but not always) rooted in along established pattern of shared history played a leading role in explaining differential economic performance for half of the regions chosen for the study. Another conclusion was that geographical locations still mattered, especially access to thriving conurbations. Finally, a major explanatory variable was the success of areas in attracting outside funds whether in the form of investment or just higher rates of public spending. Here, however, the report points out that the performance of local communities, networks and institutions in securing access to this money played a part in accounting for such relative success. A more detailed list of the policy recommendations emulating form the DORA report are given in Annex III.

135. Similar to the conclusions from the RUREMPLO project, the DORA study sees as key the power and involvement of local people. It argues that the answer is two fold. First, provide a framework which allows people who are affected by economic and social changes to have real decision making and physical power to take charge of their futures and second, to provide resources to them to help them to adjust and improve their competitive position. In most cases the DORA team concluded that well performing areas are so mainly because of their own efforts of motivations and skills both in the public and private sphere. They say that they cannot point to any case where centrally inspired initiatives or heavy external investment have led to enduring success of local economies even if these may have once seem to come to the rescue of depressed economies. On the other hand less successful areas, they point out, are frequently typified by heavy reliance on external public sector initiatives and investment. Finally at an EU level, the report points to the weaknesses of the new Rural Development Regulation when comparing the scope of its menu of eligible measures with the kind of things they are suggesting that are needed to turn around rural areas. They propose that a new conception of rural development policy is needed linked to a territorial framework with the present link with the CAP severed.
National Studies

136. In November 2001, HM Treasury and Department of Trade and Industry (DTI) published a report considering the regional dimension of productivity in the UK. With regard to the economic performance of the UK’s countries and regions the report concludes that there has been persistent differentials in terms of their economic performance. The productivity of the worst performing areas appears to be persistently lagging behind those of the best and relative labour market performance has been remarkably stable since the inter-war period.

137. The report also notes that regions differ in their degree of sub regional economic variation and hence the extent to which the difficulties they face are best tackled at the regional local level will vary. For example, local productivity differentials are substantially lower in the West Midlands or the North East than the South West and the South East. This, argues the report, suggests that the issues facing regions vary across the country and so a regional approach to economic development is appropriate.

138. The report highlights some lessons of policy when trying to understand regional economic differences; it suggests a number of key features of successful regional and local economic development policies:

- Macro economic stability is an essential precondition to the economic growth in all regions;
- Economic development policies need to tackle market failures and build on localities indigenous strengths;
- Policy interventions need to be coordinated and market based, institutional design is crucial to the successful design and implementations of such policies.

139. Finally the paper sets out the Governments policy framework for tackling the persistent differentials in economic performance across and within countries and regions of the United Kingdom. The framework is built around tackling market failures in five productivity drivers: skills, investment, innovation, enterprise and competition. It concludes that improving performance in every region across these drivers will be essential if progress is to be made towards the Governments long term ambition of reducing the persistent gap between regions and increasing the growth rate of the worst performing regions. That is why, it says, any regional economic policy must be focused on raising the performance of the weakest regions rather than the simple redistribution of existing economic activity. Real economic gain for the country as a whole will only come from a process of levelling up. In England, the Regional Development Agencies are the key agents the report believes in driving forward this new regional industrial policy.
Suggestions for further research

m) The importance of the study of differential performance between rural economies has been identified as becoming increasingly important for policy making and implementation (Bryden, 2000). Bryden argues that this can be traced to two closely linked processes. First, the restructuring of the state and state policies and second, the new role increasingly played by local ‘actors’ – agencies, NGOs, entrepreneurs and other individuals – in shaping the future of rural areas. England was not involved in either of the major EU studies on leading and lagging areas. Given the importance of understanding the differential nature of economic development in rural areas, undertaking a study of this type using areas in England might produce a significant amount of evidence to underpin our understanding of the drivers of economic growth and inclusion. This might be one way of better assessing the importance of informal activities and networks within rural economies in England.
**Linkages**

**Key Questions:**

- What are the main linkages both internally and externally associated with economies in rural areas? Do these linkages vary between localities? What are the linkages between industries that operate in rural areas? How do regional supply chains work? What are the linkages between the economy in rural areas and the regional, national and global economy? What role does input/output analysis have in helping us understand this?

- What is the role today of agriculture within rural economies? How does it link and interact with other rural industries such as tourism and the food industry?

140. The FMD crisis in 2001 appeared to expose strong linkages both between industries within economies in rural areas and between those economies and regional and national economies. Analysis of the economic impact of the crisis highlighted the lack of understanding of these linkages and in particular the impact that agriculture has on other industries such as tourism.

141. A key findings in the report of the Rural Taskforce (DEFRA 2001c) was that farming and tourism are interdependent and intertwined with the wider rural economy. It pointed out that tourism is dependent on access to a landscape heavily influenced by farming but that tourism is a powerful economic force in rural areas and frequently worth more to local economies in GDP terms than the farming that supports it. It also noted that many rural areas have a narrow economic base dominated by farming and tourism.

142. The perception arose during the FMD outbreak that, first, the linkages between agriculture and the rural tourist industry and, second, between rural economies and regional and national economies were greater than had been previously appreciated. This feeling was reinforced by high-profile media coverage of a number of initial economic impact assessments, the most pessimistic of which suggested that the FMD outbreak could reduce growth within the UK economy by up to 1 per cent in 2001.

143. Others have argued that while there is an interaction between agriculture and tourism in rural economies that it is not perhaps as strong as has been portrayed. It is argued by some that the high profile media coverage of the disease and the disease control policy put in place, may have been as much the cause of the impact on tourism and other industries as a strong linkage between agriculture and rural economies per se. The effect of the creation of a war time ‘siege’ scenario with images of road closures and piles of burning carcasses had an obvious impact on visitors both to the countryside and the UK. But whether in the longer-term a decline, say, in the size of the agricultural industry would have the same effect remains far less clear.
Analyses of the impact of FMD

144. There appears to be a lack of available data and robust economic models with which to estimate the impact on the national economy of changes to specific sectors within rural economies such as agriculture and tourism. This was highlighted in 2001 by the difficulty experienced by analysts in estimating the impact on the national economy of the FMD outbreak.

145. Estimates were published by a whole variety of forecasters including the Bank of England, Goldman Sachs, Oxford Economic Forecasting, The Centre for Economic and Business Research and The National Institute of Economic and Social Research. Their forecasts suggested losses to the overall UK economy ranging anywhere from 0.2 per cent to 1.0 per cent of GDP (1.6 billion – 9.3 billion) although the largest of these estimates (that by the Centre for Economic and Business Research) was later revised down.

146. A review of all these estimates carried out by D.T.Z Pieda for the Countryside Agency pointed to an overall impact of £2.4 – 4.1bn or 0.3 – 0.5 per cent of GDP. The Bank of England on the other hand suggested that the direct impact on agriculture and tourism and on associated businesses would be to depress GDP by less than 0.2 per cent in the first half of the year with some recovery in the second half (Bank of England 2001). More recent estimates of the impact on tourism in 2001 have been complicated by the downturn in the world economy and the impact of the terrorist attacks on September 11th.

147. One fact to have been highlighted by many studies is that the impact of both agriculture and tourism on regional and ultimately the national economy varies considerably between localities. The impact in regions where both agriculture and tourism make a significant contribution to the local economy such as in Cumbria and Devon will be much greater. Around 20 per cent of employment in those regions is accounted for by distribution, hotels and restaurants which is similar to that for the UK as a whole. But agriculture is of greater relative importance in those areas - representing somewhere between 3 and 6 per cent of employment in those regions. In the South East, on the other hand, agriculture is a smaller contributor to the overall local economy but tourism in particular (including London) is of huge importance. London and the South East account for around 45 per cent of tourism spending (excluding day trips) by domestic and overseas residents in the UK and the vast majority of spending by overseas residents.

148. Three main economic sectors were identified as being particularly badly hit by the FMD outbreak. These were agriculture, land-based and related sectors; tourism and the rural recreation sector and the service sector including pubs, restaurants, garages banks and shops. (Countryside Agency, 2001a). The UK agri-food sector is of considerably more importance as a whole to the economy than agriculture itself. It accounted for an estimated gross value added of £61bn in 1999 – about 7.7 per cent of GDP measured at basic price. Of this, agriculture represented 0.9 per cent, food and
drink manufacturing 2.5 per cent, food and drink wholesaling 0.5 per cent, food and drink retailing 2.1 per cent and food service 1.7 per cent (ONS, 1999).

149. Much of this food chain is based in urban areas. Nevertheless in rural areas, industries upstream and downstream from agriculture, including those that supply farmers such as producers and retailers of animal feed stuff or farm machinery and downstream businesses such as abattoirs, livestock hauliers and food processors are essential components of the local economy. The network of linkages between them is both complex and altering over time. In the east of England, for example, agriculture accounts for 2 per cent of GDP but it is estimated that agriculture-related employment accounts for 20 per cent of all employment. Around 35 per cent of all manufacturing employment there is in the food processing sector (East of England RDA, 2000).

**Input/Output Analysis**

150. A good understanding of these linkages is not apparent from the available literature. One traditional economic approach to this issue has been the use of input-output analysis. This method involves an unravelling of the sales and purchases of production units within an economy (rather than netting them out to calculate aggregate value added), demonstrating interdependence between the economic sectors comprising the entire economy. It is also possible, by extending the basic technique to investigate regional, social and environmental dimensions (Midmore & Whittaker, 2000).

151. Evidence to date, however, suggests significant problems with the use of input-output analysis for this purpose. Midmore, investigating the regional agricultural forecasting ability of a combined input-output/ econometric approach, found that unless final demand was forecasted accurately, overall performance was poor. Similarly, he reports that attempts to disaggregate the UK input/output table into rural and urban components had concluded that due to prohibitive costs involved in the collecting of supplementary data, it may be preferable to concentrate on local case-study areas rather than attempt to model the rural economy as a single entity. More recently, it has been reported that input/output models performed spectacularly badly in the analysis of the FMD crisis. Two modelling exercises for Cumbria predicted an increase in unemployment of 15-20,000 or 6 – 8 per cent. In fact, unemployment actually fell (Lowe, 2002).

**Economic Multipliers**

152. An alternative approach sometimes used to look at the linkages between sectors of local economies is the use of multipliers. For example, published estimates suggest that for Wales as a whole, GDP and employment multipliers generally lie in the region of 1.3 – 1.5 per cent (Farming Futures Group, 2001). This suggests that while the direct share of Welsh GDP contributed by agriculture in 1999 was recorded as 1.2 per cent, this figure could be raised by 30 – 50 per cent once the effects of agriculture on other sectors of the economy are taken into account. Definitive figures
are not available, however, for multiplier effects and there are limits to their usefulness in analysing links between different sectors. For example, some activities such as slaughtering and milk processing would appear to be wholly dependent on local agriculture. Other activities such as food processing and retailing would probably continue to exist, even if agriculture were to decline, through the use of imported raw materials.

153. Work has also been undertaken to assess the economic impact of tourism spending on local economies - again using the methodology of multipliers. Spending by visitors benefits a wide range of enterprises in the local area and a proportion of this turnover is used to meet wage costs thereby directly supporting employment in local economies. Similarly businesses in receipt of visitor spending also spend some of their turnover on purchasing goods and services from other local suppliers. These purchases also indirectly boost local employment once again. Finally all those employees whose jobs depend on visitor spending will also spend money within the local economy, further inducing jobs and income in the area.

154. Multiplier effects are therefore much greater where trading links between local firms are strong and weaker where trade results in money leaking out into the wider economy from the local area. A number of studies have been carried out to identify the various linkages between visitor spending and local income and employment. Two of the main models used are the Scottish Tourism Multiplier Study and the Cambridge Tourism Model (RSPB, 2001).

155. The results from the Scottish Tourism Multiplier Study indicate that for each £1 of visitor spending between 23 – 33p went to support local income in terms of wages, salaries, profits and rents. Thus the report concludes between £27,548 and £29,240 was required to support one full-time equivalent job. Adjusted for inflation, this equated to visitor spending between £35,000 – £37,000 in 2000.

156. A range of studies using the Cambridge model has broadly supported these figures. A study of the economic impact of recreation and tourism in the English countryside found that spending of £27,789 in 2000 prices was required per full-time equivalent job created. Again, a study by Tourism Associates for the National Trust examining the economic impact of landscape-based tourism in the South West of England found a ratio of £30,000 per full-time job equivalent in the region. Finally, an RSPB study in North Norfolk suggested expenditure of up to £50,000 was needed to support one full-time equivalent job in a small local-study area.

157. A further area of interest within the literature concerning linkages between businesses and sectors within local economies concerns the degree of ‘embeddedness’. A number of factors are highlighted as being important when considering the embeddedness of a business. These include the trading relations of businesses, business tenure and the origins of business owners.
Several studies exist looking at the degree to which firms buy their inputs and sell their outputs locally, regionally or more further afield. Evidence from a study in the North East of rural micro-businesses shows that on average farms sold 49 per cent of output locally (within 30 miles) and 77 per cent of output regionally (within 100 miles). The same survey suggested that non-agricultural businesses sold 64 per cent of their output locally and 82 per cent of their output within the region. Again in terms of purchase of inputs the survey revealed that the majority of farm inputs were purchased locally or regionally and that for non-agricultural businesses 42 per cent were purchased locally and nearly 70 per cent regionally.

These findings were supported by a survey looking at the UK speciality food and drink sector (DTZ Pieda, 1999). That report showed that 64 per cent of the respondents to the survey indicated that they had sourced half of their key speciality ingredients from the local district and 32 per cent of the group had reported sourcing their entire complement of inputs locally. The report estimates that of an overall expenditure by the speciality food sector of 2.1 billion pounds on input, some 1.3 billion is spent on purchases from the local area. In terms of markets, the report suggests that although the local area was an important destination for speciality products, a considerably proportion of producers sold their goods throughout the UK.

Thus numerous studies have been undertaken looking at linkages between businesses within rural economies. While many interesting and useful findings arise from these studies, they do not constitute a coherent picture of the linkages that exist. As a consequence, for example, it remains somewhat unclear what the medium and long-term impacts of changes to one sector, such as agriculture, might have on other sectors within local areas such as the tourist industry.

Suggestions for further research

Further research may be appropriate to develop a better descriptive account of how the economies in rural areas operate and in particular the linkages between businesses within local areas and the linkages between those businesses and the regional and national economy. This would help to develop a better understanding of how local and regional supply chains operate and the links between sectors within local economies such as agriculture, the food industry and tourism. Such analysis would by definition be of a territorial rather than a sectoral nature. In addition, given the differences that are apparent between rural economies, a case-study approach based on a number of differing rural areas would seem more appropriate than a national analysis across all rural economies.
Social Exclusion

Key Questions:

- What evidence is there of social exclusion in rural areas? How visible is it? How does this compare to the level of social exclusion seen in urban areas?

- What are the processes of social and economic inclusion and exclusion that operate in rural areas? How does the provision of key services this?

- How do informal activities and networks influence social inclusion/exclusion in rural areas? What is the role of social enterprises?

- What is the impact of commuting and migration on social exclusion in rural areas?

161. As well as having the development of a dynamic competitive and sustainable economy in the countryside as an objective, the Rural White Paper also identifies tackling poverty in rural areas as an objective and in particular, providing better rural services which combat poverty and social exclusion. Similarly, the second of DEFRA’s new set of objectives is to enhance opportunity and tackle social exclusion through promoting sustainable rural areas with a dynamic and inclusive economy, strong rural communities and a fair access to services.

162. Rural deprivation and its causes have long been discussed in the literature. In 1986, McLaughlin argued that rather than it being a consequence of an imbalance between the allocation of state resources between rural and urban areas it was as much a consequence of socio-economic inequalities within rural society (McLaughlin, 1986).

163. He identified ‘two models’ of rural deprivation. The first, the planning/rural services model, saw deprivation as the outcome of an on-going decline in the availability and quality of service provision caused by a changing composition of the rural population and consequent increases in the cost of service provision. The second model, the sociological model, rejected the territorial perspective and instead saw deprivation as caused by unequal distribution of economic resources and political power and social status within rural society. The presence of a group of affluent newcomers into rural areas, he argued, increased both the subjective and objective ‘relative deprivation’.

164. Evidence from a survey of 2400 individuals carried out at that time, found 25 per cent of households were recorded as living in or on the margins of poverty. McLaughlin notes that apart from the stark contrast with the image of affluence that characterised rural areas, it showed the rural poor as becoming statistically marginalised. He concluded “there is a clear need to recognise deprivation is a
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problem which effect people rather than places per se and devise policies accordingly.”

165. The PIU report noted that definitions of poverty vary and studies exploring the instances of rural poverty tend to vary in their estimates. The concept of social exclusion is a wider concept than that just of poverty however. A recent local government association report (LGA, 2001) identified the term social exclusion as describing “the process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live”. Thus social exclusion is about ‘people’ and about a breakdown of the systems in society that should guarantee their social integration. While there is no agreed definition, it is argued that there are three or more ways that the term is used in current policy debate.

- First, an ‘integrationist approach’ in which employment is seen as the key integrating force
- Second, a ‘poverty approach’ in which the causes of exclusion are related to low income and a lack of material resources.
- Third, an ‘underclass approach’ in which the excluded are viewed as deviants from the moral and cultural norms of society, exhibit a culture of poverty or a dependency culture.

These have been summarised as ‘no work’, ‘no money’, and ‘no morals’ respectively (Shucksmith, 2001).

Evidence of social exclusion

166. Significant evidence exists that processes of social exclusion do operate widely in rural Britain, but not as visibly as in urban areas. In fact aggregate measures of income and employment, for example, tend to indicate a rather favourable picture. Unemployment in rural areas in England in 1998 at 4.2 per cent was lower than that seen in the rest of the country at 6.1 per cent (PIU, 1999).

167. Similarly an analysis of British households in the British Household Panel Survey followed the same randomly selected 7,164 individuals each year between 1991 and 1996. Overall the results suggested that not only are proportionately fewer individuals affected by low income in rural areas (37 per cent below three quarters mean income in rural areas at any one time compared with 45 per cent elsewhere) but that spells of low income tend to be shorter with the proportion of those who are consistently poor significantly less (Shucksmith, 2000).

168. Nevertheless, evidence exists to suggest that social exclusion is a major issue in rural areas and that using average, particularly area-based, indicators to compare rural and urban areas understates its importance. The very nature of rural areas is such that people of similar characteristics do not tend to cluster together (as is often the case in urban areas) and hence people with very different circumstances live in close proximity to each other. People with high levels of income in rural areas often live next door to households with very limited income meaning that social exclusion
in rural areas is often more difficult to identify. Those experiencing exclusion in rural areas are often dispersed amongst apparent affluence rather than concentrated in problem areas.

169. The measurement problem can be exacerbated because administrative areas such as wards - the smallest unit often used for statistical analysis - tend to cover larger geographical areas in rural areas where there is low density of population.

170. Many of the root causes of poverty and social exclusion are likely to be the same wherever people live in urban or rural areas. A recent report by the Rural Poverty and Inclusion Working Group identified three themes, which they say can lead to disadvantaged people in rural areas seeming doubly excluded. First was the overriding importance of access to key services in rural areas and the lack of it as a major cause of social exclusion. Access to services, employment and a social network can as the report says: “mean the difference between mere existence and a fulfilling life, between poverty and a decent standard of living.” (Rural Poverty and Inclusion Working Group, 2001)

171. Second was the visibility, or conspicuous nature of people’s problems within rural communities. Sometimes the report identified this as beneficial when leading to early identification and resolution of problems. Sometimes, however, it can be a double-edged sword where people cannot easily achieve anonymity when accessing services such as benefits or mental health services. Many, the report suggests, will hide these problems rather than risk being stigmatised or labelled due to such high visibility within the community.

172. Third, is the fact that culture is an important factor in determining how people approach and react to the issue of poverty and social exclusion. Although many cultural traits are similar between both urban and rural areas, the report highlighted that variations also occur that can have both positive and negative effects. This was supported by work done by the Joseph Rowntree Foundation. They point out that rural people’s own assessment was at odds with official definitions of poverty. Most looked back at the improvements since their own childhood and could not conceive themselves as poor (Shucksmith 2000).

173. Yet the same report suggests that a third of individuals in rural areas experienced at least one spell where their income fell below half mean income and 54 per cent experienced a spell with income below three quarters of mean during the five years between 1991 and 1996. They also identified the low-income problem as being more acute for those in the over 60 age group – although perhaps not unexpectedly this is true in both rural and non-rural areas.

174. Similarly, although evidence of the degree of low incomes in rural and non-rural areas obtained from the analysis of the British Household Panel Survey suggests that in absolute terms it is somewhat less important than in non-rural areas, it also
emphasises a number of dynamic aspects of the problem, such as the extent of persistent low income among rural poor (Phmister et al).

175. Another important factor is that the relative rising prosperity of rural households, it is sometimes argued, is not so much the result of strong rural economies, but rather the effect of wealthy people moving into rural areas. Migration tends to be socially selective with, in many cases, affluent middle-class people migrating to the countryside and less affluent groups moving out. Shucksmith identifies the fact that gentrification has been evident in many accessible rural areas, often caused by the competition for scarce housing (Shucksmith, 2001). The results from the British Household Panel Survey, however, showed no evidence that the persistently poor in rural areas have a greater propensity to migrate (Phmister et al).

176. Principal groups identified as experiencing poverty in rural Britain are: older people living alone, low paid manual workers, those detached from the labour market and self-employed people. Thus the Joseph Rowntree Foundation report shows that the relationship between low income and low pay was only weak and that there was far more of an association between low income and detachment from the labour markets despite the low levels of registered unemployment. Few of those on low incomes in rural areas are low paid because few are in work. The greatest numbers of people are older people. Of those of working age on low incomes in rural Britain, only 22 per cent are in employment, 23 per cent are self-employed (far more than in non-rural areas), 13 per cent are unemployed and 41 per cent are detached from the labour market in other ways e.g. long-term sick or family carers.

Indicators of rural disadvantage

177. Work is being carried out in a number of areas to identify the existence of poverty and social exclusion in rural areas. The Countryside Agency has used a variety of area-based indicators to highlight spatial differences in disadvantage, which while having disadvantages are, they say, currently the best tool available. They draw on work commissioned by the Countryside Agency from Oxford University, Cambridge University and Birkbeck College (Countryside Agency 2001b).

178. A differing methodology making use of ‘bundles’ which combine several variables to define particular conditions acknowledged as representing the main elements posing a risk of disadvantage have been developed by Hodge et al at Cambridge University. Their alternative approach involves the development of bundles of indicators that are defined around notional numbers of people living in particular sets of circumstances relating for example to employment, service provision and access to housing (Hodge et al, 2000).

179. They point out that problems of access to services or relatively high house prices may be factors which have a distinctive rural character and thus may suggest somewhat different forms of analysis from those used in urban areas. However to address the problems of resource allocation between urban and rural areas they also
argue that it may be necessary to be able to compare the same indicators across different types of area. The bundling of indicators suggests an approach towards this problem. The major limitation they identify to this approach is the lack of data. Variation in circumstances at local levels means the analysis needs to apply to small areas. Their analysis largely uses ward-level data, although sometimes data has been collected on a larger spatial scale. They suggest, however, that a more local approach may be necessary.

180. The third approach used by work undertaken for the Joseph Rowntree Foundation uses large panel data sets (e.g. the British Household Panel Survey). The aim here is to follow people over a number of years in order to gain an insight into the processes that cause social exclusion rather than just a snapshot of the number of people in poverty or excluded at any particular point in time.

181. The JRF research identified a number of barriers for those seeking integration into rural labour markets. These include a mismatch between jobs and skills, issues relating to employers’ behaviour and attitude, accessibility between home and the workplace, cost of participating in the labour market notably in relation to childcare and transport and issues relating to tied housing, gang labour and seasonality.

182. Research undertaken by Monk et al (Monk et al, 2000) looked at two labour markets in Lincolnshire and Suffolk with varying degrees of rurality. Their research targeted people at the margins of the regular labour market who they reported were often at the margins of other markets as well especially housing, transport and childcare. They identified two key problems when designing policies to help such marginalized people. First, is that they are hidden from the statistics because they are dispersed and live in sparsely populated areas. Second, that policy tends to target areas with concentrations of long-term unemployed and that the areas in their study did not fall into those categories. They point out that the use of temporary and seasonal work means that many people who face long-term disadvantage in the labour market are not actually in long-term continuous unemployment.

183. Shucksmith also points out that low pay is a particular problem. While persistent unemployment is less common in rural than non-rural areas, persistent low pay is more widespread. He suggests that the lack of mobility from micro-businesses in rural areas may be an important explanatory factor.

184. The Countryside Agency, as well as others, has identified the lack of affordable housing as one of the most important issue facing rural communities in England. The in-migration of affluent people into rural areas has increased demand for housing and reduced the availability of affordable housing for less well-off individuals and families. This is confirmed by the analysis of the British Household Panel Survey. Social changes affecting the whole of the country such as the growing number of single-person households and the increase in elderly people living apart from their families has also increased the demand for housing. This, combined with
the desire of many town-dwellers for a house in the country and supply restrictions such as planning control has pushed up the cost of houses in rural areas.

185. The planning process, argues Shucksmith has become an arena for a political conflict between those who favour countryside protection and those who seek ‘village homes for village people’. Thus he argues, paradoxically it may be those most avidly protecting their perception of the rural idyll that through the effects on the housing market are inadvertently threatening the social, cultural and socio-economic sustainability of what they are so keen to preserve. Shucksmith’s report said a number of studies had found that the problems of affordability of housing in rural areas have worsened over the last decade. He cites one clear reason for this as being a substantial shortfall of provision of social housing. Thus the majority of young people in rural areas, in contrast to elsewhere in the UK, remain in the parental home. For many, the only solution to their housing and employment problems has been to leave the countryside (Shucksmith, 2001)

Suggested areas of further research

o) Much research have already been undertaken in investigating the level of social exclusion in rural areas. In particular The Countryside Agency and the Joseph Rowntree Foundation have funded a series of projects. The Social Exclusion Unit also undertakes significant research in this area although not as yet specifically concerning social exclusion in rural areas. Given the interest in this area of work along with the number of other interested stakeholders such as The Children’s Society and Help the Aged, it would seem sensible that any work that DEFRA was to undertake should be in close co-operation with them.

p) Further work is needed to more readily identify the level of social exclusion in rural areas. Data availability is an important issue here, particularly below the ward level. This point is being picked up by another DEFRA scoping study being undertaken on a collection of rural statistics (Hill, 2001).

q) From the point of view of public policy it seems essential that research is capable of comparing social exclusion across all areas of the country, including both urban and rural areas. Research on service provision needs to go beyond ‘headline indicators’ and assess who is benefiting or not from local services – again relative to urban areas.

r) Further work may also be needed to gain a better understanding of how the processes of change in rural societies connect with individuals. One example is the distinctive operation of rural labour markets. While rates of unemployment are low in rural areas, the evidence suggests that many people of working age are detached from the labour market and that significant barriers of entry to the labour market still exist. Another example would be the interaction between migration and social exclusion that is often referred to in the literature. Migration
is an important economic driver in rural areas but some of the consequences, such as the effect on local housing markets, may disadvantage certain groups of people.

s) Finally further work to understand the dynamics of social exclusion over time may be useful. One-off snapshots give an impression of the level of social exclusion at a point in time but a better understanding of the processes that drive people in and out of exclusion and poverty would also be of use. This could be achieved by further analysis of large panel data sets such as the work already carried out with the British Household Panel Survey. Other possibilities include using the labour force survey, census data, or the national Child Development Study data sets. Qualitative research using individual interviews might also be a possibility.
Rural Regeneration

Key Questions:

- What regeneration schemes and initiatives are taking place in rural areas? How does this compare to urban areas? How successful have those schemes been?

- What factors are important in driving or retarding rural regeneration? What is the role of market towns in the regeneration of rural economies?

- What is the role and how important is the quality of the local environment in attracting new businesses to set up in rural areas? How can this be valued?

- What is the role of partnerships in rural policy in encouraging the involvement and inclusion of local communities in development projects?

186. At the end of the 1990s, after seven years of jobs-growth, when registered unemployment had fallen nationally to 3.5 per cent, when 1.6m new jobs had been created in just 7 years, there were still extraordinary concentrations of unemployment and low economic activity rates in areas of the UK. Nearly 60 per cent of unemployed people and 70 per cent of the long-term unemployed people lived in just 20 per cent of local authority districts. In employment terms, 8 of the most deprived 10 wards in the country are on Merseyside but it is not just a phenomenon of cities. There is also strong employment deprivation in the form of mining communities like Easington, in coastal towns like Blackpool or Dover, and in rural areas like Penrith as well as many towns like Halifax, Preston and Burnley (Campbell, 2000).

187. This description – given at the National Regeneration conference in Liverpool in November 2000 - is supported by data referring directly to rural areas. The employment rate in English rural areas (78.6 per cent) is higher than in urban areas (72.2 per cent). Falls in the rate of long-term unemployed between December 1997 and December 1999 were 36.1 per cent in accessible rural and 37.4 per cent in remote rural areas compared with 30.9 per cent in urban areas. However, the majority of the ten areas with the lowest GDP per head in England in 1996 were rural. Cornwall and the Scilly Isles ranked below Merseyside in GDP per head (Cabinet Office, 2000).

188. Rural regeneration issues arise in two respects. The first relates to areas which are not experiencing economic growth. Some areas continue to experience both population and employment decline, notably in less accessible areas which have been most reliant on agriculture or other primary industries such as mining. Many of these were designated as objective 1 or 5b areas under the EU structural policy during the 1990s or as rural development areas by the Rural Development Commission: examples include Cornwall, West Wales, Southern Scotland and parts of the Highlands and Islands.
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189. The second regeneration issue in rural areas is more difficult to identify and tackle. As noted previously in this report, social exclusion exists alongside affluence in many rural economies. In fact, although the general pattern of population change is that of population loss from larger conurbations and population growth in rural areas, this has also masked a continuing population loss from the smallest villages. Thus as the Joseph Rowntree Foundation paper reporting on projects from their Action in Rural Area research programme points out, even within growth areas there is often simultaneously decline which may be experienced as a loss of services and diminishing access to jobs, schools, shops and other amenities by some of those outside the larger settlements (Shucksmith, 2000)

190. An emphasis on economic development and capacity building is central to the Government’s approach in respect to both issues. For the Government, the JRF report argues, the key to regeneration in deprived places and inclusion of deprived people lies in their integration into the formal economy through economic development policies, training and welfare to work schemes. According to Bennett et al this has created “a complicated context of programmes, targeted at a tangled mosaic of partially overlapping areas, spearheaded by different departments” and requiring co-ordination. This fragmentation of governance, they argue, necessitates partnership working (Bennett et al 2000)

Role of the RDAs

191. As noted in the Rural White Paper, rural as well as urban regeneration is one of the key objectives for the RDAs. A specific task for the RDAs is to help regenerate deprived rural areas focussing currently on the rural priority areas. The RDAs presently operate rural development programs in partnership with local authorities, rural community council and other key local players.

192. A recent report identifying priorities for action for RDAs identified promoting rural recovery and regeneration as an integral part of regional economic development as key priority (Centre for Rural Economies 2001). It stressed the importance of addressing the rural dimension and noted there is concern among some rural development interests is that single pot funding could lead to marginalisation of rural development within the RDAs particularly if they rely on narrow economic indicators. Priorities for action were identified as pressing the government to designate rural action zones which would involve a range of statutory and other players pooling budgets, sharing objectives and piloting flexibilities in budgets and initiatives to meet particular needs and circumstances. It also highlighted the need for RDAs to monitor the extent of job losses in rural areas post FMD.

193. The report also highlights the importance of addressing economic and service decline through a focus on innovation in market towns. Market towns were identified as key in the regeneration of deprived areas in the Rural White Paper. Market towns are seen as providing a focus for economic development, a centre for both public and
private services, a focus for transport and a focus for cultural activity. A range of polices was outlined to revive the fortunes of market towns and their surrounding areas.

194. The Countryside Agency has undertaken further research on market towns since the publication of the Rural White Paper. Statistical indicators of the characteristics and vulnerability of market towns have been developed and tested on 58 towns in the Northwest of England. Currently the indicators relate mainly to service provision and socio-economic information since this is the only data available. The Countryside Agency, possibly using 2001 Census of Population and the Rural Services Survey 2000 data, may expand this research further (Countryside Agency 2001c).

195. A programme of workshops (Tackling the Issues) was also developed and run by the Sussex Rural Community Council providing skills development, information and networking opportunities to the market town partnerships of East Sussex. The evidence from these workshops led the Countryside Agency to conclude that the capacity building of individuals in market town regeneration partnerships is key to the viability of those partnerships (Countryside Agency 2001d).

**Importance of partnerships**

196. This issue of working in partnerships is commented on widely in the literature. A key theme regarding rural regeneration is that of enabling communities to identify for themselves those solutions that best address local problems (CPRE 2001). The challenges are seen as two fold, first to identify local needs and capabilities, second to break down any barriers inhibiting meeting those needs or maximising local opportunities. CPRE suggest mechanisms to encourage community action and self help. These include: the preparation of town and village plans; the establishment of a network of rural “animators” – skilled professionals that specialise in facilitating action and innovation within and by communities; and addressing the real constraints on achieving a better quality of life for rural dwellers such as the lack of affordable housing, poor public transport or access to training or healthcare.

197. Many funding agencies demand community involvement in order for a partnership to win or even take part in the bidding process for competitive funds. Often, it is reported in the Joseph Rowntree Report, this can amount to a little more than a co-option of key individuals. The substance of community involvement is variable, they argue, with the community being more commonly engaged in the initial identification of needs than either project implementation or feedback and monitoring (Shucksmith, 2000)

198. Problems associated with the development of partnerships are identified by work by Bennett et al. They found that in the coalfields that those with direct access to funding sources wield the greatest amount of power in and on partnerships leaving
representatives of the community and the voluntary sector on the periphery (Bennett et al., 2000).

199. A study by Edwards et al looking at the experience of partnership working in rural areas (Powys, Ceredigion and Shropshire) supported this. They noted that implementation of rural policy now involves a more integrated approach to rural development in which ‘top down’ initiatives of public sector agencies are notionally combined with more ‘bottom up’ community-led activities. They note that although the partnership approach was established in an urban context, it is felt to be especially important to rural areas with their sparcity of population, lack of adequate resources and the small scale of most local organisations (Edwards et al).

200. Edwards et al argue that the establishment of a partnership does not necessarily itself guarantee benefits for the various interests it represents nor does it automatically lead to either community involvement or development. During 1998–1999 they identified 257 bodies claiming to operate as regeneration partnerships in Ceredigion, Powys and Shropshire. This indicates a huge number of partnerships working in rural regeneration.

201. Edwards et al conclude that even at the sub-county scale very few partnerships emerge organically from the grass roots and thus partnership working has not, as claimed, led to a dispersal of State responsibilities nor empowerment of communities but rather has produced a new way of discharging public sector responsibilities. They find that, often, rural partnerships have been initiated in response to competitive opportunities for funding from Brussels on specific rural programmes, and this has produced a highly uneven geography of partnership working. Thus, they argue, some areas become ‘partnership rich’ and others ‘partnership poor’.

202. A number of key requirements for effective partnerships are identified in the Joseph Rowntree Report. These include: adequate lead-in time; time, resources and training for community involvement; the recognition of different partners’ cultures; time and resources to build trust; and stable programs of adequate duration. The report concludes that the new partnership culture requires a collective negotiation policy and that while this can be inclusive and empowering it can also lead to problems.

**Entrepreneurial Culture**

203. Evidence also exists on the nature and causes of the urban rural shift of business activities and employment in England. Keeble and Tyler report on a survey of over a thousand manufacturing and service businesses in remote rural accessible and urban settlements. The shift of economic activity in the UK from conurbations and big cities to small towns and rural areas is well-documented (Ilbery et al. 1998).

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3 The papers by Bennett et al and Edwards et al were supported by the Joseph Rowntree Foundation and quoted extensively in its report 'Exclusive countryside? Social inclusion and regeneration in rural areas (Shucksmith, 2000). That report was the source used for this report.
chapter 8). They show it was rural and less urbanised areas of Britain which recorded the fastest growth of employment and the least rapid decline of manufacturing employment through the 1980s.

204. Research by Keeble and Tyler involved the largest ever national scale survey of manufacturing and service enterprise creation, development and growth in England’s rural areas and demonstrates the existence of significant differences in origins, characteristics and performance between rural and urban businesses. They also argue that these differences support an enterprising behaviour theory of the urban-rural shift comprising of two main elements.

- First, rural settlements are able to attract a relatively big proportion of actual or potential entrepreneurs because of their desirable residential environment. These migrant entrepreneurs may well bring with them urban derived know-how and expertise relevant to setting up new enterprises to serve growing markets.

- Second, rural companies, especially those in accessible rural areas, have been able to undertake a greater amount of enterprising behaviour associated with business success. These include the targeting of new and emerging markets and the more frequent development of product and service innovations. By exploiting competitive advantages resulting from direct benefits of a high amenity living and working environment; greater labour force stability, quality and motivation, good management-labour relations and lower premises rates and labour costs have been achieved.

205. Keeble and Tyler conclude that the characteristics of entrepreneurs and operating environments in Britain’s accessible rural areas thus, on balance, enable higher rates of enterprising behaviour to occur relative to urban locations notwithstanding aspects of urban settlements which are still relatively superior in relation to business success. (Keeble and Tyler, 1994).

206. While this study was undertaken in the early 1990s it seems likely that it reflects changes unfolding for many years. This would fit with the in-migration seen in many (accessible) rural areas over the last 20-30 years. One issue that this trend poses is whether it is sustainable. The high quality of the environment appears to act as an important encouragement to businesses to move to rural areas but does the development that follows reduce the quality of that environment? This highlights the potentially important role of planning within sustainable economic development in rural economies.
Suggestions for further research

t) Market towns have been identified as a key part of the Government’s rural regeneration effort. Their regeneration is highlighted as an important objective for the RDAs. The Countryside Agency is apparently undertaking primary research into the structure and character of market towns to establish their role in the wider rural hinterland and to define standard measures of economic performance and prosperity. A report is due in 2002. This is an important area of work and one with which DEFRA will need to keep in touch.

u) The demand for community involvement in regeneration projects in order for a partnership to win or even take part in the bidding process for competitive funds, in particular, funding from Brussels on specific rural programmes have, it is claimed, produced a highly uneven geography of partnership working. The importance of this in rural development policy is likely to grow as money is shifted from Pillar I to Pillar II of the CAP, away from market support and more towards rural development. Concern exists about the degree to which the disadvantaged within communities are involved and empowered in practice. More research on the effectiveness of partnerships in rural regeneration projects and the means of empowering the disadvantaged within communities is needed.

v) Evidence exists that relatively large proportions of actual or potential entrepreneurs move to rural areas because of the desirable residential environment and that the quality of the environment is important to rural regeneration. Questions arise here over the sustainability of this process. Tensions arise between the ‘further development’ and ‘no change’ agendas within rural areas. Further research is needed to inform this debate including robust evidence of the importance of environmental quality to rural regeneration, a method of valuing that importance and the consequent sustainability of further development.
Policy Levers

Key Questions:

- What policies and initiatives is the Government pursuing to tackle economic and social deprivation and exclusion in rural areas? Which of these are national programmes and which aimed specifically at rural areas?

- How are national policy developments and national programmes monitored to take account of those who live in rural areas? What are the linkages between growth and inclusiveness in rural areas and those programmes?

- How effective is the ‘rural proofing mechanism’? Is it cost effective?

207. The vast majority of Government expenditure is through national programmes that have an impact on rural areas e.g. schools, healthcare and transport. In addition some parts of Government expenditure specifically target or have a particular impact on rural areas. A variety of Government documents discuss and outline policies affecting rural areas including:

- The PIU report provides an outline of the rationale and principles behind government action on economic matters. It argues that, in general, in modern economies markets are the most efficient mechanism for allocating resources and the most effective mechanism for creating and increasing national income. The traditional rationale for government intervention is either due to market failures or distributional considerations. It identifies that in rural areas, market failures are likely to be associated with public goods, externalities, imperfect information or structural economic adjustment. It suggests three main types of instrument that can be used: regulatory instruments such as the planning system, taxes and charges and public spending (PIU 1999).

- Productivity in the UK – The Regional Dimension identifies market and coordination failures as the likely causes of the shortfall in the productive potential of localities, countries and regions within the UK. Based on this analysis it outlines the Government strategy to make markets work: first, by creating an economic environment which provides a stable macro-economy and invests to tackle market failures in regions and localities; second, by building the capability of regional and local institutions to deliver these reforms. The Government’s belief is that a successful regional and sub-regional policy must be based on building the indigenous strengths in each locality, region and country. The best mechanisms for achieving that are, the report argues, likely to be based in the regions themselves. (HM Treasury, 2001)

- The Rural White Paper and Sharing the Nation’s Prosperity provide an outline of the polices and initiatives that the Government is pursuing to tackle economic and social deprivation in rural areas, and ensure that people working in the countryside
can make the most of new opportunities in the economy (DEFRA/Cabinet Office, 2000).

Suggestions for further research

w) In order to monitor how national policy developments and national programmes take account of those who live in rural areas the Rural White Paper proposed the establishment of a rural proofing mechanism. Its aim is that, as policies are developed, policy makers should assess:

- whether their policy is likely to have a different impact in rural areas from that elsewhere, because of the particular characteristics of rural areas: and

- where necessary, what policy adjustments or compensations might be made to reflect rural needs and circumstances (bearing in mind the likely costs and benefits).

Use of the rural proofing mechanism is still at a very early stage and there appears to be little analysis of either its effectiveness or cost efficiency in the literature. Comment has been made about the need to ensure that policies are ‘rural exclusion proofed’ in respect of their likely impact on people on low incomes in rural areas (Shucksmith 2000).

At the appropriate time research to assess the effectiveness and cost efficiency of the rural proofing mechanism seems essential.

x) There is much discussion about the changing governance of rural areas with the increasing importance of a whole host of agencies drawn from the public, private and voluntary sectors. The importance of non-market institutions has become apparent in rural development. Several government departments including DEFRA and the DTI as well as others, the RDAs, the Countryside Agency, local government and a whole range of private and voluntary interest groups and enterprises, all have a stake in development policy in rural areas.

The importance of a ‘joined-up’, partnership approach is noted in the literature on economic development and rural regeneration. In addition its importance is highlighted in Government statements and reports (Patricia Hewitt, Secretary of State for Trade & Industry, 2000; Richard Wakeford 2001; HM Treasury, 2001).

Further research may be useful on two fronts. First, to investigate the degree to which all the bodies involved in rural development policy are acting in a ‘joined-up’ manner. Second, to understand better the balance of power and influence in rural areas and what barriers there are to the implementation of public policy.
Annex I: Terms of Reference

Aim

1. To identify and carry out an initial critical review of the socio-economic research literature on the key drivers of economic development and exclusion in rural England; to advise on gaps and to recommend next steps.

Method and timescale

Stage 1

2. The first stage of this project will involve discussion with key DEFRA officials and external stakeholders - such as the Countryside Agency, Regional Development Agencies, Country Landowners’ Association and Rural Business Network - to understand their perceptions of the main economic development and social exclusion issues facing rural England.

3. Although influenced by these discussions, we would expect the issues to be raised to include:
   - What are the key drivers of economic growth and social inclusiveness in different types of rural area e.g. market towns?
   - What factors explain the performance of “leading” and “lagging” areas and social groups?
   - What factors determine the incidence and level of economic and social exclusion; how is this linked to economic performance?
   - What are the policy levers available to affect performance?
   - What are the linkages between growth/inclusiveness and these policy levers, in particular the provision of key (public and private) services such as education, transport, healthcare and housing?
   - Interface of the wider rural economy with agriculture (and with other land-based industries) and the extent of their interdependence in shaping economic performance in different types of rural area;
   - What factors are significant in driving or retarding rural regeneration?

Stage 2

4. Following initial consultation with stakeholders and literature search to produce a short progress report for DEFRA on what are considered to be the key socio economic questions facing rural England. This will form the basis for the next phase of this study.

Stage 3

5. Based on the report produced at stage 2 and agreed with DEFRA, to identify the available socio-economic literature to ascertain the key drivers of
economic development and exclusion. To produce a critical analysis of this literature.

Stage 4

6. To identify key gaps in the socio-economic literature and suggest how DEFRA and key stakeholders might fill these gaps.

Stage 5

7. To produce a final report to DEFRA including suggestions for the next steps in developing the socio economic evidence base in those areas where it is considered to be lacking. To present this final report to a group of DEFRA officials and key stakeholders.
Annex II: Consultation Process

Discussions were held with several stakeholders between November 2001 and February 2002 and contact was made with several others by e-mail and post.

- A letter enquiring about views and available literature was sent to several organisations with which it was not possible to hold meetings in November and December. These included: Amanda McIntyre at the CBI, Paul Jeffries at the English Tourism Council, Janet Rutherford at the Local Government Association, Jill Hopkinson at the Farming and Wildlife Advisory Group, Matt Rayment at the RSPB, Jonathon Poritt at the Sustainable Development Commission and Patrick Begg at the National Trust. Dr. Ian Hodge from the Department of Land Economy in Cambridge was contacted by e-mail.

- Meetings with the following stakeholders were held:

<table>
<thead>
<tr>
<th>Date</th>
<th>Stakeholders</th>
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<tbody>
<tr>
<td>16/11/01</td>
<td><strong>CLA</strong> - Alan Buckwell</td>
</tr>
<tr>
<td>20/11/01</td>
<td><strong>English Nature</strong> - Alastair Rutherford</td>
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<td></td>
<td><strong>CPRE</strong> – Gregor Hutcheson</td>
</tr>
<tr>
<td>28/11/01</td>
<td><strong>Countryside Agency</strong> – Roger Turner &amp; Kari Ward</td>
</tr>
<tr>
<td>28/11/01</td>
<td><strong>DEFRA</strong> – David Read, Martin Cox &amp; Norman Thorp</td>
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<td></td>
<td><strong>Rural Development Service</strong> – Mike Smith</td>
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<td></td>
<td><strong>Government Office for the East of England</strong> – Grant Moir</td>
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<tr>
<td>30/11/01</td>
<td><strong>Social Exclusion Unit</strong> – Alun Hughes</td>
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<tr>
<td></td>
<td><strong>DTLR</strong> – Nigel Vaughan &amp; Andrew Short</td>
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<tr>
<td>30/11/01</td>
<td><strong>Countryside Agency</strong> – Sarah Sleet, David Atkinson &amp; Tony Pike</td>
</tr>
<tr>
<td>5/12/01</td>
<td><strong>University of Newcastle upon Tyne</strong> – Professor P. Lowe</td>
</tr>
<tr>
<td>11/12/01</td>
<td><strong>Imperial College</strong> – Professor B. Hill</td>
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<tr>
<td>11/12/01</td>
<td><strong>University of Leeds</strong> – Professor N. Ward</td>
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<td>15/1/02</td>
<td><strong>University of Aberdeen</strong> – Professor M. Shucksmith</td>
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<tr>
<td>21/2/02</td>
<td><strong>NFU</strong> – Brian McLaughlin</td>
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Annex III: Details on RUREMPLO & DORA projects

The following lessons for employment creation in rural regions were highlighted from the RUREMPLO project (Terluin I J, Post J H, 2000)

Lessons with regard to local resources

- Integrate infrastructure investment in broader development processes
- Pay attention to distinct modes and technologies of infrastructure in rural regions
-Valorise rural amenities
- Improve perception of amenities by rural actors

Lessons with regard to economic activity

- Follow a multi sectoral approach
- Support the integration of agriculture in the rural economy
- Both specialisation and diversification can be successful strategies
- Enhance facilities for new and small enterprises
- Focus on the local productive system
- Strengthen zoning of economic activities by spatial planning

Lessons with regard to actors

- Enhance capacity building of local actors
- Strengthen internal and external networks
- Attract newcomers
- Define the right labour market area
- Aim at the appropriate regional mix of skills
- Be aware of the changes in the labour demand by industrial firms
- Encourage part time labour and self employment

The DORA findings suggest eight main policy recommendations that need to be addressed at an EU level including:

- **A rural small business extension service.** The report highlights the need for rural extension activities aimed at providing information services and skills to existing and would be small entrepreneurs. They highlight that the education, knowledge and skills of those who would form a rural small business extension service might well be different from the agricultural extension service of today.
A more mobile bureaucracy. A need is highlighted here for a more mobile bureaucracy that gets out of its office routinely and engages in the dual process of learning and helping people. It is suggested the extension service recommended above could play a facilitating role. The point here is while the degrees of “capacity building” for local actors may be necessary the learning that is required is two sided.

Effective rural interest group organisations. The report argues that the direct and indirect power given to agricultural interest groups at national and EU levels and secondarily to nationally based environmental organisations need to be replaced by rural interest organisations which bring together old and new economy elements as well as local social interests.

Broadening the scope of development policies. DORA by focusing on understanding the sources of development, have also opened questions about what economic development is and what development policies should cover. They highlight the importance of local institutional autonomy and the issue of local identity and the ability to turn that to an advantage in marketing both new and old products. Also highlighted as important are quality of life issues, which determine the character of outward and inward migration. The nature and character of networks also play an important role as does the vibrancy of local entrepreneurship.

The need for public resource transfers. Here the report notes the tangible factors still matter such as the initial wealth, both in terms of capital and human resources needed to invest in new areas of economic activity.

The need for greater flexibility and autonomy. A key message of the DORA study is that each of the areas has a unique set of constraints and opportunities. As such, actual priorities and measures need to be decided locally involving all interests and agencies.

A joined up approach. This refers to the need for different levels of governance with respect to the factors influencing local development performance to function more effectively and to follow up a joined up approach.

Separation of rural development policy from CAP. Here DORA argues that radical changes are needed in order to secure a territorial based rural development policy that is conceived and organised independently from agricultural policy and its instruments.
References


Cork Declaration – A Living Countryside: European Conference on Rural Development, November 1996


Countryside Agency (2001b) Indicators of Rural Disadvantage: The South East.


DEFRA (2001a) DEFRA’s Aim and Objectives: DEFRA, London.


DEFRA (2001c) Report of the Rural Task Force, Tackling the Impact of the Foot and Mouth Disease on the Rural Economy


DORA (2001) Dynamics of Rural Areas. Project funded under the EU’s Fourth Framework Programme for Research & Technology Development and co-ordinated by Professor John Bryden at the Arkleton Centre, University of Aberdeen.


Lowe, P (2002) Note to DEFRA in response to initial progress report for this paper.


Relevant work from the Countryside Agency’s Social Exclusion programme that it was not possible to review in the preparation of this paper include:

Category 7 project no. 1 'Community Self Help'. This report is currently on its way to the printers and relates to the suggestion on page 38 on 'informal networks'.

Category 7 project no. 3 on 'Self Employment'.

Category 1 project no. 4 - Leaky Bucket work and the development of a methodology to measure money flows has links to the Economic Multipliers work referred to on page 47.

Category 7 project no. 9 - the Processes In and Our of low income report attempts to follow up the Shucksmith work referred and relates to the work suggested on page 56.