

Chapter 4

Policy Recommendations for Rural England

Based on the analysis of the English rural context and the current approach to rural development, this chapter offers a number of policy recommendations to help mainstreaming and rural mainstreaming better adapt to the heterogeneous and rapidly evolving context in rural England. The recommendations are captured under six overarching themes that emerged as a way to organise policy to enhance rural development in England. These are: i) develop more effective governance structures in the framework of decreasing budget outlays; ii) enhance mainstreaming to increase the impact on rural communities; iii) bridge a key divide by considering the needs of rural citizens in the Regional City framework; iv) strengthen the rural economy; v) ensure equitable access to services; and vi) expand connectivity.

4.1. Key points

The current environment of fiscal constraint demands a new approach to thinking about rural development in England. The effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure for many policy areas. But while fiscal constraints may limit some forms of public policy, there are still important roles for national public policy to support appropriate development in rural England.

The UK government should resist the temptation to replace existing financial incentives with more regulations. Instead, consider designing policy that both increases the incentive for local actors to carry out rural development in ways that are consistent with national policy objectives, and makes greater use of market forces than has been the case in the past.

To be more consistent with the New Rural Paradigm, the government should first look for market based solutions to rural policy problems. Direct intervention by government in rural policy problems should be a last resort. Government should play a strategic role that relies upon market incentives to provide day-to-day operational incentives, but use policy to set conditions that lead to markets providing appropriate signals.

Introduce a distinct rural component to the regional cities strategy. If City Regions are to be a major part of the spatial development strategy for England, then policy must be put in place to ensure that rural areas within the City Region benefit from inclusion, and to deal with those rural areas that are not part of a City Region. The high degree of rural-urban interaction already in existence offers an opportunity for improved policy co-ordination.

Mainstreaming should be enhanced to ensure equitable access to an appropriate set of consumer/household services in rural England. Mainstreaming is an effective strategy for delivering national public services to the majority of urban and rural households, but it should be reinforced with other measures in the short-term. Better integration of the mandates of mainstreaming and rural proofing is needed, and responsibilities should be clarified. Consider more rural specific interventions, especially for sparsely populated regions where making mainstreaming work is more challenging.

Strengthen the rural economy by joining up housing policy, planning policy and economic development strategies at the local level. To better identify new ways to enhance the competitiveness of the rural economy a broader focus than *simply* on pure economic development approaches will be required. Reduce the number of government imposed restrictions on individual choice, as this can yield higher productivity with no additional outlays.

Expand rural connectivity by developing robust networks. More attention to improving all the forms of connectivity in rural England, particularly broadband, would bring considerable benefits both locally and nationally.

The current lack of a broad national rural policy may be more than offset by the opportunity for more tailored regional policy. The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. An investment of time in policies and programmes will be needed for all the actors to understand the new structure, especially at the local level.

4.2. Introduction

Government policy in England is in flux, due in large part to the severity of the economic crisis and the resulting austere fiscal climate. Reshaping of policy strategies in response to tighter financial constraints will directly impact rural areas, since it causes departments to shift focus and all important resources. English policy in general has made great strides towards the goals of: localising public choices, creating a system to support and exploit greater accountability, and instituting evidence-based decision making. The reorganisation of governance, planning and policy assessment, and the improvement in horizontal and vertical co-ordination of government are movements in the right direction. Devolution has pushed many public choices down to the regional and local levels. Decentralisation of central government functions has also made it possible for there to be increased flows of information between residents and central government.

Socio-economic conditions in rural England are at a high level, both relative to urban England and to rural areas in other OECD countries. To a large extent this reflects the longstanding concerns by the English population and the UK government with the well-being of the English countryside. The influence of the government comes in a variety of ways. These include: broad public policy objectives that incorporate rural aspects, planning regulations that govern rural land use, large financial transfers from the UK government to regional, district and local governments, and considerable direct delivery of consumer services by national agencies. As a result, there is both a high degree of direct public sector employment in rural areas, and also a strong influence on household and firm behaviour, through laws, regulations and financial incentives. Five policy topics are offered as key recommendations for extending rural policy in England. While there are many roles for the government to play in rural England, the policy recommendations provided here focus on only five critical areas. Other topics are certainly possible and important, but the issues chosen are central to further improvements in rural socio-economic conditions and can play a key role in increasing the productivity of rural firms and workers. They are as follows:

- continuing the current work to achieve more effective governance structures;
- enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England;
- introducing a distinct rural component to the regional cities strategy;
- strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level; and
- expanding rural connectivity by developing robust networks.

While the themes are discussed independently, they also overlap. For example, ensuring that rural is integrated into the regional city strategy has implications for mainstreaming and for achieving more effective governance structures. Similarly, improving connectivity will play an important role in strengthening the rural economy and in improving rural service delivery.

4.3. Developing more effective governance structures

Government plays a large role in rural England largely to avoid the high potential for incompatible or undesirable activities by individuals and firms. The relative density of the population and the potential for significant externality effects were people and firms to make decisions strictly in terms of their private interests is a concern. For example, close proximity among users dictates the need for mechanisms to minimise conflicts among land uses. A strong regulatory system can provide a framework in which people are encouraged to fully consider all the consequences of their actions and where behaviour that is socially undesirable is constrained. In this policy structure a balance of incentives (carrots) and restrictions (sticks) has been employed in rural England to induce people to carry out desirable actions and to reduce incentives for them to follow undesirable actions.

... The recession has greatly limited budget outlays

However, the effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure in many policy areas, including those affecting rural development. Because the budget of the UK government is likely to be more constrained in the future than it has been in the recent past, the policy recommendations made in this chapter are developed with a period of public fiscal austerity in mind. But, while fiscal constraints may limit some form of public policy, there are still important roles for national public policy to support appropriate development in rural England.

... so the government should resist the urge to rely primarily on increased regulation

Public policy should not simply move to the use of greater regulation to try to achieve national policy goals by creating “duties” on lower level governments that come without the resources to carry them out. Such unfunded mandates are a tempting way to continue to have a strong national policy direction while limiting national outlays, and can often be packaged as part of a process of devolution of authority. But if all that is transferred is responsibility for delivery, without meaningful responsibility for defining the nature of the action or the means to finance it, then the national government has retained control but taken away the carrot that previously encouraged co-operation.

... and instead introduce policies that increase incentives

Instead of replacing existing financial incentives with more regulations, the UK government will have to be creative in designing policy that both, increases the incentive for local actors to carry out rural development in ways that are consistent with national policy objectives, and that makes greater use of market forces than has been the case in the past. Government should still play a structuring role in this policy environment, but the national government should play a smaller role in the direct delivery of goods and services, and in defining the various parameters under which specific local economies operate. The NRP suggests a policy framework that facilitates local decision making. To be more consistent with the NRP the government should first look for market based solutions to rural policy problems and only as a last resort move to direct intervention. Some have characterised this approach as one where the government’s main role is to steer the boat and not to row it. It is a strategic role that relies upon market incentives to provide day-to-day operational incentives, but uses government policy to set conditions that lead to markets providing appropriate signals.

Box 4.1. **Building local leadership capacity at the regional level, Québec, Canada**

Local communities in rural areas often have relatively strong social capital, but it is typically very oriented to helping that specific place. However many small rural communities now have to be integrated into a larger region both for economic activity and for public service delivery. This requires that small communities that have had limited collaboration, and often high levels of mistrust, act together to achieve their collective interest. In many rural regions this is a difficult task because there is no local leadership that operates at the regional level.

Quebec recognised this problem after it introduced the new county level governments (MRCs) as a way to put in place a large enough population base and local economy that it would be possible to achieve critical mass for businesses and government services. While local community leaders were expected to participate in a county government, they had no tradition of working with the surrounding communities, and had often seen them as competitors. To overcome this mistrust and to establish a regional way of thinking the provincial government introduced the *Pacte Rural*, which provided financial incentives for collaboration among communities within an MRC. While both social and economic actions were supported in the first version of the Pact, Quebec determined that building stronger social integration was a precondition for effective economic co-operation and so the second version of the *Pact Rural* focused on developing regional social capital.

Funding is provided for small scale collaborative projects that involve multiple communities or interest groups. While these specific projects provide a useful local outcome, for example: an art fair, a walking trail or a joint tourism promotion initiative, the main value for the province is that collaboration is strengthened. After almost ten years of support most MRCs now have a relatively strong sense of collective identity and see development of the larger region as a positive benefit for their individual communities.

Source: OECD (2010), *OECD Rural Policy Reviews: Québec, Canada*, OECD Publishing, Paris.

... The governance structure going forward should be different...

Rural England is similar to peri-urban rural areas in other countries, so rural policy in England offers multiple opportunities for other countries to examine policy options for their peri-urban areas. In England the last decade has seen a considerable effort to decentralise a very unitary government structure. The creation of regions has allowed the introduction of policy that no longer provides the same things to all parts of the country. Mainstreaming this flexibility across space is important if public policy is to respond to different opportunities. Thus our recommendations suggest that the governance structure going forward should be different than it has been in the past.

... no national rural policy may be more than offset by a more tailored regional policy...

In many ways, England has moved from “rural” to “regional” policy as a way to deal with spatial differences. The notion that rural areas are no longer seen as needing a specific “rural policy” can be interpreted as a loss for rural areas because of the inability to benefit from different types of support from those available in urban area, or it can be seen as an opportunity to gain from more tailored regional policy. Consequently, the

introduction of a regional approach bodes well and should be perceived as an opportunity for each region to develop interventions that are appropriate for its specific rural territory. Devolution of responsibility to the RDAs is an important innovation. It recognises that national laws and policies can only provide a broad brush environment. The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. National results are ultimately the aggregation of individual actions, and the key message of devolution is that improving the local environment is crucial. A continued commitment to effective “double devolution” should result in improved local competitiveness, which will lead to improved regional competitiveness and ultimately improved national competitiveness.

... The benefits of devolution would be expanded with more fiscal capacity

With more limited national fiscal capacity the opportunities to induce particular behaviours at the local level by providing funding are reduced. Additional duties are, of course, an alternative behavioural change option, but one that contradicts the basic premise of devolution. In practice, the art in improving governance will lie in the ability to modify existing constraints (rules and regulations) in ways that maintain the key principles that led to their initial introduction, but which also allow greater flexibility in behaviour by individual actors, so that they too can achieve their objectives. Enhancing governance will be crucial if the four other key policy themes are to be successful. These are:

- introducing a distinct rural component to the regional cities strategy,
- enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England,
- strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level, and,
- expanding rural connectivity by developing robust networks.

This in many respects reflects the reduced fiscal capacity of the UK government due to the recession, which limits traditional policy mechanisms. This also reflects in part the basic ideas of the NRP, which is based upon the rural governance experience of other OECD countries. In part it reflects changes that are already underway in the UK policy process, due to devolution and the recommendations from major policy reviews. In part it reflects the changing nature of the larger world that England operates in, including modifications to EU policy and changing global conditions. In part it reflects the new environmental concerns of, climate change, energy and food availability and sustainability.

An example of this new governance structure is realigning the roles of the GOs and the RDAs. The GOs in relation to the RDAs are experienced but appear to be severely underutilised. At the sub-national level the division of responsibilities under the SNR awards the RDAs the wider mandate and the more strategic role. However the GOs are “Whitehall in the regions” and are experienced in implementing and co-ordinating across all Departments, whereas the RDAs experience and capacity is more linked to its funding sources. Because of the use of a “single pot” the RDAs have considerable flexibility in decision-making. In addition, despite the vast amount of work the RDAs are doing, there is always the risk that when prioritising objectives Defra will lose out to the directives of BIS and CLG respectively, because these agencies account for a much larger share of the RDA budget.

... and a more stable governance period would improve delivery

But change must always be balanced against stability. Providing a more stable national policy environment could help individuals, organisations, firms and local governments make better decisions. The policy environment in England is highly unstable. For example, while RDAs have been in existence for a number of years and play a central role in sub-national policy design and delivery and are charged with administering EU programmes, they do not have independent statutory status. As things now stand, the UK government could choose to either abolish them or expand their responsibility with a simple change in policy. Consequently, those who deal with the RDAs must consider the possibility that they may cease to exist. This clearly has to influence long term commitments to by potential partners RDA programmes. Similarly, the ongoing role of the GOs is equally ambiguous. Irrespective of the mechanism, the UK government will continue to play a key role in structuring: the physical environment, the economic environment, and much of the social environment in rural England, and implementing these recommendations will also require modifications to governance structures.

The trend in OECD countries, including those with unitary governments, is to increase the responsibilities and flexibilities of regions. In England, the establishment of the RDAs, the use of LAAs and MAAs and the introduction of Regional Cities, all point to a governance system that moves decision-making out of Whitehall. This process has inevitably led to an unstable policy environment as the new structure takes shape. It now seems that sufficient reform has taken place to provide an opportunity for new behaviour at the local level. But if the national government is to acquire the hard evidence to see if these changes are desirable it will have to provide a period of governance stability. This is needed for two reasons. The first is that rational individuals will not commit to the new structure if they believe it will soon be changed. Thus without stability there is no opportunity to see how local decisions are affected. The second reason is that ongoing policy change makes it impossible to sort out the effects of specific policies. If two policies change and there is an observed change in the behaviour of decision makers, there is no possibility to identify the specific contribution of either policy to the change in behaviour.

4.4. Enhancing mainstreaming

Mainstreaming is an effective strategy for delivering national public services to the majority of urban and rural households. Because peri-urban England is tightly coupled to urban England the same basic service delivery mechanisms can be used in the majority of both territories. In many cases people in rural areas are even able to obtain services from proximate urban places, or it is possible to provide virtually identical services locally because there is sufficient density of the rural population to allow cost-effective provision. Tight budgets are coming at a time when the demand for public services is likely to grow. Budget constraints will inevitably conflict with popular demands for more and better public services, especially as the English population ages. This makes it vital to find ways to both define appropriate sets of public services that improve the quality of life of people in different settings and to find more cost-effective ways of delivering them.

... Defra's capacity to ensure that rural mainstreaming is followed should be reinforced

While Defra is charged with ensuring that mainstreaming is carried out across the UK government it has too few resources to adequately monitor what is going on in other

departments early enough to allow easy modifications and too little authority to require changes when there is a clear rural disadvantage. For mainstreaming to meet its potential there should be an additional resource commitment to Defra and there must be some supplemental mechanism put in place that gives Defra standing to go to the Cabinet, if necessary, to ensure compliance with mainstreaming requirements. This is not an unusual issue. In North America both Agriculture and Agri-Food Canada and the United States Department of Agriculture are charged with lead roles in rural development. And in both countries other agencies have far more influence over rural conditions, but often pay little attention to the effect their policies have on rural people, firms and places. Not surprisingly, only in the infrequent times when the Minister, or Secretary, of Agriculture has strong political influence do other agencies pay real attention to requests to consider the consequences of their actions on rural areas.

... Mainstreaming should be supplemented with a specific rural policy for sparse areas

While mainstreaming can fully address the needs of most of the rural population, sparsely populated areas are not fully benefitting. Some services that are available in the majority of the territory, such as, proximity to a major hospital, ready access to further and continuing education, or access to a major retail complex, are simply not possible in a small community in a sparsely settled region. Thus, to increase the effectiveness of mainstreaming and to ensure that adequate levels of public services are provided to all, it would be useful to introduce tailored rural policy in sparse areas that can address the unique issues facing places that: have low population density, are considerably distant from urban centres, and feature low levels of demand. Such a policy would parallel the already existing Neighbourhood Programmes that have been created in the recognition that mainstreaming is not adequate to deal with concentrated pockets of urban disadvantage. Moreover, by taking the sparse territory out of mainstreaming it could become easier to persuade all departments that the objectives of rural mainstreaming can be met at a reasonable cost, because the incremental unit costs of serving people in less sparse regions should not be materially different from serving them in urban regions.

To date mainstreaming seems to be focused on defining equitable sets of services, but with limited consideration for service provision difficulties in sparse areas. For services that are either provided directly by the UK government or whose provision is influenced by the UK government, either by regulations, financial support or some other means, there will be tendency for the service to be designed in an urban-centric way. This simply reflects the fact that the rural population is small relative to the urban population and the sparse rural population is particularly small. As a result, designers will ensure that the programme works in an urban setting. Moreover in an urban society, it is increasingly unlikely that those charged with designing the service have any particular knowledge of actual rural conditions.

... Take better advantage of the option under mainstreaming to deliver services in different ways

Mainstreaming offers the opportunity to deliver services in different ways if circumstances differ, but this seems to be a seldom used approach. It appears to be a problem of the department providing a service failing to adequately incorporate the

principles of mainstreaming into its policy design and deployment strategies. Also, given fixed budgets and the cost-savings associated with adopting standardised approaches there has been reluctance by some departments to adopt the programme flexibility inherent in the idea of mainstreaming. At present there is little incentive for any government agency to be proactive in rural mainstreaming. Service delivery costs are higher in rural areas, identifying clients can be problematic in rural areas, and new mechanisms for delivering public services may have to be introduced. These factors have negative implications for the performance evaluation of an agency that tends to focus on increasing the number of clients served and low cost per client served. In addition, because mainstreaming combines rural and urban service delivery it is actually a more complex policy than traditional rural policy and to be effective requires a higher level of co-ordination. There is risk of a co-ordination capacity mismatch at the national and sub-national levels. By placing the responsibility on all departments to mainstream, the co-ordination framework is much wider than a traditional rural development policy. However, if resources, both physical and financial, continue to decline, the capacity to co-ordinate mainstreaming effectively will be undermined.

... high mobility of users and “bypass” complicate the design of service delivery

The high degree of rural-urban interaction results in fuzzy boundaries for service delivery centres. With high mobility in England people may choose to access services near where they live, near where they work or at some point in between. This makes it difficult to *a priori* identify the client population and their needs. The blending of urban and rural populations has important implications: for where service centres are physically located, the mix of services that are provided and co-ordination with public transport plans. Improving service quality in one place may lead to diminished demand in nearby communities if users “bypass” their local provider. When designing service delivery mechanisms it is crucial to look beyond the proximate users and identify potential impacts in adjacent places.

... For mainstreaming to be more successful the rural proofing process must be strengthened

Rural proofing is a tool that policy-makers are expected to use when designing and planning policies and programmes to help assess likely rural impacts and identify necessary adjustments to ensure equitable outcomes in rural areas. In essence, it is the mechanism by which the principle of rural mainstreaming should be implemented. However, there is clear evidence that rural proofing is in many cases either not being undertaken sufficiently well (if it is being undertaken at all) or not being undertaken early enough in the policy development process, which means that it is often being used as a means of evaluating rural impacts after the event. While it is useful to have evidence of whether policies as they are being implemented are meeting mainstreaming goals, and some form of ongoing monitoring of rural impacts is clearly necessary, there is a need to ensure that rural proofing is undertaken earlier and more systematically in the policy design process. This would improve policy-making by requiring those responsible for designing policies to give proper consideration to the spatial impacts of their schemes, and it would ensure that any extra costs that might arise in delivering the policy in rural areas are identified and built into the policy delivery plans from the outset.

... rural proofing should be better coupled to mainstreaming and to Defra's efforts...

The rural proofing process has to be better coupled to mainstreaming and to Defra's efforts to ensure that other departments fully consider mainstreaming in the policy design process. At present, the necessary link between the principle of mainstreaming and the proper application of the practice of rural proofing is not being made as regularly and systematically as it should. This is not helped by the separation of responsibilities between the CRC, which is charged with advising on and monitoring rural proofing, and Defra, which is responsible for encouraging and promoting rural mainstreaming overall. The current triple mandate of the CRC results in an inherent conflict of interest that could call credibility into question. The CRC has three distinct roles – to be the rural advocate, to provide objective rural analysis to government, and to act as a rural watchdog, which involves monitoring rural proofing. The rural advocate role is a significant policy innovation and one that has been beneficial for rural people and communities in England. However, an advocate is, by definition, not a neutral party, but one who takes the side of his or her client. Consequently, if the CRC is to provide unbiased analysis to the government, it should not be tainted with even the hint of an exaggerated “pro rural” perspective.

... and the separation of roles between Defra and the CRC should be revisited

The current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both rural mainstreaming and rural proofing. While there is some merit in having an arm's length monitoring and evaluation process for rural proofing, this seems to be outweighed by the fact that CRC finds it difficult to gain access to government departments (perhaps because it is perceived as principally a rural advocate) and is not, consequently, well integrated into early discussions of incorporating rural interests into policy design. If the government is to achieve its goal of moving from an after the fact policy assessment to one where rural interests are part of mainstream policy design, then the two functions of design and evaluation should be better coupled. The obvious solution is for Defra to take over the rural proofing function and integrate with its mainstreaming responsibility. The new Rural Proofing Toolkit offers an opportunity for more consistent approaches to measuring the extent to which mainstreaming goals are being accomplished. The introduction of a more uniform way to go about the rural proofing exercise should improve its credibility. As long as rural proofing is seen as an *ad hoc* process it is easy to discount the conclusions drawn. The tool kit is not only useful for assessing programmes and policies, but it may be useful for those designing new programmes and policies because it offers a description of how rural proofing will be carried out.

4.5. Introducing rural to regional cities

A logical extension of the peri-urban nature of rural England is that a major portion of the rural territory is part of the hinterland of a major urban centre. In England there is a strong interest in extending the current Multi-Area Agreement (MAA) process to allow regional cities greater flexibility and greater self-direction over their development. At present the main thrust of the regional cities process is to identify ways in which the urbanised portions of the territory can better co-ordinate their policies and programmes. However, the fundamental nature of the regional city is that the majority of its territory is rural in nature and rural residents can account for a considerable minority of the population in the region.

... Consider the needs of rural citizens in regional cities...

As regional cities gain more autonomy, it will be important for the rural citizens within their reach to have their interests considered in the process. Without careful attention to ensure effective participation the combination of more professional city governments and the weight of majority voting could marginalise rural concerns and reduce the opportunity for rural areas to contribute fully to the regional economy. The main benefit to local authorities from entering into an MAA is increased flexibility in resource allocation and in setting policy targets. While the MAA process provides no new resources it does relax constraints on the use of existing resources so that local governments can use them in more effective ways. In a time of financial exigency, where new resources are unlikely to be available to any level of government, the best way to increase efficiency is to improve the allocation of existing resources. Thus, the introduction of Regional Cities, if it allows even

Box 4.2. The Lübeck Bay Model Region: A regional city

The Lübeck Bay Model Region (RALB) is based on the city of Lübeck and its surrounding hinterland in the two Länder of Schleswig-Holstein and Mecklenburg-Vorpommern. The Model Region was created as part of a rural regional development strategy (Regionen Aktiv) implemented by the government of Germany in 2002. The region has a population of 425 000 people with an area of 194 000 square kilometres. About half of the population is in the city of Lübeck, with the remainder in a number of small cities and towns and the open countryside. There are about 100 municipal governments in the region, but that in Lübeck is by far the largest and most professional.

The goal of the Regionen Aktiv programme was to build local capacity in rural areas in a manner similar to LEADER. To participate local governments had to agree to form a regional compact and had to submit an application detailing their development strategy to the national Ministry of Agriculture, which managed the programme. A fixed budget was available for the programme and only some of the applicants were chosen for funding.

The Lübeck Bay Model Region is essentially a “city region” that reflects the territorial reach of the old Hanseatic city of Lübeck, which existed as an independent city state up to 1937. After 1945 part of the region was in East Germany (Mecklenburg-Vorpommern) and part in West Germany (Schleswig-Holstein). Within Schleswig-Holstein there was limited collaboration between Lübeck and the other municipalities.

Funding allowed the RALB organising committee to engage in a number of projects designed to build local networks that would strengthen regional identity and increase employment. Specific projects undertaken focused on: improving agricultural production, including organic farming, strengthening the local tourism sector, and developing renewable tourism opportunities. These projects are all based in the rural part of the RALB and follow typical European Union Pillar II rural development activity.

However, the members of RALB also note that an important result from forming a regional partnership among the rural local governments was an improved ability to negotiate with the city of Lübeck on all issues. In the past each individual municipality had tried to deal with Lübeck on a case by case basis and generally had little influence. The RALB provided an organisational structure that both made it easier for small governments to first form a consensus and then negotiate with Lübeck, and conversely the RALB provided the city with a well-defined contact point when it wanted to discuss relations with surrounding local governments.

more flexibility in management at the local level, may be a key to improving public sector productivity.

An advantage of city regions is that they closely correspond to functional regions

England has introduced city regions in attempt to allow these functional regions to better manage their growth. By providing administrative coherence over a local labour market there is greater opportunity to increase private sector and public sector productivity. London, in particular, exerts a strong economic influence over most of the rural area in southern England and well into the Midlands. This means that planning for rural development in the area has to incorporate anticipated changes in the urban territory. Other large cities also have major hinterland effects, so that there is very little rural territory that is not part of some functional region that has a major city at its core.

... explore the opportunity under the city regions to manage the urban-rural interaction

City regions offer an innovative way to manage urban-rural interaction, but at present the rural component seems to be ignored. While the idea of city regions could be advantageous for rural areas that fall within a city region boundary it appears that there has been very little thought about how the introduction of the city region will affect the associated rural population. To a great extent city regions appear to be designed to allow urban growth management, with no thought for the potential consequences for rural communities and citizens. It is not clear whether rural areas will have a veto over plans that have adverse consequences for them, or whether they will even have significant input into plan formulation. Because urban rural flows are bi-directional it will be important to recognise all the linkages within a city region if the policy is to be broadly accepted.

Proximity to an urban place is generally beneficial for rural firms and households. Available evidence shows that rural communities, households and firms in close proximity to an urban centre take advantage of the broader array of goods and services available there. Moreover, in England there are already large flows of commuters both from proximate rural areas into urban areas, but also from urban areas into rural territory. The high degree of rural-urban interaction already in existence offers an opportunity for improved co-ordination. But to accomplish this, the concept of the regional city should explicitly recognise that rural territories, communities and populations are a distinct part of the region.

... introduce policies to support rural areas not part of city regions

If city regions are to be a major part of the spatial development strategy for England, then there has to be some policy put in place for those rural areas not part of a city region. Moreover, at present, it is not clear what happens to those rural territories that do not fall within a city region. This gap in thinking about spatial strategy has broader policy implications. For example, England sees mainstreaming as reducing, if not eliminating the need for specific rural policy. Within any given city region it may be the case that there are few significant gaps between the quality of life of urban and rural populations, and public services are appropriately delivered through mainstreaming. However, the larger the role played by city regions in organising the delivery of public services, the more important it becomes to determine how services are to be equitably provided to those in the sparse territory beyond the boundaries of city regions.

4.6. Ensuring equitable access to services

The growing pressure on all levels of government for cost control and efficiency plays a role in service delivery. Because it is cheaper to deliver urban services and because agencies are often evaluated on a cost per unit or total number of contact basis, there is an incentive to focus on urban and peri-urban clients because more can be achieved with a fixed budget than is the case with clients in more remote or sparse regions. Mainstreaming as a policy framework implicitly recognises the advantages to providers and users of a single system of service delivery that can meet urban and peri-urban needs. Linking these two sets of demand provides opportunities for scale economies and additional types of service. Residents in peri-urban areas may have to travel somewhat further to receive services than if they were provided locally, but they are compensated for their higher travel costs by: higher quality services than could be provided in a rural setting, lower unit costs of providing the service and a greater variety of service providers.

The delivery of services, whether public or private, is invariably more expensive in more sparse rural areas, and this must be taken into account in setting policy. Lower population density, longer travel distances and a small client base increase the unit costs of providing all services. However delivery costs are considerably lower in peri-urban areas where the rural population can potentially take advantage of service delivery systems put in place for urban populations. This is particularly likely to be the case for rural residents who commute to an urban job, or for those who have relocated from a city to the near countryside. In both cases the individuals are likely to be familiar with; and use, variety of urban options for virtually all services. The changing demographics of rural areas make it important for the UK government, the regional agencies, and county and local governments to think carefully about the mix of services that the population of the future will require. As demographics change, transportation choices are altered in response to climate change adjustments and new options for services become available, there is considerable opportunity to identify new ways to meet the goal of providing an equivalent quality of life in urban and rural areas.

Two groups are adversely affected by the current mainstreaming approach

The challenge for this approach comes in two parts. The first is the peri-urban resident who has limited capacity to reach urban service providers due to lack of access to transport or for health reasons. For this type of person a local service provider is highly preferred, even if it is higher cost and poorer quality. The second challenge is for those who live beyond travel limits to the urban service providers. They are completely unable to piggyback on the availability of services in urban centres.

Access to transport is often the single largest barrier to access to services

It is apparent that people in most rural areas have access to good public services; however, many rural dwellers even in peri-urban areas have difficulty accessing these services due to lack of a car or poor public transport. Transportation is thus a cross-cutting development issue and needs to be tackled on a partnership basis. This is where one would expect to find many innovative trials of new service provision strategies and programmes and expect to see considerable evidence and commentary on the virtues of rural proofing. There are indeed wonderful examples of this being attended to, and implemented, in rural England, but unfortunately a large number of these seem to be launched as pilots and then

to remain as such, rather than becoming core aspects of enduring system change that bubbles across rural regions. While increased pressure on budgets means that national government is less likely to fund new approaches than in the past, if there is more budget flexibility at the regional and local level there may be opportunities for some of these innovations to be more widely adopted.

To ensure that rural people receive adequate access some care has to be taken in determining appropriate locations for the service, co-ordination of operating hours with local bus schedules and co-locating services so that multiple activities can take place on a single trip. Where public service access is most problematic is where transport is not available or the distance to the service location is great. This is most common in sparse areas where there are few major towns and limited public transport. While lower income households in England are more likely to have a car than are urban households with similar income levels, there are still considerable numbers of the elderly and poor who do not have a car and live in regions with weak public transport systems.

... re-emphasise the importance of innovation in delivering services in sparse rural areas

Too often in sparse areas the search for efficiency is leading to consolidation of services in order to increase the number of users at any site. However the benefits of consolidation in rural areas are often less than anticipated. If the service provider pays any portion of the transport costs, the increased distances travelled offset some of the savings from consolidation. If the client pays the travel costs then the volume of customers is generally less than anticipated, because some users conclude that travel costs are too high to justify the trip. This suggests that different paths to efficiency should be explored – ones that deliver services in ways that do not rely upon scale economies. In more sparse areas the UK government should consider encouraging the use of alternative delivery options or even alternative types of services that provide equivalent outcomes. The most effective way to deliver a service in an urban or peri-urban setting may not be the most effective way to deliver it in a more remote rural environment. For example, school choice is relatively easy to achieve in a densely settled area because there are several schools within an easy commute. In a sparsely settled area there may only be one school and it is already a long commute for many of the students who attend. If the rationale for school choice is to assure children and parents that they have access to a good education, then for rural schools in remote areas an alternative approach that focuses on maintaining school quality may be needed.

Social exclusion can be hidden in some rural areas. Older people in rural areas are generally considered better off than their peers in urban areas. However, those who are vulnerable, or at risk of social exclusion, experience rates of disadvantage similar to their urban counterparts. In particular, they can experience unique challenges in accessing transport, health and social care, and social and civic activities, and are more likely to live in poor quality housing. Public service reform will be central to ensuring rural ageing is a positive experience. The government's principles of public service reform – citizen empowerment, new professionalism and strategic leadership – will be central to ensuring that older people who are at risk of social exclusion in rural areas stay healthier for longer and continue to lead productive and fulfilling lives as they age. Interviews and field visits detailed the problems and provided examples of innovative full and partial solutions. But

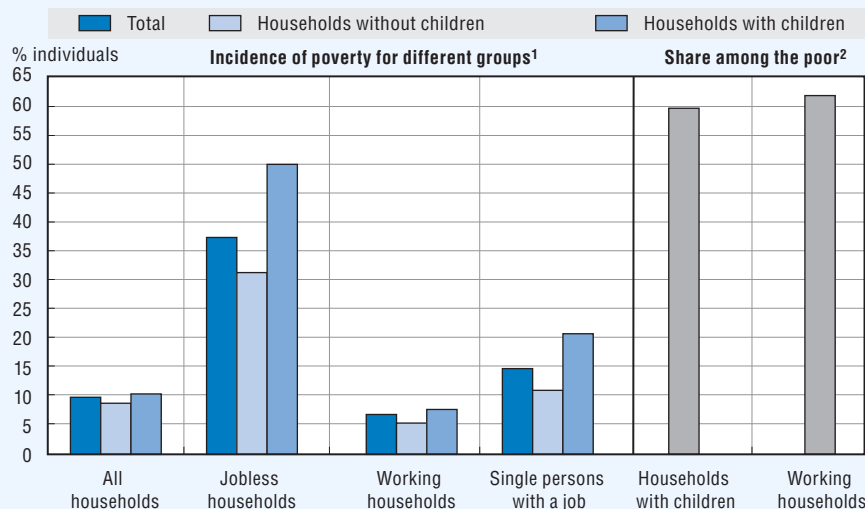
these solutions seem to be the exception rather than the norm, not easily moved from “pilot” to accepted and integrated practice and only achieved with great sustained determination and perseverance by local leaders and providers.

Box 4.3. In-work poverty

In England, rural poverty is scattered rather than concentrated. According to the Commission for Rural Communities 2.4% of deprived English areas are rural but 17% of all deprived households are rural households. Employment does not always guarantee an adequate living standard. In OECD countries most working-age persons living in poverty were part of a household containing at least one worker. The risk of poverty varies depending on an individual's history the labour market, their family situations and workforce group. In work poverty is largely a structural problem.

On average across OECD countries, 7% of individuals living in households with at least one worker are poor and more than 10% of the working population in Japan, Mexico, Poland, Portugal, Turkey and the United States are poor. The working poor constitute the largest target population for anti-poverty policies in all OECD countries; on average they account for more than 60% of all working age poor.

In work poverty is not only low-wage workers, in fact the overlap between low-paid employment and in-work poverty is low. Hourly wages of the working poor are not necessarily at the bottom of the wage ladder. On average, less than one in ten low-wage workers in 21 European countries, for which data is available, live in a poor household. Instead underemployment is a key determinant of in-work poverty. Time spent at work for the working poor differs from the rest of the employed population. More than half of the working poor in all countries work on average six months or less over the year.



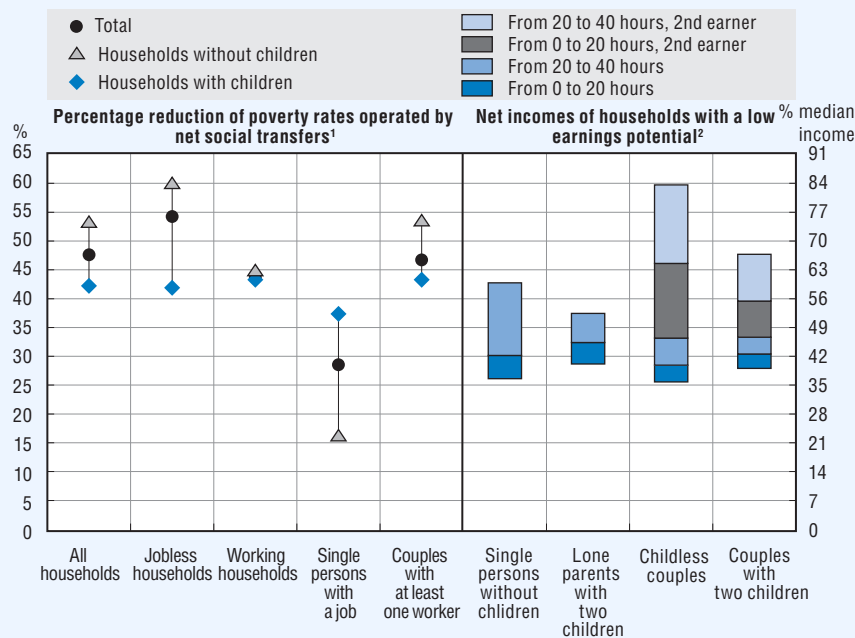
Notes: Unweighted averages over 28 OECD countries (Turkey and Switzerland are excluded).

1. The bars represent the percentage of individuals living in a household with disposable income below 50% of the median income, among all individuals living in a household with a head of working age (with/without children). Poverty rates are also calculated for 3 broad subcategories of households: jobless households (with/without children), households with at least one worker (with/without children), and single persons with a job (with/without children).
2. The bars represent the percentage of individuals living in a household with children and with at least one worker, respectively, among all individuals living in a poor household.

Box 4.3. In-work poverty (cont.)

Policy levers such as net social transfers and in-work benefits are providing some relief.

National systems of social transfers substantially affect comparison of poverty rates among different countries. Net social transfers – the combination of gross cash public transfers and household taxes, play a role in alleviating poverty in all OECD countries. The income support provided to jobless households with children, which reaches, on average, 40% of the median income in OECD countries, considerably reduces the depth of poverty, even if recipients still live below the poverty line. They can cut the poverty rate by almost half and can have more impact in households with children than childless households. However, it seems to benefit the jobless more so than people already employed. On average full time employment in a low paid job leaves the disposable income of one parent slightly below the poverty line, while it brings the incomes of two earner couples if there are children to only 65% of the median income.



Notes: Unweighted averages over 24 OECD countries.

1. The effect of net social transfers is measured by comparing poverty rates based on disposable income, that is, after gross transfers and taxes, with the incidence of poverty that would be observed in the absence of gross transfers and households taxes. More precisely, poverty rates before net social transfers refer to the share of people with market income (i.e. pre-transfer/tax income) below 50% of household disposable income.
2. Households with low earnings potential refer to households containing low-wage workers only, that is, workers paid 40% of the average wage on an hourly basis, or the minimum wage rate when the latter is higher than 40% of the average wage.

Many OECD countries offer in-work benefits (IWB), transfer payments to up the earnings of low income workers. They help redistribute resources to low income families, and make employment more attractive for workers with low earning potentials. IWB can be: targeted towards individual low-paid workers and provide stronger work incentives; or targeted towards low income families which is more redistributive in focus. OECD observed that IWBs that are means tested, based on the families income enjoy an advantage by making it easier to reach only low-income families. The effectiveness of IWB type policies varies substantially across countries. IWB schemes are found to be either ineffective or very expensive in countries where the distribution of in work earnings is relatively compressed at the bottom of the wage ladder.

Box 4.3. In-work poverty (cont.)

Because minimum wages are not designed to address specific family situation or specific employment conditions they are not regarded as an effective anti poverty tool. Usually high minimum wages tend to reduce employment among low productivity groups and compress the distribution of wages, making it difficult to implement IWBs schemes inexpensively. However if the minimum wage is reasonable, there could be synergies between IWBs and the minimum wage.

Source: OECD (2009), *OECD Employment Outlook, 2009*, OECD Policy Brief “In-work Poverty: What can governments do?”, OECD Publishing, Paris.

4.7. Strengthening the rural economy

Currently rural England is highly dependent on various forms of public sector support. In the future rural prosperity will, more likely, be based upon a stronger private sector, because the capacity of the UK government to expand, or even maintain, current outlays is questionable. Thus, a key policy challenge is to find ways to enhance the competitiveness of the rural economy. To do this more than a focus on pure economic development approaches will be required. Success will involve finding ways to allow planning policy, housing policy and economic strategies to operate in harmony. The UK government has recognised the importance of increasing productivity in England at the national and regional levels (HM Treasury). There are strategies to increase the productivity of the lowest performing regions to the current national average as a way to increase economic welfare. However, the macroeconomic approach currently employed views regional economies as a decomposition of the national economy, and cannot provide a framework for actually improving regional economic performance. In reality, the national economy is a simple aggregation of the nine regional economies, just as the economy of each of the nine regions is an aggregation of its microeconomic units. For a region to have an improved economic performance, the productivity of individual firms has to improve. And, this requires a policy focus on firm level behaviour.

Even where rural productivity is lower than urban productivity because of a different industry mix or a different skill mix, there is still a great benefit from ensuring that the rural economy is performing at, or near, its potential. This was the fundamental message of the Burgess report on releasing the potential of England’s rural economy. The economic structure of rural England differs from that of urban England in terms of: workforce skills, firm size, and industrial composition, once you get below the two digit NACE level. To improve performance these differences have to be taken into account in policy and practice. Several of the RDAs have determined that support for rural business requires a different approach; others have adopted a uniform business support structure across their territory. This creates a natural experiment on how to best deliver assistance to rural business, and the results should be examined.

... Reduce the number of government imposed restrictions on individual choice

In a period of fiscal constraint where government cannot provide as much direct financial support to local actors the best option for ensuring a stronger economy may be to find ways to selectively reduce the constraints that firms and local governments face. Assume for convenience that a firm or government has some objective. Its ability to achieve

the objective is a function of the resources it controls and the limitations it faces in taking action. In England there are numerous constraints on action that come in the form of national regulations and laws, each of which is developed to meet some particular policy objective. There are also regional policy directives and regulations, and there are district and county rules and regulations that affect firms. The multiple layers of regulation can combine to effectively constrain behaviour to a very narrow range of feasible alternatives, all of which result in low productivity. A basic principle of mathematics is that a constrained optimisation problem can never yield a higher optimum value than an unconstrained problem. And, as the number of constraints increases the maximum value of the objective function becomes ever more likely to be reduced. While laws, regulations and rules all have individual value, their cumulative effect may be to impose a major burden on productivity. In our visits we were told several times that there seems to be a shift in the planning system from an indicative role at the national level to a prescriptive role at the local level. It is our belief that this sense of a shift to prescription is largely the cumulative effect of local actors having to face a plethora of rules, each of which has some individual merit, but which cumulatively place so many restrictions on behaviour that planning is perceived at the local level as compelling particular actions that are undesirable.

... issue by issue approaches to policy analysis run the risk of missing important synergies

While there have been recent comprehensive reviews of planning policy and housing policy, and the government has moved enthusiastically to adopt many of the recommendations, our sense is that these changes are being individually introduced before fully examining how they impact upon each other, and, most importantly, before a full assessment of the links between housing supply, planning goals and economic activity in rural areas is undertaken. The basic unit of analysis for this type of assessment should be the local labour market. But, the availability of housing, the types of firms and their labour force requirements, and the capacity of the transport system, all condition the size of the local labour market. If any of these change significantly, the appropriate spatial unit of analysis will also change. For example, an area with a restricted housing supply and a planning regime that limits new housing and new sites for firms will likely have a geographically large local labour market with high rates of long distance commuting. This will reflect the difficulty households face in finding housing near job opportunities. In addition, there is likely to be significant underemployment, as individuals drop out of the labour force, because commuting costs are too high, and employers fail to expand because a site is not available or because there are too few workers with appropriate skills within a reasonable commuting distance. Lower levels of rural productivity can be explained in part by policy constraints that limit the options available to firms and workers, or which raise their costs. Suppose more housing is constructed near a major employer. This should encourage its workers to move closer and reduce their commute. The housing that these workers free up could allow other workers to relocate to reduce their commute. With less commuting required some people may choose to enter the labour market and employment could increase. As a result the physical size of the local labour market could shrink and output and employment expand.

... take advantage of the opportunity offered by the SRS to improve policy coherence

At the national level, and more recently with the introduction of the SRS at the regional level, there is clearly the intent to forge a strong degree of coherence among housing,

planning and economic development strategies. The national policy approach uses PSAs and DSOs to develop a comprehensive framework that recognises interdependencies among departments and programme areas. Similarly, the Single Spatial Strategy provides an opportunity for each RDA to identify how it will meet national objectives within the unique conditions of its geographic territory. But below this level of government there appears to be a degree of confusion and decoupling among the three broad objectives.

... community viability depends upon employment, either within a place or in neighbouring places

Ultimately the viability of a rural community depends upon its population having employment opportunity. If, in addition, society desires compact rural labour markets, where commuting is limited, then the planning process will have to ensure that sufficient housing is available in close proximity to employment opportunities, or vice versa. To the extent that in the future private sector employment plays a larger role in providing rural employment opportunities due to lower public sector outlays, it becomes even more important than in the past to ensure that planning and housing policy support employment creation. Further, for rural areas to increase their productivity and meet national targets it will be important to increase the efficiency of and competitiveness of private sector firms and better functioning labour markets can play a key role in this regard.

... local labour market areas offer an opportunity for implementing better approaches to planning

While there is a widely recognised rural housing problem that can only be resolved with the construction of additional housing units the plans for locating these units seem to be largely based on land characteristics with little attention to underlying economic activity or potential. Given the considerable degree of concern with the implications of increased commuting in England it would seem natural that there be more regard at the district level and below for addressing housing needs within the context of a local labour market. To do this will require a planning process that is sensitive to firm needs in terms of location. The ideal location will vary by type and size of firm but it will certainly be influenced by traditional location factors, such as, the price of land, transport routes, availability of labour, potential for expansion and business climate. The more the planning system constrains firm choices to specific locations that are chosen without regard for these attributes, the less likely it is that the firm will be profitable.

... a targeted rural policy for sparse areas could build upon existing initiatives for market towns...

A targeted rural policy for sparse areas could easily build upon existing market towns and seaside community programs. Parallel to the city region approach there may be a need for a targeted rural development policy. The current interest in revitalising market towns and seaside communities may offer a way for dealing with this problem. These local population concentrations provide essential economic and social services to their surrounding territory and create smaller functional regions. Policies to support these places as regional hubs could provide a useful complement to the city region approach, especially in those rural areas that lie outside a city region. While planning housing and economic development strategies are fundamentally linked issues it is the housing problem that has the most visibility. In part this reflects the influx of new rural residents

who compete for the existing stock of housing, but who are either commuters or are retired, and so have limited connections to the local labour market. While these people come to rural England because it is seen as a desirable place to live, ironically their arrival often has a deleterious effect on the community they move to.

Box 4.4. **Kentucky Entrepreneurial Coach Programme**

Active entrepreneurs are now seen as a crucial element in rural development. However few rural regions are able to sustain a significant level of entrepreneurship. While many regions provide support for small businesses in the form of funding and management and technical support for individuals who actually decide to start a new business, there has been little formal effort to support the initial decision to become an entrepreneur. Support is provided to those who self-select, but there are potentially many more individuals who have thought about becoming an entrepreneur, but who do not take that next step of actually starting a business.

Increasing the number of potential entrepreneurs is a useful strategy because it should increase the number of new businesses started and because it fosters a local environment where operating a small business is seen as a normal activity. The state of Kentucky has supported an Entrepreneurial Coaches Programme operated by the University of Kentucky for almost a decade. This programme was initially targeted on a region in the state where there had been a historic dependence on tobacco farming and limited interest in entrepreneurship. With the end of the tobacco programme most of the farmers in this region faced having to find another source of income. Some could shift to other crops, but many had farms that were too small to be economically viable with alternative agricultural products.

These farmers were seen as potential new entrepreneurs. But to become actual entrepreneurs they needed support, first in imagining a new career and then in taking a new business idea to a point that it had a reasonable probability of success. The University received financial support from the state to train entrepreneur coaches in all the counties in the region. The job of the coach is to provide advice and support to nascent entrepreneurs. Each coach was a local resident who had previously demonstrated engagement in community development. The coaches enrolled in a two year training programme in small business development. To reinforce the applied nature of the programme each participant was required to actually bring an individual from an initial idea to starting a business.

The programme is now training its third set of coaches and has received a number of national and regional awards for innovation in business development. Most importantly virtually all the coaches in the first two classes have been able to help multiple individuals start new businesses in their communities. While individually each business provides only a few jobs, collectively they make a useful contribution to the local economy and most importantly each new business demonstrates that it is possible for local people to start a successful new business venture.

Note: More information is available at: www.uky.edu/Ag/CLD/KECI/.

... Resolving the relative scarcity of social housing in rural England should be a priority

Resolving existing problems in the housing sector are central to keeping rural England a desirable and vibrant location. The UK government has thoroughly investigated all the dimensions of the rural housing problem. Unfortunately each of these assessments has both pointed out the necessity to improve housing markets and made clear the real challenges in finding a politically acceptable solution. There is a clear tension between the

desire of people to visit and live in an unspoiled pastoral environment and the obvious impossibility of this environment being maintained if large numbers of people actually try to do this. High housing prices slow the flow of people to the countryside, by only allowing the wealthy to purchase homes. But this leads to social exclusion and displaces long-time residents from their ancestral community. Restricting the supply of housing prevents the conversion of farmland, but need not improve farmers' incomes and wealth. Restricting the availability of rural housing enhances the viability of urban regeneration programmes, by strengthening the incentive to use often higher cost brownfield sites. A restricted housing supply provides opportunities for rural tourism based upon visual amenities, but it can preclude other economic options including manufacturing, a stronger retail sector and new types of active tourist attractions. It also contributes to the mismatch in local labour markets, because people are unable to move in to fill employment opportunities if there are no housing vacancies, and because people who have a residence but no job are unwilling to move away if they believe they will not find accommodation elsewhere. A rigid housing market also contributes to higher levels of commuting, which exacerbates emissions levels and makes it harder to achieve climate change targets.

A key challenge in the rural housing market is establishing an effective social housing policy. At one time there were large numbers of public housing units in rural England. Many of these were converted to private housing and this happened at the point in time when urban to rural migration accelerated. The result has contributed to the shortage of affordable housing. Moreover, given current fiscal constraints, no level of government appears to be prepared to directly fund major new investments in social housing to restore the earlier balance between the owner occupied and social housing stocks. Further contributing to the rural housing problem is a relative scarcity of private rental housing. Individuals with a home they could rent on an annual basis can typically make a better return by either selling it or by renting it in the seasonal holiday trade. Individuals wishing to build new units for rent face the same challenge in finding a parcel eligible for housing construction and getting planning approval as do developers building for resale.

Population projections for England suggest a larger rural population and a continuation of the trend toward smaller size households. This is effectively a forecast for increased demand for rural housing. If the demand curve for rural housing shifts out faster than supply the inevitable consequence is an increase in price. Higher prices will reduce effective demand, but there may be social preferences for an allocation of rural housing that is not driven primarily by the individual's ability to pay. Efforts should be made to show how England has the capacity to absorb more rural housing without compromising the nature of the countryside. While there is a popular belief that rural England is already overbuilt, this seems not to be the case. Indeed large parts of the rural countryside are effectively excluded from development, so the amount of land that is potentially buildable is much smaller than might be thought. New housing units could be added in rural communities in ways that do not detract from the existing *milieu*. And, in many ways it may be less disruptive to build a few housing units in many places than to build a large number of units in a few places. From a political perspective this results in the costs and benefits of new housing being broadly distributed, rather than concentrated on a few communities.

... consider including a broader set of objectives in the planning system

There has been a tendency for the planning system to see small rural communities as no longer being viable because their local economy has shrunk and their level of self-

supply is low. As a result there has been an unwillingness to allow new housing to be built, for fear it will soon be unused. This perspective ignores the fact that these small places are now part of a larger functional region, and it is the viability of that region which supports the individual communities. In essence a group of villages forms the same sort of cluster as a group of small enterprises. They can collectively mimic the function of a single large community. One community may have more employment opportunities than residents and others more housing than local jobs, but with close proximity workers can easily make the connection. While planning is vital in a complex society where there are competing demands for resources and potentially large externality impacts on the public, the structure of the planning process could be improved. Prescriptive planning approaches that set hard targets at a national level, such as, determining the number and regional distribution of new housing units, may be less appropriate than a more indicative planning system that provides incentives for local communities to determine individual housing targets. If these targets prove to be inappropriate it is possible to alter the incentives so that local targets are adjusted.

Box 4.5. Planning and rural small business: the Innov-8 story

At a Commission for Rural Communities meeting in York on 5 February 2009 the founder of Innov-8 discussed the difficulties he faced in initially getting planning permission to start his business in rural England and then the difficulties in expanding his business when it outgrew its initial building. Innov-8 was founded in 2003 to design, manufacture and distribute advanced off-road running and extreme sports products. This is a relatively small specialised and high value manufacturing enterprise that has an expanding demand.

Because of the nature of the product and owner's personal interest, a rural setting in the Pennines was selected as the location for the firm. The owner noted that opportunities for off-road running were important to him and his technical staff for business and personal reasons, and a remote rural area was ideal. However, approved sites for manufacturing enterprises were not readily available and it was difficult to gain approval for a site because the planning system assumed that manufacturing should be in larger centres, not small remote villages. While approval was eventually obtained the owner noted that it was a difficult process.

After several years the business became successful enough that a major expansion was needed. While the owner wished to remain at the initial site it proved impossible to gain planning approval for expansion, despite the possibility for increased local employment. As a result the firm relocated to a larger community in the region.

Innov-8 is the type of firm ideally suited to rural areas. While much of its manufacturing now takes place in China it offers both high paying and lower-wage employment opportunities. Moreover it is a business that has few negative environmental consequences, both because of its nature and because of the management practices. Consequently it would seem to be the type of business that should have been encouraged in rural England. Because small business location decisions are driven by the owners personal lifestyle interests as well as pure business needs, it is impossible for a planning system to establish fixed locations and be successful in capturing business. Flexibility in planning decisions could have helped make the Innov-8 start-up and expansion easier. While Innov-8 eventually started and expanded there are possibly other entrepreneurs that chose not to locate in rural areas or expand because of planning difficulties.

4.8. Expanding connectivity

The OECD countries are now part of a global network economy where those with high degrees of connectivity have a competitive advantage over those with fewer and weaker connections. While England has distinct advantages due to its small size, high population density, and relatively dense transportation systems, it is still true that many English rural areas, especially the sparse ones, are not full participants in modern society and the network economy. In a period where the UK government faces serious budget shortfalls it is more difficult to justify investments that may not appear to have an immediate payoff. However, if rural England is to be competitive in a global economy and to contribute fully to national wealth, it will require the full set of connectivity investments.

... More attention to improving connectivity would bring considerable benefits

The modern economy is increasingly being driven by dense networks for communication and the exchange of goods. The result of this is that successful places everywhere are connected to each other, and places that are not well connected are not successful. Networks within rural areas are inherently less dense than in urban places because there is a lower population density and fewer individuals and firms. However, rural areas rely on these networks both for internal linkages and for connection to the outside world. Because they are more limited there is less redundancy and any break in a rural network can have far greater consequences than a similar break in an urban place where duplicate connections exist. For rural areas to prosper they need stronger communication. Governments everywhere have recognised the importance of broadband Internet to rural areas, and in England there are ongoing efforts to finish connections for the last few rural places and to improve connection speeds across the country.

... Improvements to surface transport systems are vital for a better functioning economy

In particular the secondary road system in rural England can be a challenge, which increases the cost of connectivity and contributes to congestion. Growing populations and the higher incidence of commuting from urban to rural, rural to rural, and rural to urban places considerable strain on the existing network. While it might be better if people lived closer to their place of work, the decline of lifelong employment, the complexity of households with multiple workers, and the rigidities of the housing market virtually guarantee that commuting will continue to increase irrespective of climate change concerns. Better public transport is certainly a potential way to reduce the number of private vehicles but it will not reduce commuting and may increase it. In addition, a clear consequence of limited connectivity in rural areas is reduced choice. Where people are spatially constrained, they are restricted to local providers of goods and services. Typically there is only one provider of any given product or service and this conveys monopoly power and possibly lower standards of service. While the Internet and parcel delivery services have broadened choice in many ways, this is only effective for goods and services that do not require face to face contact.

... Efforts to improve rural broadband are a crucial way to improve connectivity

Better broadband connections in rural England offer the opportunity to improve connectivity and to achieve goals in enhanced service delivery and economic competitiveness. Broadband provides opportunities for cheap, quick and effective communication. It is the medium that underpins the vast majority of the ways that

modern society communicates, and weak broadband effectively limits how well people and firms can participate in the larger society and economy. But broadband offers more than just communication improvements. It can become the way that public services are provided – health care diagnostics and education, and the way that firms market their products – web sites and e-commerce. For rural areas where physical distance has been an impediment to productivity the benefits of broadband can be immense because of its distance defeating aspects.

The network economy has allowed new forms of business co-ordination to develop that could help some rural places in England. Improved communications and connectivity and global markets have resulted in firms developing extended supply chains that source materials from widely dispersed locations. This approach contrasts with “just in time” technology that emphasises geographic proximity, but for certain industries where components are small, high value and easily transported extended supply chains are a viable model. The approach works best for small volume, high value products where shipping costs are not a major factor. But for a firm to be able to participate in this type of supply chain it must have skilled labour, broadband Internet and access to good roads and international air freight connections.

Box 4.6. The national programme for broadband deployment in rural and isolated areas in Spain

Plan Avanza is Spain’s umbrella strategy for the advancement of the Information Society. The plan is overseen by the Ministry of Industry, Tourism and Trade (MITT) under the State Secretariat of Telecommunications and the Information Society (SSTIS). The Plan’s objectives are in line with the European Commission’s *i2010 strategy: A European information society of growth and employment*. Plan Avanza’s objectives include:

Digital Citizenship – policies to increase ICT competencies in the population and promote the use of digital services;

Digital Economy – promote the incorporation of ICTs in firms and business models;

Digital Public Services – the integration of ICTs in the production and delivery of public services across all areas of government; and

Digital Context – large scale projects to increase coverage (as well as improve accessibility, quality and speed) of mobile telephone networks, broadband Internet and digital terrestrial television.

Approximately 92.7% of Spain’s territory can be classified as rural and is home to 42% of the country’s population. Concerned about the growing digital gap between rural and urban areas (see Table) in Spain, a number of Plan Avanza initiatives targeted rural areas. One example is discussed below.

Digital Divide in sparsely populated areas of Spain

Population density	Percentage households with Internet access	Percentage households using a broadband connection	Percentage of individuals who access Internet on average, at least once a week
At least 500/km ²	58	52	56
100-499/km ²	50	43	47
Less than 100/km ²	38	31	38

Box 4.6. The national programme for broadband deployment in rural and isolated areas in Spain (cont.)

The PEBA Project

Implemented between 2005 and 2008 with a total budget of 90 million Euros (MiTT provided 18 million in zero interest loans and 8.4 million in grants to ERDF objective 1 regions), the National Broadband Extension Plan (PEBA) aimed to ensure broadband affordability in rural and isolated areas without distorting competition. Certain service requirements were mandated:

Minimum bandwidth: 256/128 Kbps.

Price caps: 39 EURO (one-off sign-up fee) plus 39 EURO (monthly fee) during the first 36 months.

Comparable technical characteristics to commercial broadband services.

Technology neutrality (any technology could in principle be deployed, although subject to the assessment of the Evaluation Committee).

Deployed infrastructures should be open to third parties for at least *three* years (e.g. DSL wholesale obligation on condition fixed by the telecoms regulator).

Deployment objectives were defined and a list of eligible population centres was included in the calls for proposals.

Only three Autonomous Communities did not participate and the technologies used were: ADSL (86.3%), WIMZX (5.1%), Satellite (8.4%) and HFC (.2%). To monitor the implementation and roll out, an evaluation committee was established comprised of the SSTIS, Autonomous Communities, local government and operators.

Over 8 million people gained broadband coverage through the PEBA project. And currently operators are offering download speeds of around 3 Mbps (for DSL technology) in line with commercial offers well above the initial 256 Kbps requirement. PEBA will be continues under Plan Avanza 2 an infrastructure subprogramme that is focussed on providing the remaining uncovered rural areas with broadband.

Sources: OECD (2009), *Information Society Strategies: From Design to Implementation: the Case of Spain's Plan Avanza*, OECD Publishing, Paris and EuroStat (2008), *Information Society Database*.

... There should be greater reliance on Public-Private Partnerships networks

There is a growing use of Public-Private Partnerships (PPP) as a mechanism for enhancing rural development. Partnerships involve collaboration between government agencies and either firms or non-profit organisations. While it is possible to have a PPP that involves only two partners, the complexity of rural problems and the necessity for actions by multiple parties to address the needs of rural places leads to complex partnerships. These partnerships are a network of themselves, but can only be created if strong communication networks exist within the region to allow connectivity. Other countries have relied upon PPPs as a way to foster locally based rural development. The advantage is that the process is owned by the participants and reflects their values, so it is likely to persist even without external government support. For England a renewed emphasis on PPPs would be a way to consolidate the resources of very small communities into an organisational structure that had critical mass and long term viability. It would also provide a way to continue to support development efforts in a period when national government funding is less generous.

... Find ways to link small settlements to improve their viability

An important dimension of this task is to find ways to better connect the large number of very small rural places that are individually too small to be able to approach self-sufficiency. In the past the planning system has seen these places as not viable and tried to restrict additional investments. However, an alternative approach is to see these places as part of a larger network or system. While each small village may have a distinct boundary and be some distance from the next settlement, the actual distances are not large and it is possible to see clusters of small places as jointly achieving minimum scale.

... improve the flow of communication between government and the rural population

A final important aspect of connectivity refers to the connections between government and its citizens. In rural areas there is a single important advantage that comes from rural citizens being much closer to their local government than is typically the case in highly urbanised environments. However, rural residents are often less well connected to higher levels of government, including district and county councils and the national government. As the population served by a level of government increases it becomes less likely to respond to small groups and individuals and more likely to focus on larger interest groups and national political agendas. In this environment a small community can easily become lost, especially when it lacks any meaningful knowledge of the rules of engagement with the government. Contributing to the problem of connecting citizens to government is the tendency of the UK government to engage in a process of continuous change. Policies, programmes and departments are all subject to “refreshment” that is supposed to keep them up to date, but inevitably leaves the average rural citizen confused as to who should be approached and what they can be asked for. Given the inevitable policy flux, it is even more important that citizens be confident that they are receiving timely information from the national and regional governments on recent changes. And, it is important that citizens believe that they have an effective mechanism, or mechanisms, for communicating the consequences of change back to policy makers.

4.9. Summary

In recent years rural England has largely benefitted from active public policy that has created jobs and provided benefits for the rural population. Consequently socio-economic conditions in rural England are generally better than in urban England. However, the trade-off has been a high degree of regulation. But now, with a greatly constrained budget, there will be less public money spent in rural England. While it is clear that new public policies will develop for rural England, the nature of those policies is not yet clear. This chapter provides five broad suggestions for consideration that are designed to further facilitate a transition towards a more investment oriented set of policies that will allow the private sector to play a stronger role in employment and in providing goods and services in rural England.

More effective governance structures can both set a framework for private sector decisions and continue to provide important public goods directly. The process of devolution must continue if rural places and people are to be able to play a lead role in shaping their future. Mainstreaming provides an important and powerful approach for the delivery of government services, but to be more effective, both mainstreaming and rural proofing will need further tuning to improve their uptake by all government departments. England has moved a long way in devolving responsibility for policy implementation away

from Whitehall, but has not moved nearly as far in terms of granting policy design and funding flexibility. Local governments remain constrained in terms of targets and are highly dependent upon grants and other conditional transfers for funding. Finally the number of rural policies and agents is distressingly large, and there appears to be considerable duplication in function. All of this leads to confusion, both within the government and in the rural populace about what rural policy is, and who carries it out.

The introduction of Regional Cities as a spatial organisation and management tool is an important innovation. Regional Cities are true functional regions and they allow the alignment of administrative capacity with local markets. Because of the high degree of rural integration with urban centres in peri-urban England there are great synergies in labour markets, housing markets, and markets for goods and services that can be tapped through the Regional City approach. But to be fully effective two important issues must be addressed. The first is to ensure that the rural portions of territory in each Regional City are full partners in the arrangement. The second is the necessity to find an alternate policy framework for the more sparsely settled rural areas that are remote from core cities and not part of any City Region.

The service sector is the largest part of the economy in OECD countries, and access to quality services is both a precondition for a good quality of life and a key contributor to economic growth. Mainstreaming is the mechanism for the public delivery of services in rural England, but there are also other important service providers. More attention should be paid to private and “third sector” options for service delivery. In rural England the main factor separating those with good access to services from those without is access to transportation. In particular, those without a car in rural areas are at a disadvantage, because of limited public transport. Expanding public transport is an option, but so too is identifying innovative ways to bring services to rural people. This is especially important in sparse rural areas where it is not possible to commute to an urban area to access public or private services.

With a diminished role to be played by government it will be important to strengthen market forces in the rural economy. While there is already evidence of a strong entrepreneurial culture in rural England it is presently hampered by a number of factors. In particular there must be a stronger effort to connect land use planning policy, housing policy and economic development policy as they affect rural England. Where the greatest need for this connection exists is at the local level in terms of decisions about specific land uses. At the national level there already seems to be a degree of coherence among the three policy sets, but at the local level it appears common to see more conflict than coherence. A crucial, but challenging, task will be to reshape the cultural stereotype of rural England captured in the rural idyll, to something that accepts that a far broader range of economic functions can be performed in rural England than those associated with pastoral landscapes.

A large part of the disadvantage found in rural England is associated with lack of connectivity. This manifests itself as: a lack of transport, weak broadband availability, long commutes to school and work, and more expensive goods and services because of high transport costs and limited competition. Modern economies are increasingly driven by dense networks that allow physical and electronic connections. The low population density of rural areas makes networks harder to establish and fewer in number. But relative to other OECD countries rural England has a great advantage, because its rural areas are far

more compact than is usually the case. But once again, the popular perception of rural as bucolic and traditional impedes needed improvements in road, rail and power grids and in telecommunications. Because so many settlements in rural England are very small, less than 300 people, it is crucial that ways to improve connectivity among these places is vital if they are to survive as viable places for people to live.

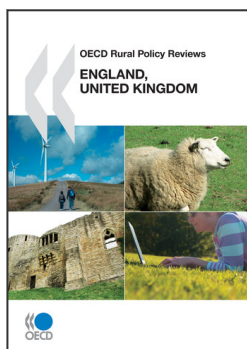
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