WEST MIDLANDS ECONOMIC STRATEGY REVIEW 2006-2007

CONSULTATION ON POLICY CHOICES – RURAL COMMENTARY

1. Background and Introduction

The review of the West Midlands Economic Strategy was launched by AWM and the Regional Assembly in March 2006 and is due to be completed by September 2007. The West Midlands Rural Affairs Forum, the Rural Accord and the Regional Assembly have been working with Advantage West Midlands to ensure that the review process includes the best possible practice in terms of ‘rural proofing’. That is to say that there are the correct mechanisms in place to systematically

- consider whether the strategy is likely to have a different impact in rural areas, because of particular rural circumstances or needs
- make proper assessment of those impacts, if these are likely to be significant
- adjust the strategy, where appropriate, with solutions to meet rural needs and circumstances.

There is a strong rationale for undertaking an agreed ‘rural proofing’ process for the review of the WMES.

Firstly, there is a clear government commitment to ‘rural proofing’ all policy and strategy (at both regional and national level) to ensure that the circumstances and needs of rural areas are considered in both the design and implementation of policies, programmes and initiatives.

Secondly, Advantage West Midlands and its partners are committed to ensuring that the Regional Economic Strategy takes account of any specific needs and circumstances of rural areas as well as overall regional performance. The 1998 Act that established the Regional Development Agencies emphasises the role of the agencies in addressing the needs of rural areas as much as ‘non-rural parts of its area’. DTI guidance on the preparation of Regional Economic Strategies states that the strategies should ‘reflect the distinctiveness of the different parts of the region (including rural and urban areas)’. In addition, further social and economic responsibilities for rural areas have been transfer to RDAs as part of the government’s Rural Strategy and the changes resulting from the subsequent Modernising Rural Delivery programme and the management arrangements for the delivery of European programmes.

Finally, the RES is an economic strategy for the whole region and all partners. It’s purpose is to focus the activity and investment of all partners, not just that of AWM. A joint approach between AWM, the Rural Accord and the West Midlands Rural Affairs Forum reflects the commitment to this partnership approach to developing and implementing the regional strategy.

The Policy Choices consultation (which is Phase 3 of the review process) seeks views about major issues facing the region and opinions on the relative importance of different factors impacting on the region. This consultation (due to end on 28th February) will be followed by the development of a draft strategy, which will then be subject to a further consultation. Final publication is due in September 2007.

The current ‘rural proofing’ task is to assess the WMES policy choices to ensure that each takes account and understands the implications for rural economies and communities. This paper outlines some of the key considerations in relation to each of the six themes contained in the consultation document and is designed to assist the discussion with key stakeholders at the workshop on February 1st 2007. It is based on a desk study of the existing evidence base, particularly the output from Phase 1 of the review, the Rural Renaissance Framework and the Regional Rural Delivery Framework (a bibliography is attached at the end of this paper). It also incorporates the key findings from a workshop of rural stakeholders organised by the West Midlands Rural Affairs Forum held on January 31st 2007.

It is intended that this rural commentary will be used to inform the WMRAF response to the consultation and to inform the authors of the draft WMES as the review proceeds to its final stages.

2. General observations

The rural areas of the region are an important consideration in the WMES because rural economies

- Make an important contribution to the health of the region’s economy, providing diverse and high quality businesses and working environments
- Affect the economic and social well being of the 1.19million people who live in rural areas in the region
- Offer high quality environments, including important landscapes and built heritage that are valued by local residents and visitors [1]

These rural areas are however, very diverse. They vary from remote and sparsely populated areas on the Welsh borders and in the Peak District, to ex-coal-mining areas in Staffordshire, to more accessible, ‘commuter belt’ areas nearer the conurbation, to areas of growth along the technology corridors. When considering the policy choices it is possible to identify some common characteristics of rural areas – the predominance of small businesses, access to a high quality environment, the higher that average numbers of people who are self-employed - but in many instances the impact of the policies choices will vary across the region, depending on the particular circumstances. The ability of the WMES and the programmes that spring from it to respond to these different circumstances will be fundamental to its success in addressing the economic well-being of the region as a whole.

This point brings us to another and related observation. The vision for the WMES as a world class region is interpreted as a region with high productivity and employment, measured through GVA. But the drive to increase the regional average GVA should not be at the expense of some areas or sections of the population being relatively worse off. The Policy Choices document explains the vision as incorporating a commitment to economic inclusion (‘how opportunities to gain a share of this wealth are distributed across the population’) as well as the importance of other factors that contribute to well-being and quality of life, particularly issues related to sustainable development. Equally, in assessing the impact of the policy options on rural communities and economies it will be necessary to encompass these wider considerations.

[1] Regeneris 2004, Achieving a healthier rural economy in the West Midlands Countryside Agency

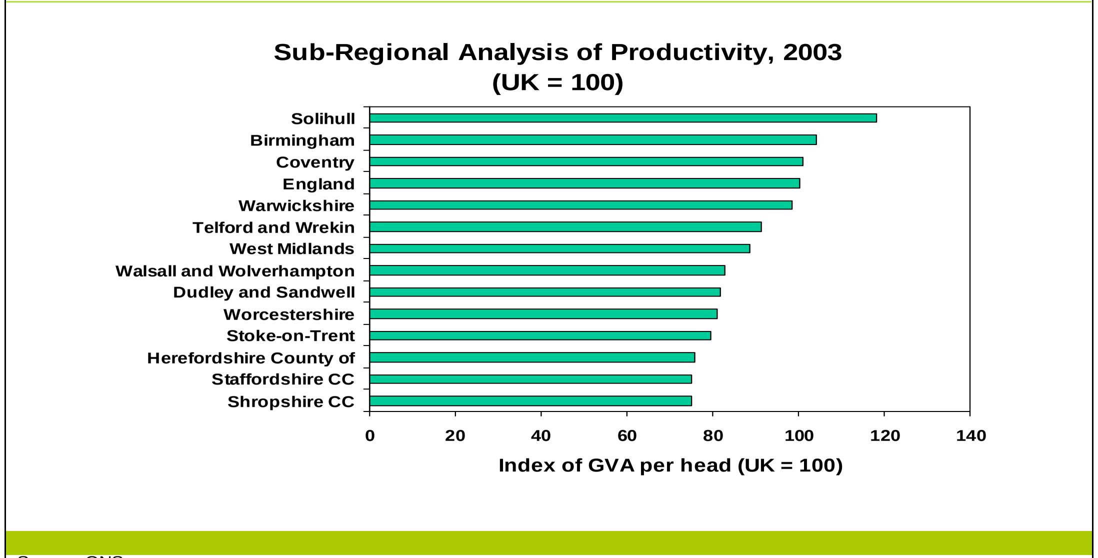
The dis-aggregation of both evidence and targets across the region is important for both urban and rural areas. Regional level targets can help us assess the performance of the West Midlands economy in relation to other regions, but they will not help us reduce the differentials within the region. Also, any strategy that sets high level targets covering both urban and rural areas and makes no attempt to dis-aggregate those targets to smaller geographic areas, will almost inevitably push investment and activity towards centres of larger populations where the impact in terms of numbers will be greater. How far the strategy should be based on 'tackling need' or other drivers such as 'investing in success' is one of the issues for consultation contained in Section 4 of the report (Broader Options).

3. Key issues and characteristics

The following points are just a few of the key issues for rural areas in the West Midlands in general – more detailed information is available in the evidence base available through the source documents listed in Annex 1.

- If we take GVA figures as the key indicator of productivity, with the exception of Warwickshire, all the shire counties are below both regional and national averages and are at the bottom of the regional ranking.

Figure 1



Source: ONS

- There are high levels of economic activity (and low levels of unemployment) in most rural areas

- Rural populations have been growing and ageing faster than regional averages, fuelled by in-migration of older and (in some areas) out-migration of younger people
- Many rural areas have a resident population with higher qualifications than average and fewer people with no qualifications
- There are a high proportion of small and micro businesses in rural areas
- Self-employment is an important source of employment in rural areas, although the reasons for this vary across the region and it does not always signify high levels of growth and dynamism in the local economy.
- Economic activity is spread across a wide variety of sectors, but is not as diverse as the region's urban economy
- Average wages tend to be lower in rural areas than both regional and national averages although incomes tend to be higher (probably due to a combination of out-commuting to higher paid jobs and unearned income from pensions and other sources).
- Most rural economies are not particularly growth orientated. They have an under representation of employment in knowledge based, high tech and fast growing sectors and over representation in declining sectors.

The following sections should be read in conjunction with the Policy Choices document. The key issues for each theme that are raised in that document are examined in relation to rural areas in the region. For each theme this is followed by a brief commentary on the policy choices.

THEME ONE ENTERPRISE

Issues identified in Policy Choices	General comments	Differences across the region
Overall volume of business start ups is low	Rural areas tend to have large number of VAT registrations per population because of larger number of smaller firms. Figures for start-ups and business survival are based on VAT registrations/de-registrations. There are high numbers of non-VAT registered businesses in many rural areas, so these do not necessarily give an accurate picture the volume of start-ups.	VAT registrations (per 10,000) tend to be higher in rural areas (with exception of Staffordshire Moorlands). However the combined rate (VAT reg by population and stock) puts Herefordshire and Shropshire at the lowest in the region (below region mean along with West Midlands Met and Stoke). Warwickshire has the highest score. Worcestershire and Staffordshire also above the regional mean score (see table below)
Distinct areas of under-representation (engagement in enterprise activity) – female, ethnic, geographic	Self-employment figures tend to be high in rural areas but this does not always equate with high incomes or businesses growth, since many are lone workers or micro businesses. In rural areas (national figures) women are more likely to be self-employed than urban women – but still more likely to be part-time and on lower personal and household incomes than men.	See above
Enterprise is not bridging the wealth gap	Many rural self employed are on low incomes (CA Stepping Stones report 2004)	
Favourable overall attitudes	Rural areas have higher than average figures for self-	High self-employment is associated with areas

	employment but these can mask low incomes, low aspirations and little prospects for growth. However the strong tendency among in-migrants for self-employment is associated with higher skills and earnings.	dependent on land -based industries (with exception of Stratford upon Avon- with service and tourism). Lower self-employment in areas with stronger history in manufacturing – Staffordshire and rest of Warwickshire.
Dynamism, context and prospects are weak	Many rural self-employed do so because of lack of other job prospects – 'reluctant recruits'. (CA Stepping Stones report 2004) – research shows these tend to be less dynamic. However, non-growth/lifestyle business make an important contribution to rural communities especially in terms of essential services (local shops, pubs etc)	Varies across the region but generally more accessible rural areas (Parts of Worcestershire and Warwickshire) doing better than more remote (Shropshire, Herefordshire , Staffordshire Moorlands particularly) having weaker prospects
Other rural issues • Where figures suggest a low level of entrepreneurship, in context of overwhelmingly small firm economy it suggests large group of businesses with limited aspirations and/or capacity for growth. • Rural businesses find it relatively difficult to access support and financial services • Relatively more expensive for rural businesses to engage in business networks.	Project 2 report concludes "What is clear, however, is that patterns of entrepreneurial activity differ markedly between parts of the region suggesting the need for spatially differentiated support measures."	Shropshire - identifies little evidence of strong networks of entrepreneurs suggesting that the experience can be isolating with little mutual support

Combined index giving overall indication of level of enterprise activity across the region (From Project 2 report – Factors influencing the relative performance of the West Midlands)

Table 9.5: Sub-regional VAT registration rates: 2004

	Total new Registrations 2004	Registration Rate per 10000 population	Registration Rate (% of stock)	Combined Index (WM=100)
WEST MIDLANDS GOR	14,855	34.9	9.8	100
Herefordshire UA	585	40.4	7.0	93.7
Stoke-on-Trent UA	535	27.9	11.4	98.3
Telford and Wrekin UA	410	32.5	10.9	102.6
Shropshire County	935	39.9	7.6	96.0

Staffordshire County	2,470	37.5	10.0	104.9
Warwickshire County	1,875	43.9	9.8	113.1
West Midlands Metropolitan County	6,270	30.9	10.5	98.2
Worcestershire County	1,775	39.7	9.1	103.3
Herefordshire and Worcestershire	2,360	39.9	8.4	100.4

Source: SBS Analytical Unit

Enterprise Policy Options	Commentary
1. Increase the number and proportion of WM businesses that are trading in high value sectors and/or are externally trading businesses, on the assumption that these will generate the greatest amount of wealth in the shortest time frame	All rural areas could benefit from an increase in employment in higher value and externally trading businesses. Care would be needed to ensure that activity was tailored to promote this within a rural context as part of a wider approach.
2. Driving up the number of new starts across the board in order to stimulate new competition in all sectors and markets	This would not necessarily address the key issues for many rural areas, especially those where self-employment is high but income, dynamism and prospects for growth low.
3. Concentrate on the major enterprise gaps by tackling low levels of self-employment and business start up in deprived and under-represented communities	Number of start ups is not the issue as much as self-employed income and prospects for new businesses
4. Embedding a culture of enterprise and innovation in all businesses sectors and locations	A focus on innovation would be helpful given that business income and dynamism is often the issue
5. Developing a more positive set of attitudes towards enterprise in society	Regional attitudes said to be generally favourable; encouraging younger people to start businesses could dis-courage out-migration in search of work
6. Promote the use and application of Information and Communications Technology to increase productivity in key market sectors	This could help many rural firms, including very small businesses, which are often lagging behind in their use of technology because of the combined difficulties of accessing broadband, cost of investment for small businesses and training.

Other choices for enterprise development

- Tailor business support and services for remoter/inaccessible rural areas (more difficult to access support)
- Tailor business support to micro and very small business needs and capacity
- Positively support those groups with the potential to set up new businesses with prospects for growth – incomers (including early retired and migrant workers).
- Support businesses networks in rural area
- Promote social enterprises in rural areas to meet needs of communities that cannot be met by the market.

THEME TWO INNOVATION

Issues identified in Policy Choices	General comments	Differences across the region
Limited R&D investment across the board	Especially true in rural areas with smaller firms and often remote from centres of research including Higher Education Institutions	Some regionally important centres for innovation located in rural counties – e.g. Malvern Science Park
Too few businesses engage in innovation	Smaller firms generally engage less in R&D. Rural areas with large numbers of smaller SMEs are less innovative Key finding of evidence base 'relatively weak performance of smaller firms'	Only Stratford and Malvern Hills above regional average. All other districts below regional average and some) with very little employment in these sectors (e.g. Herefordshire 8%)
Region still relatively strong on harder innovation	No data to establish a clear rural/urban difference.	
Changes in sectoral patterns likely to adversely affect innovation indicators	Lowest R&D investment in sectors that are important to many rural economies – particularly hotels and restaurants, construction, wholesale and retail	Employment in high technology and knowledge intensive industries markedly lower in some rural areas (particularly the less accessible areas) along with some of the most deprived and lagging urban areas.
Supply of skills in not favourable	See notes on skills section	

Innovation Policy Options	Commentary
1. Driving up the number of businesses and volume of economic activity in those limited number of sectors where R&D spend and innovation are already high	Many of the most vulnerable rural areas are already weak in sectors where investment in R&D is high, so this option would be unlikely to address this core weakness in those rural economies. Possibility of some spin off benefit in more accessible rural areas and for those areas where employment in high and medium tech businesses is higher (manufacturing rather than services).
2. Embedding a culture of enterprise and innovation in all existing businesses to raise their appetite for change	Could apply to all rural businesses and directly addresses lower aspirations of smaller businesses. Would need to be tailored to address particular needs of rural businesses, particularly micro businesses.
3. Increase the amount of applied R&D activity undertaken in the region's Higher Education Institutions and businesses, in order to increase the supply of new ideas	Could benefit rural areas nearer to HE institutions but unlikely to reach out to more remote rural areas unless specific arrangements were made to improve the links.
4. Focusing effort on changing perceptions of the region's R&D/innovation standing by concentrating on a small number of high profile interventions.	Could benefit a specific rural economy if one of the high profile interventions was located there, but perception of the West Midlands is generally associated with the conurbation and so this option would be more likely to succeed if effort were concentrated there.
5. Improving the interface between users and providers of R&D/Innovation so that regional business can better tap into the already significant base of knowledge	Directly addresses need for better knowledge transfer to rural businesses. This could benefit a wide range of rural businesses, as long as the programme was flexible enough to address their specific circumstances.

	There would be an issue for those businesses on the periphery of the region, which would more naturally look to centres of excellence located in other regions.

Other choices for innovation

- Focus on increasing capacity for innovation in smaller, more isolated firms
- Encourage locally based business networks focussed on knowledge transfer
- Focus on innovation to create a low carbon economy, by combination of advice to all businesses and focusing on innovation in environmental technologies

THEME THREE   SKILLS

Issues identified in Policy Choices	General comments	Differences across the region
WM is poorly qualified region	Link between high skills and high productivity holds good in urban areas – but not in rural areas. Rural areas generally have low productivity despite relatively high qualifications. Possibly due to lack of opportunities in knowledge intensive industries, under-employment, out-migration of young well qualified people, out commuting.	Some pockets of very poor basic skills (e.g. Staffordshire Moorland wards with 35% of population with poor basic skills 2002) Bromsgrove and Warwick have concentrations of relatively highly skilled people
Some places are particularly affected (urban areas) – Warks and Worcs much stronger	As above..	
Low proportion of knowledge workers	Like all areas, rural areas need training for management and leadership, skills to support innovation, higher level skills to support the development of high value added, knowledge intensive processes and products	More difficult for those based in most remote to access training. More difficult for providers to provide as costs per student rise with distance from larger population centres
Significant skills gap	Rural areas experiencing higher than average difficulty recruiting – Shropshire, Coventry and Warks, Herefordshire and Worcestershire, Staffordshire – more difficult than Black Country and Birmingham and Solihull.	Barriers for small firms to invest in training – particularly cost, transport and replacement of key staff in remoter rural areas
Demographics – ageing and shrinking, will adversely affect the skills supply	Population in rural areas is ageing (faster than urban areas) but growing not shrinking. Out migration of young people (often to access Higher Education) affects vibrancy of some rural economies	In-migrants to attractive rural areas usually associate with higher skills. Early retirees often have high skills - sometimes underused.
Investment in basic education needed - particularly 5-14	Educational attainment in rural areas is generally good	Costs per pupil will be higher in remoter rural areas, particularly where numbers are small and falling

Other rural issues

Skill needs are harder to capture in context of large number of small (family) firms and self employed

Need to ensure skills available in sectors important to local economy, including land based industries and tourism and to encourage up-skilling for innovation in these sectors.

Skills Policy Options	Commentary
1. Focus on tackling basic level skills and improving skills of those with few or no qualifications in the region.	Could benefit those in rural areas with few or no qualifications as long as programmes were designed to reach more remote communities and those dispersed in more affluent (and better-qualified) communities.
2. Focusing on building a knowledge-rich workforce by increasing the number of graduates and stimulating demand for better-qualified employees in higher value companies.	Demand is already high in some rural areas (based on difficulty in recruiting data), so increasing supply may not be appropriate. However, increasing the number (and retention) of graduates in rural areas could support the move to more knowledge intensive industries and help address lack of innovation.
3. Maximising the effective use of available skills by encouraging businesses to step up demand for higher skills and to better use those they have, in order to compete more effectively.	Evidence of some 'under-employment' in the rural workforce, so could be using these skills to more advantage. Programme would need to be linked with addressing lack of innovation and prospects for growth in smaller rural businesses (possibly by increasing work based training)
4. Addressing the supply of skills by concentrating on making sure schools, FE HE and the private and voluntary sectors are developing a cohesive skills infrastructure that responds to rapidly changing skill needs.	Focus on addressing the barriers to accessing education and training in rural areas could bring considerable benefits. Many rural areas are remote from training and education institutions and providers reluctant to supply where costs are higher per student.
5. Embedding a commitment of continual learning and personal development amongst all learners and businesses.	Could address lack of capacity of smaller firms to engage in training programmes.
Other Policy Choices Increase delivery of work-based training, FE and HE in rural areas remote from centres (using ICT where appropriate)	

THEME FOUR ECONOMIC ACTIVITY

Issues identified in Policy Choices	General comments	Differences across the region
Low level of adult economic activity	Economic activity rates generally higher in rural areas particularly in areas more accessible to urban centres	S Shropshire is only district below regional and national averages
Weak skills base and uneven geographical distribution of economic activity	Rural areas have lower job density	Where there is a smaller pool of well paid jobs this can put pressure on others in the household to work to make ends meet - exacerbated by lower earnings and higher cost of living in rural areas
Economic inactivity high in particular	Under employment and uncertain (seasonal) employment	Particular issue of young people moving away from

groups including BEM and young people	is more of an issue than unemployment	some rural areas, especially young people with the highest qualifications and especially away from the most remote rural areas where access to HEI is very limited
Demand for labour expected to outgrow supply	Increasing dependence on migrant workers in some sectors important to rural economies – including agriculture, tourism, care industries (all low wage industries)	
Opportunity for older people (early retirees or older workforce) to contribute	Older people are a growing section of the rural population. Opportunity of in-migrants to bring skills and set up new businesses in rural areas	
Other issues • Over dependence on single larger employer in some market towns • Lowest average earnings in the region are all in rural areas • Uncertain (seasonal and/or casual) employment is a pattern for many. Often hidden in self employment figures		

Economic Activity Policy Options	**Commentary**
1. Intensively targeting people with the most challenging employment prospects, focusing on the underlying social and cultural hurdles they face	Could address needs of unemployed in rural areas as long as programmes were not focussed only on locations of high unemployment
2. Creating opportunities for new forms of economic activity and enterprise as a way of motivating people and providing a route into economic activity for those who are removed from the labour market.	Opportunities can be limited in more remote rural areas or where major job losses or restructuring has occurred (ex coal mining areas or loss of a major firm in market town) but generally jobs of some sort are available. Need for better paid jobs that balance the costs of being in work (travel, childcare etc)
3. Ensuring jobs pay for people who are out of work by concentrating on affordable care, transport to work, benefit traps and barriers to getting into employment	Addressing barriers to employment (particularly transport in more remote rural areas and access to affordable care and training opportunities) could help most isolated individuals.
4. Encouraging alternative sources of labour such as migrant workers and older workers	Increasing numbers of migrant workers and older people will help address workforce needs in rural areas and fuel both growth and diversification of rural economies. Both groups have particular needs in terms of training and support to contribute to their potential.
Other Policy Choices: Policies that encourage people to work from home	

THEME FIVE QUALITY OF LIFE

Issues identified in Policy Choices	**General comments**	**Differences across the region**
WM has some substantial and profound	Rural deprivation tends to be scattered among affluence	Disadvantage groups can be particularly affected by

areas of deprivation	except in particular circumstances (e.g. ex coal mining areas). Deprivation can be better understood in terms of particular groups rather than location – those that have low incomes, young people, older people and migrant workers	lack of opportunity when they live in more isolated areas.
More needs to be done to tackle worklessness	Issue in rural areas is quality of jobs rather than quantity of jobs available. Except for pockets of unemployed, mainly in larger towns the issues are under-employment, seasonal jobs, low wages etc .	Some remoter rural areas and some wards in market towns have higher unemployment
Major challenges in living conditions – especially in urban areas	Evidence of housing stock conditions in rural areas – decent homes standard? Data not yet accessed	
Access to services is poor in many rural areas	This particularly affects those without access to private transport, those on low incomes, those with mobility problems (young, old and disabled)	Many rural areas in the region in the worst 20% in terms of access to services for IMD
Region does not punch weight in cultural and creativity terms	Rural areas are often strong in creative industries – but businesses tend to be small and not well connected to larger centres or markets	
Diverse region – urban centres – to attractive rural locations	Need to invest in the countryside as a regional asset	Many of the region's key tourism assets are located in rural areas
Other rural issues Maintaining balanced communities where there is out-migration of young people and rapidly ageing population – due to house prices, lack of services, remoteness etc.		

Quality of Life Policy Options	**Commentary**
1. Safeguarding the extremely high quality of life on offer in many of the region's rural areas by better exploiting its important role for knowledge economy workers and supporting diffuse employment	Would directly address key issues of weakness in many rural economies, increasing employment in the knowledge economy and reducing dependence on low growth, low wage economy in most vulnerable rural areas – quality of jobs rather than quantity – as well as increasing diversity of job opportunities.
2. Concentrating on the creation of a limited number of cultural beacons which improve external perceptions of the West Midlands in order to attract new residents and businesses	Rural areas often strong in terms of creative industries. However, 'cultural beacons' suggest large and high profile investment more likely to be located in the conurbation/larger centres. Market towns/sub-regional foci would be important.
3. Driving forward the greening of the region by preserving open spaces and countryside as key attributes of the region's high quality of life offer	Preserving *and enhancing* the countryside and natural environment as a key asset for the region would bring benefits to all the region's rural areas, particularly those of highest landscape value.
4. Challenging attention into important suburbs of the major employment areas and promoting the rounded quality of life on offer in the region, to attract and retain higher skilled earners' families	This option is focussed on 'important suburbs of the major employment areas'. *If* this included the more important local towns and centres within rural areas it could address some more run-down areas in these settlements.
5. Focusing attention on the social aspects of quality of life such as health,	Access to services a key issue for many rural communities, especially those

which impact upon many people's life opportunities and fulfilment	in more remote rural areas (see other choices below)

Other choices

- Focus on improving access to services in rural areas (identified as a key issue in the document, but followed through in policy choices), particularly for most vulnerable groups – young people, older people, migrant workers, those on low incomes, those with health and/or mobility difficulties.
- Improve access to the countryside and expand range of people benefiting
- Improve quality of life for older people through 'active-ageing' policies, encouraging engagement in employment and community activity

THEME SIX INFRASTRUCTURE

Issues identified in Policy Choices	General comments	Differences across the region
Congestion is rising as demands on transport infrastructure continue to grow	Congestion relevant issue in some of the larger rural towns and cities (e.g. Hereford) and in commuter areas	The high level of out-commuting is a serious issue for many rural areas accessible to larger towns and the conurbation. It causes social atrophy, decline in local services and adversely affects climate change
No real sign of road traffic and economic growth becoming decoupled	Requirement to consider climate change impacts could shift this over time. RES should be a real driver for this to happen. Less commuting out of rural areas would be better for the local economy, local services and better for the environment	Wide variation between most remote areas and those within commuting distance of larger employment centres
Market towns and rural hinterlands face distinct challenges	These challenges defined in Regional Rural Delivery Framework objectives	
Access to broadband is almost universal	Access to Broadband has been a break on growth – although the roll out has gathered pace there are still some 'white spots'. More importantly there is a need to prepare for overcoming the digital divide with next wave of new technologies	Most remote areas are often hampered by difficulties in establishing adequate wireless network because of geography.
Growing demand for housing	Housing affordability is a key issues to economic future in many rural areas – especially those with excellent QoL. Young people unable to afford to stay.	New Growth areas in accessible rural areas need jobs and community infrastructure in place to create sustainable communities
Challenge of achieving development on much of region's derelict and previously development land huge	Much less brownfield land in rural areas – however opportunities exist (including redundant farm and other buildings).	Where brown field land is scarce flexibility is needed to use green field sites to meet identified local need for housing and workspace

Other issues for rural areas

- Lack of access to public transport in more remote rural areas to access work, training and services.
- Raising fuel prices affects competitiveness of transport dependent businesses in more peripheral rural areas
- Lack of private sector investment in workspace in some areas

Policy Options **How should WMES (in conjunction with RSS) tackle the infrastructure challenges and opportunities facing the region**	**Commentary**
• Support measures to increase access to affordable housing in rural areas • Ensure that the WMES supports increase in employment opportunities and community infrastructure in housing growth areas to ensure future sustainability of these areas and to reverse trend of out-commuting to larger employment centres • Address ICT infrastructure issues that may perpetuate the digital divide – band width, white spots, new technologies including wireless and satellite • Promote flexible work arrangements and use of ICT to promote home/local based working and reduce need to travel to larger centres for work. • Lobby for inclusion of redundant farm buildings in definition of brownfield land • Promote accessible and appropriate rural transport solutions • Encourage live/work communities in all types of rural areas	

4. Commentary on Cross-cutting Themes

4.1 The role of places

The Policy Choices document identifies four types of area in the region. Rural areas are represented in each of these categories That is to say:

- There are rural areas in the south and east " where private sector-led employment and GVA growth is strong and where skills, enterprise rates and private investment are highest"

- There are rural areas, most particularly the ex-mining communities in Staffordshire that are "experiencing industrial re-structuring"

- There are rural areas that are "performing reasonably well and where there may be scope to better link residents into economic success"

- There are "the most rural areas, i.e. the Marches area of west Herefordshire and Shropshire which are less linked into the rest of the regional economy and tend to face demographic challenges of out-migration of young people, in-migration of retirees and low paying and low value-added employment."

In general terms the WMES will need to take account of the complex nature and different dynamics of all these local economies. How it does this will be a key challenge for developing the draft strategy and the subsequent action plan. Working with sub-regional partnerships to align resources with LAA priorities will be essential to arriving at the right outcomes for each area. There are however in the meantime a few points worth highlighting:

Firstly, in areas where growth is strong, there is a need to take actions, which will ensure that growth continues in a sustainable way. The report prepared by Regeneris - Achieving a Healthier Rural Economy in the West Midlands (2004) – identifies a key policy issue for the future *"how far (should) these areas remain primarily commuter areas for the main urban areas, or become more self contained economies".*

In order to reduce the pressure to make the daily commute it is necessary to create more well-paid, locally based jobs. Supporting smaller scale, higher value businesses in rural areas and smaller towns may be more sustainable than encouraging larger inward investments in the major centres.

Secondly, the particular vulnerability of some rural areas has been identified in previous regional level analysis and strategic frameworks, including the Rural Renaissance Framework and the Regional Rural Delivery Framework, for which one of the goals is: "*To foster the sustainable development and diversification of the rural economy of the West Midlands. Working with partners to develop the business clusters with greatest potential and reach, with a particular focus in the least well performing areas of the region."* This has been the rationale for the focus of investment into the Rural Regeneration Zone.

Thirdly, it is interesting to note that there is little discussion of the interdependencies between rural and urban areas nor is there mention of the City Region within this section of the report. In particular the interdependence between market towns and their hinterlands and between larger centres serving a wide rural area needs to be better understood and incorporated into the policies contained in the WMES. The role of what the policy document describes as 'smaller centres of economic activity' are of particular importance to their surrounding rural areas, both as employment and service centres.

Finally, there is not an agreed understanding of what is meant by a 'sustainable rural community' of the future. In the drive to focus development where there are already jobs and services, current planning approaches tend to preclude development in smaller settlements. This drives up house prices, discourages locally based employment and threatens the survival of essential local services and so exacerbates the trend towards rural areas becoming the enclaves of richer, car owning (and often commuting), older people, as families and young people gravitate towards the larger centres. The WMES needs to reflect the ambition to counter this trend, encouraging mixed communities where people can access the jobs and services they need while minimising the need to travel.

4.2 The role of sectors

Key issues for rural areas

- Rural economies are less diverse in terms of sectors than urban areas. That is to say, the rural areas of the region tend to have a greater reliance on fewer sectors of the economy than urban areas - just 7 sectors (out of 43) account for over half of rural employees. These are retail trade (except motor vehicles), health and social work, education, agriculture, hotels and restaurants, other business services, construction.

- Many rural areas continue to be dependent on land based industries – agriculture, forestry and related industries. This dependence is not just in terms of direct employment, but for business supply chains, for maintaining and enhancing the high quality environment (which also supports the very important tourism industry in rural areas) and for contributing to the social fabric of rural communities. The dependence on land related industries is more marked in the more remote areas of the region.

- Manufacturing is an important employment sector for rural areas (17% of employees), particularly food/drinks manufacturing.

- Rural areas have a predominance of employment in low value added, low wage sectors and there is lower than average employment in knowledge intensive and high tech industries in more vulnerable rural areas.

- Social economy is weak in rural areas. This is an issue particularly in sparsely populated areas where their role is crucial to maintaining essential services (where the customer base is too small or scattered for the market to supply).

- New sectors are developing in the rural areas of the region and there is the opportunity to encourage them - for example, creative industries (including new media), energy, environmental technologies, medical technologies.

- There is also the opportunity to encourage greater innovation in traditional industries, including land-based industries, tourism and local food production and marketing.

4.3 Addressing the challenges and opportunities associated with climate change

The WMES is subject to a separate sustainable development appraisal. In general terms the focus of the WMES has been on maximising economic growth. This now needs to be balanced against wider issues of well-being and other costs, including the cost of any increased contribution to CO2 emissions associated with economic growth. The WMES should demonstrate a firm commitment to support the move towards a low carbon economy. Adapting to and mitigating the effects of climate change will need to be incorporated into the bottom line of all enterprises. From the perspective of rural areas the following points need to be considered.

- Local availability of jobs and services in rural areas will reduce the need to travel to larger centres. The projected housing growth in some rural areas needs to be matched by expanding the opportunity to work locally to avoid an increase in commuting and to reduce current unsustainable time and distances travelled to work.

- The use of ICT technology allows more people to work from home, or at least not travel so far. Flexible work practices can encourage this trend. Home working has a knock on benefit for local service businesses.

- Encouraging local sourcing of goods and services will support the move towards a low carbon economy.

- Sustainable rural communities are not just those larger centres where services already exist (market towns). Appropriate development to allow access to affordable housing and services is needed in smaller settlements if they are to survive as mixed and thriving communities.

- Rural areas have a key role to play in the development of environmental/sustainable technologies, alternative energy sources (biofuels), carbon sequestration.

- Rural areas have been at the forefront of establishing carbon-neutral communities. Support is needed to extend and roll out this experience.

5. Concluding remarks

Section 4 of the Policy Choices document calls for views on the relative importance of addressing need or investing in opportunities. The balance between these two is likely to vary across the region, between urban and rural areas, but also between different types of urban areas and rural areas. So, for example in Warwickshire the emphasis will be on supporting the successful and growing knowledge based economy while dealing with the residual difficulties of those scattered communities that are left behind. In the more remote areas of the Welsh Marches however the emphasis will be on addressing the lack of innovation and of employment in higher value, knowledge intensive industries. The degree to which a regional perspective can be adapted to local circumstances without losing focus is a key challenge for the strategy.

In terms of an overall direction rural areas of the region would probably benefit from a strategy that:

- Prioritises and champions a move towards a low carbon economy

- Has a vision of economic-well being that measures social and environmental health alongside economic growth in both policy development and subsequent programme activity

- Is flexible enough to allow programmes of investment and activity appropriate to different locations whether rural or urban, large or small

- Is alive to the interdependencies of urban and rural areas

- Actively promotes both the understanding of what constitutes ‘sustainable rural communities’ and what will help them remain sustainable in the future

Alison McLean
February 2006

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