

National Assembly for Wales

**Dynamic Smaller Towns  
Identification of Critical Success Factors**

**Final Report**

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# **Dynamic Smaller Towns: Identification of Critical Success Factors**

## **EXECUTIVE SUMMARY**

### **Objectives**

1. This is the final report of the National Assembly for Wales (NAW) research project on Dynamic Smaller Towns: Identification of Critical Success Factors. The objectives of the project were

to identify those factors that have played a causal role in the success of prospering smaller towns and helped to spread economic opportunities to their surrounding communities; and to assess the scope for policies to replicate that success elsewhere (Project Specification, para 2.1).

2. The critical role played by smaller towns in the Wales' economy and society is recognised in numerous policy statements. Actions for small towns figure prominently in, for example, the Rural Development Plan for Wales (2001) and the National Economic Development Strategy (2001). Policies emphasise the need to foster a more balanced distribution of prosperity; diversification of the economy; raising the capacity of local communities, improving labour supply and retaining skilled and young workers in the rural economy.

### **Previous research**

3. There has been much less research on the performance of small towns than cities and regions. Previous studies have shown that reasons for success are multi-faceted and it is difficult to generalise. Much depends on the particular and complex circumstances of each town. Traditional economic assets such as the existing economic structure and labour supply are dominant in most previous research findings although recent studies have tended to emphasise more intangible factors such as the capacity of institutions and community organisation to make the best of the town's assets.

4. A categorisation of success factors or assets was developed based on the review of previous research. It has four main categories:

- traditional economic assets;
- the characteristics of existing employers;
- social cultural assets such as the labour supply and cultural assets;
- and the institutional and public service infrastructure.

### **Research method**

5. A population of towns was created excluding the older industrial areas of Wales in the south and north-east where there is undue influence of large urban centres. Areas in England with the same characteristics as the more rural parts of Wales were also included in the study to give more depth to the analysis and provide data on the comparative performance of Welsh towns. The selected areas were divided into spatial units representing small towns, their surrounding 'residual rural areas and parts of larger urban areas (which were excluded from the analysis). This resulted in town boundaries for statistical analysis which were larger than the built up area. All towns were included in the analysis with populations between 1,000 and 30,000 which gave a population of 371 small towns and 60 residual rural areas.

6. The research method involved an analysis of more than 220 data measures from secondary sources representing the assets for the population of small towns. Factor and

multi-variate analysis was used to reduce the data and explore associations among factors and outcomes. In-depth studies of a sample of 24 towns were conducted using documentary evidence, face to face meetings, field visits and a questionnaire to employers.

7. The case studies examined the wide range of understandings of success from the point of actors involved in the towns. For the secondary data analysis 'success' was defined in relation to three 'output measures':

- employment change in sectors outside agriculture 1995-2000
- the change in the number of dwellings 1991-2000 (which was used as a proxy for population in the absence of population data at the appropriate scale); and
- changes in unemployment levels 1996-2002 (a proxy measure for prosperity).

### **Definition of success**

8. The definition of success by local actors was very broad, with emphasis on the quality of the physical fabric of the town, traffic management and surrounding natural environment; the vitality of the town as a market for its hinterland; and maintenance of a distinctive character and Welsh identity. Local understanding of success was generally more positive than the comparative statistics would sometime indicate.

### **Differences in performance and prosperity**

9. The overall performance of small towns has been generally positive. Housing growth in small towns is above the national average, and net employment growth is about average, but both vary greatly from town to town. Housing growth ranged from 28% down to 2.5%; net employment from 42% down to a loss of 11%. The absolute numbers may be quite small for many towns and change to one employer can have a big impact. Small towns in Wales on average have the lowest housing growth rate of the regions studied, and do less well on employment. But many towns in Wales perform better than similar English towns.

10. Most jobs have been created in public services, construction and distribution, but the differential employment performance of towns is not generally linked to particular sectors. Towns at both the bottom and top of the range experience gains and/or losses across the board.

11. Small towns generally have lower unemployment than national averages. All have shown falls since 1996 and many reported almost full employment although concerns remain about the 'quality' and wage rates of jobs created. Towns with the lowest unemployment at the beginning of the period experienced the largest falls

### **The performance and prosperity of surrounding rural areas in comparison to small towns**

12. Housing growth in rural residual areas is small in absolute terms and lower proportionately to that in small towns (19% to 2%). Housing growth is concentrated in the towns. Employment growth in rural areas is high in absolute terms (72,000 jobs compared with 80,000 jobs in towns for the whole population) and is greater proportionately to growth in towns (23% compared with 9%). The definition of the town and its surrounding rural area is critical here. Some of the growth attributed to rural areas will be on the fringe of small towns. Nevertheless, there is clearly a dispersal of job growth from small towns to their surrounding rural areas. Excluding agricultural employment there are no large differences between employment structures in towns and the surrounding rural areas.

13. Residual rural areas have greater prosperity in terms of lower unemployment rates and have experienced greater falls, down to only 1.7% in 2002. Higher falls are experienced where the rate was lowest at the start of the period.

## **The factors that play a role in the success of small towns**

14. There is a relationship between the performance of a town in terms of housing, jobs and unemployment and the performance of its surrounding rural area, and vice versa. Where there is growth in housing and jobs it takes place both in the town and surrounding countryside. The location of the town in national terms does not appear to be an important factor either in terms of distance from the south east or the type of region (coastal or accessible rural) (given that the areas close to metropolitan centres are excluded from the study). However, towns that have high levels of workers who commute relatively large distances, high in-migration and a more highly qualified workforce do better, which reflects dispersal from large cities.

15. The economic base of small towns and rural areas explains why their performance in creating jobs is different to large urban areas, but it does not explain differential performance among them. Small towns are generally disadvantaged because of poor growth in the most dynamic sectors nationally. Two sectors, 'distribution hotels and restaurants' and banking, finance and insurance have failed to grow in small towns at the national rate. One aspect of economic base does explain differences in housing growth – higher employment in utilities (which includes mining and quarrying) is linked to slower housing growth. Relatively high levels of employment in distribution helps to explain higher falls in unemployment. Growth in housing (population) creates demands for retail and other local services. Many of these jobs are part-time, poorly paid and for women and thus are more likely to be taken by local people.

16. Success factors for small towns are primarily (although these are by no means uniform across all cases):

- the qualities of labour supply;
- the physical quality of the town and its rural area, and local accessibility to the town from its hinterland;
- the availability of suitable land for housing and employment (although much change in employment takes place without new development); and
- an entrepreneurial business culture with some anecdotal evidence that this is linked to in-migration.

17. The labour supply characteristics of towns enjoying growth might be described as 'middle market'. Such towns have a relatively affluent population but are not in the most desirable locations or have the most expensive housing where there is more likelihood of resistance to growth. In terms of reducing unemployment three types of town seem to have done well:

- commuter towns with more highly qualified residents;
- prosperous towns, that already have low unemployment and high economic activity; and
- military towns with high rates of housing turnover and high employment in the armed services.

18. The findings do not support conclusions of other studies about the significance of local institutions. Partnership working appears to be better developed where there are local problems and such working is required by policy makers and funding bodies. This does not mean that it does not help, but that it does not explain the pattern of success identified.

## **Spreading prosperity from small towns to their surrounding rural areas**

19. The assumption in much rural policy and research is that small towns are the drivers of prosperity in rural areas. Towns lead in job creation; growth of jobs has a direct impact on unemployment in the town and its surrounding rural area and thus raises local incomes and

prosperity. None of these propositions is supported by the evidence of this research. Job creation has been more rapid in the countryside. Job creation in towns does not have a strong impact on local town unemployment rates. Much small town job creation has been 'low wage'. Success in small towns is more closely linked to national factors and conditions in much wider labour markets.

### **Policy implications: the changing characteristics of towns and rural areas**

20. Much policy focuses on the role of towns as the economic driver. Towns are increasingly the focus of housing development whilst employment growth is becoming more dispersed into the countryside. There is a need to review the changing role of the town and countryside, especially in relation to the difficulty of directing employment growth. Towns and their residual rural areas are strongly connected economically and the distinction between town and country is becoming much less important. The findings suggest more emphasis on the interconnections and networks among towns and rural areas. The emphasis in policy on capacity building might address this issue.

21. The findings show how difficult it will be to effectively tackle disparities. Prospering small towns tend to prosper. Prosperous small towns sit in prosperous rural areas. It is difficult to break the cycle of 'path dependency'. Also, rural areas generally are tending to generate low-wage jobs. Housing markets play an important role in these tendencies. Prosperous migrants seek out accessible locations with high quality environment and housing. Poorer households may be channelled to or trapped in particular locations that have higher levels of social housing and which are less likely to be prospering. This suggests more attention to housing markets and planning policies for housing in addressing questions of economic disparities.

22. There is a link between housing (and population) growth, and employment through the increased demand for local services. In-migration can generate jobs directly and may indirectly influence job creation through higher skill levels and more entrepreneurial activity; although it may also raise questions about the maintenance of local identity. Actions that may help in the medium term to attract and retain population are improvements to the physical attractiveness and local accessibility of towns through urban renewal, traffic management and improving the retail offer, and addressing housing supply through land availability and measures to develop affordable housing.

## **1. INTRODUCTION**

### **The objectives of the research**

1.1. This report summarises findings of the National Assembly for Wales (NAW) research project on Dynamic Smaller Towns. The objectives of the project were

to identify those factors that have played a causal role in the success of prospering smaller towns and helped to spread economic opportunities to their surrounding communities; and to assess the scope for policies to replicate that success elsewhere (Project Specification, para 2.1).

### **The approach**

1.2. The research has been conducted through a study of small towns and their surrounding rural areas in Wales and England, The inclusion of cases in England provided a broader comparative basis for the analysis of towns and rural areas in Wales. The research involved

- a literature review of previous research findings;
- the selection of a population and samples of small towns;
- an analysis of secondary data for the full population of small towns and rural areas;
- comparative analysis of secondary data for the samples of towns and rural areas; and
- in-depth case study investigations of the samples of small towns.

### **The policy context**

1.3. The important role of smaller towns in the economic and social development of Wales has been noted in numerous policy statements and strategies. The strategies demonstrate understanding of the Assembly's view of critical issues for small towns and rural areas. Table 1.1 illustrates the general themes of the main policy documents:

- The Plan for Wales (2001)
- Rural Development Plan for Wales 2000-06 (2000)
- The National Economic Development Strategy: A Winning Wales (2001)
- The Strategic Agenda for the Welsh Assembly Government: A Better Country (2003)
- The National Spatial Plan: People, Places and Futures (2003).

1.4. The indications of policy areas covered by the strategies should not be taken too literally. These are substantial documents and only the main themes are noted in the table. The objectives of the strategies vary with, for example, the Rural Development Plan including more detailed measures for implementation, whilst the Plan for Wales giving more general directions for policy. Nevertheless, this review illustrates the current breadth of concern for rural areas in Wales and particularly the potential role of small towns.

1.5. Underlying rural strategy is the recognition that Wales needs to improve its economic performance and bring it up to levels of similar regions in the UK if it is to achieve its strategic objectives. Rural areas will play an important part in this. Chapters 4 and 5 of this report give an overview of the comparative performance of small towns and rural areas in Wales and some suggested explanations for their varied performance.



Table 1.1 General indication of policy themes for small towns and rural areas

	Plan for Wales 2001	Nat. Econ. Dev. Strategy	A Better Country (2003)	National Spatial Plan	Rural Development Plan
Traditional econ assets	Accessibility - transport /other infrastructure including broadband access				
	Diversify economic base/new employment opportunities				
	Environmental quality and improvements				
Characteristics of employers	Entrepreneurship				
	Improve support to business				
	Assist farming with structural change and diversification				
	Promote new business opportunities / SMEs				
	Promoting public sector employment				
	Exploit indigenous potential *				
	Enhance R&D, innovation and knowledge economy				
Socio-cultural	Develop skills and training suitable for rural settings				
	Assist (primarily young) people to stay or return to Wales				
Institutional and public service infrastructure	Providing affordable housing				
	Promote community regeneration and capacity building				
	Strengthening of interaction of towns and rural areas				
	Key settlements for service provision				
	Identify and exploit networks and linkages				
	More balanced development				

\* Indigenous potential refers to agriculture and forest products, renewable energy, Irish links, cultural and environmental assets, tourism; and an emphasis on knowledge economy.

1.6. There are perhaps five general themes of particular relevance to rural areas that are common across all the strategies, and which are laid out most clearly in the 2001 Plan for Wales:

- the need to address disparities in economic performance and social cohesion across Wales and create a better balanced distribution of economic growth;
- a concern to diversify the economy and employment which is linked to assisting agriculture with structural change but the decline of particular industrial sectors;
- improving institutional arrangements, particularly the need for capacity building within local communities, the development of partnership approaches, and to improve economic performance whilst cultivating Welsh culture;
- improving the quality of labour supply through developing skills, closely linked to the desire to improve the quality of job opportunities and the need to retain and regain skilled workers and young people.

1.7. The strategies cover a very wide range of types of action to for rural development. This reflects the multifaceted nature of the rural regeneration problem and the priorities of different interests. But it also reflects the diversity of circumstances and experiences of economic success across different parts of Wales. Even in a small country it is difficult to generalise about all problems and certainly about solutions. Table 1.1 is loosely based on a categorisation of assets that may contribute to small town success which is introduced at the end of Chapter 2. The qualities of small towns and their potential to play a leading role in economic regeneration of rural areas are widely recognised. For example, the National Economic Development Strategy: A Winning Wales (2001) 'recognises the importance which rural towns and villages play in rural regeneration' (p. 8). It emphasises the importance of capacity building in local communities so that the issues can be addressed at the local level. It also recognises the need to understand the interactions among small towns and their surrounding rural areas and how prosperity can be more widely spread from successful places. (This report is directly linked to this commitment in the Strategy.) The Rural Development Plan sets a similar objective to improve the economic performance of small towns and ensure that the benefits are spread throughout rural areas, especially in the context of continuing decline in agricultural employment.

1.8. The role of small towns also features prominently in the draft National Spatial Plan, particularly in terms of the challenge to deliver a full range of services in rural areas, and arresting the out-migration of young people. On these and other factors, the Spatial Plan (following earlier work) draws attention to the wide range of performance in social and economic change among towns in different parts of Wales. In recognition of this diversity of experiences, the draft Plan advocates different policy options for small towns in three large rural zones. Of particular interest in the draft Spatial Plan is the idea (a reworking of an old theme) of identifying and strengthening particular settlements, as regional towns or local service centres 'where service provision can be optimised', as focal points for employment and housing, or to focus public investment. Like the Economic Development Strategy it sees connections among towns and rural areas as very important and recommends identification of potential 'networks and linkages to increase the range of social and economic opportunities', connecting and integrating areas of deprivation with successful areas; and strengthening town and countryside linkages.

1.9. This brief review of the policy context shows that there is considerable agreement about the importance of smaller towns in the economic and social development of rural areas. There are also many ideas about the goals that need to be pursued, particularly the need for more balanced development and delivery of services across rural areas; diversification of the economy especially into growth areas; improving institutional capacity and entrepreneurship; retaining young and skilled people; tackling infrastructure constraints; and strengthening links between towns and their rural hinterlands. This interpretation of the

problems and potential of small towns is not unique to Wales of course. Similar policies are to be found elsewhere in the UK and in other European countries. EU policy generally follows a similar argument calling for more balanced spatial development across and between regions; ensuring more parity of access to services and infrastructure; understanding and improving urban-rural relationships; diversification of the rural economy; the promotion of economic development linked to environmental improvements; and the fostering of co-operative networks among towns and regions.

1.10. The remainder of this report seeks to contribute to strengthening the evidence base for these policy themes. At the end of the report there is a short reflection on the policy implications of the findings.

## **2. SUCCESS FACTORS: A LITERATURE REVIEW**

### **Introduction**

2.1. The literature review was based on a thorough search of published articles and research reports on the subjects of economic development of regions, cities and towns; sectoral economic development trends; the meaning of success for small towns; and the factors that potentially contribute to their success. The review has included research in countries other than the UK where it was relevant. It is evident that much more attention has been paid in research to the performance of regions and cities than to small towns. This is a concise summary of the relevant findings and not a full review and critique. There are five sections:

- an explanation of the approach to defining small towns;
- the performance of small towns and local definitions of success;
- success factors: tangible and intangible;
- methods of applying the factors in measuring success;
- conclusions for the empirical work.

### **Defining smaller towns**

2.2. The starting point for this project is the approach previously adopted for use in research and policy documents in the UK. The literature suggests that three criteria help in defining small towns: the extent of its size of population, extent of urbanised area, and the extent to which it acts as a service centre and employment centre for its surrounding hinterland. In previous research in England, the population size for smaller towns has generally been given as between 2,000 and 30,000 inhabitants. (The size taken by the Countryside Agency for market towns, which is a slightly different concept, extends to only 20,000). Urban areas were identified in England at the 1991 Census by the extent of their urbanised area (characterised by land uses which are irreversibly urban in character, extending to 20 hectares of continuous urban land) and a minimum population size of 1,000 persons. The criterion of a significant rural service and employment function was used in recent research for the Countryside Agency in the North-West of England (Countryside Agency, 2001). However, this can be difficult to identify in the absence of nationally available information distinguishing service centres and for demarcating the catchment areas of such towns (Shepherd and Frost 2002).

2.3. This project has adopted the previous practice of considering towns up to 30,000 population which serve a service and employment function for a surrounding rural area. In applying this approach to Wales we have recognised that because of its relatively sparse population, very small towns in population terms do act as service and employment centres. It is appropriate therefore, to bring the lower population threshold down in general to 1,000.

### **The performance of small towns in rural areas**

2.4. The success of market towns, and other places, is conventionally measured in terms of the performance of the local economy emphasising relative performance, income, employment and standard of living (Begg, 1999, Malecki, 2002). However, other dimensions of success are important to the way that inhabitants and visitors experience the place and may be important for its longer term potential for success. The success of a place is thus defined by the health of the economy, but also by the health (in its widest sense) of local society (Countryside Agency, 2002). The following discussion covers a range of tangible and intangible measures.

2.5. General regional spatial development trends are important in the success of small towns, particularly the increasing concentration of production and consumption in large metropolitan urban regions (Veltz 2000). Since the 1980s Dematteis (2000) argues that this growth has taken the form of 'decentralised concentration' in which the growth of population and the location of activities is geographically selective within these regions and tends to be distributed in some peri-urban settlements around conurbations or in corridors between them. The trends towards centralisation of services and location of growth on the fringe of large cities are important too. The regional location of a town is therefore critical. In general terms, small towns outside the growth 'regions' and even some within them are not competing effectively with other larger urban areas. In tackling competition more attention is now paid to knowledge and high level skills rather than primary production (KPMG, 2000). These difficulties are not unique to the UK, but are shared by towns in other parts of the world including northern Europe, Australia and North America. Empirical work on the nature of the problems faced by small towns reveals a number of common trends. They provide the context and pointers for consideration of the factors that were examined in this study.

#### *Population and employment changes*

2.6. There is sometimes a perception of rural decline but rural populations are growing. Between 1981 and 1991, for example, the population of metropolitan Britain grew by 0.4% but the free-standing small towns and rural regions increased their total residents by 6.0% (Murdoch 1998). This pattern of counter-urbanisation has been evident since the 1960s, and is characterised by a relationship in which smaller settlements grow the fastest (in population terms). Migration moves down the urban hierarchy from larger to smaller settlements (Champion 2000). Growth in the rural population can benefit rural areas in terms of potential job growth, but there may be accompanying problems related to the supply of affordable housing (Countryside Agency, 2000).

2.7. Planning policy in Britain has, since the war, sought to control and manage the migration of the urban population into rural areas in the broader public interest<sup>1</sup>. These efforts have been given particular salience in recent times, in light of the debate over the number of households expected to form from the mid 1990s until 2016. The consequent scares over the amount of greenfield land that would need to be used for housing has prompted concern and a new call for the promotion of city living. The urban renaissance (Urban Task Force 1999) is thus a call to retain population in England's conurbations and major urban areas and to increase the proportion of new housing supply from urban areas.

2.8. Research by Turok and Edge (1999) on patterns of economic change across Britain in the 1980s and 1990s shows that employment has been growing in towns and rural areas whilst it has been declining in the conurbations and free-standing cities over 250,000 population<sup>2</sup>. This appears to be a result of a slower decline of manufacturing employment, and faster growth of service employment outside the cities. The growth of the banking, finance and insurance sector, other services, distribution, hotels and catering, and transport and communications) has been particularly marked outside the cities and has accelerated in the last 20 years compared with the previous period. The differences in the growth of public services has been less marked with towns and rural areas nevertheless growing somewhat faster than the national average. When considering these general trends it is important to remember that the effects are uneven from place to place. In the 1980s, for example, Dunford (1995) shows that whilst all travel to work areas (TTWAs) outside the cities were growing, the most striking growth was in a series of TTWAs in an arc that stretched around Greater London. Elsewhere absolute levels of growth were much smaller than in this

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<sup>1</sup> Urban-rural migration is seen by some as intrinsically unsustainable, contributing to increased car commuting, the loss of open land and the suburbanisation of the countryside.

<sup>2</sup> Although their work does not take account of more recent changes to the rural economy as a result of foot and mouth disease in 2001.

'Greater South East' region and this is consistent with the 'decentralised concentration' model of urban growth suggested above.

### *Services & Retail*

2.9. Traditional central place theory (Christaller, 1966) suggests that the size and spacing of settlements is a function of the demand for services from the hinterland of the town. The theory suggests that there will be a hierarchy of settlements, with each town at the same level providing broadly the same level of goods and services to the population of the town and its hinterland. This ideal view of service distribution is of course uneven in practice and it is changing over time. Hall et al (2001) have shown that over the last century there has been a shift in the provision of services from north to south, from the coast to inland and to the most important centres at the expense of smaller centres. Small towns have generally disbenefitted from these trends.

2.10. Nevertheless, retail continues to be a very important element of a market town's economy and service provision (Countryside Agency, 2002), although there are widespread concerns about the further spatial concentration of services. For example, the rationalisation and contraction of bank and post office networks has resulted in the closure of many outlying (usually rural) branches. The effects of this have been most marked in the smaller settlements. In retail provision, Hillier Parker (1998) have documented the strong drift of the 'centre of gravity' of towns following new large capacity outlets opening on the edge of towns or outside towns. While the development of new supermarkets is driven by the increasing mobility and expectations of rural residents (Powe and Shaw 2002), concern about their impact has inspired much local concern and opposition. The loss of services in rural areas, and the damage to the viability of high streets are very contentious political issues.

2.11. This effect is reinforced by changes to the retail hierarchy. Work by Hall et al. (2001) and Schiller (1994) has shown that there is a widening gap between the top 200 retailing centres and other centres principally through changes in non-food retailing (comparison shopping). The result is a concentration of retailing service provision at higher levels of the retail hierarchy, and the loss of provision in the smaller centres. In some places, such changes are seen to have contributed to the increased visibility of vacant shops and/or charity shops and concerns about lack of choice in town centres (Powe & Shaw 2002).

### *Changing Economic Structure*

2.12. The current process of transition from a resource-based to a knowledge-based economy is a fundamental change and challenge across advanced societies. Many small towns, especially in more peripheral regions are at a disadvantage when compared to centrally located towns. They tend to have levels of unemployment above the national average; they are faced with declining industries and/or agricultural sectors; and many of their young and skilled men and women leave. . More importantly, such towns do not seem to participate in the knowledge economy to the same extent as larger towns. This is particularly the case, argue Cooke et al. (2002), in the deprived parts of outer Britain, such as Merthyr Tydfil and Anglesey, which score at levels of 0.48 and 0.41 respectively in 'knowledge intensity' – well below the UK index number 1.0. Much of the policy debate on telecommunication technologies and globalisation has revolved around shifting economic activity away from traditional industries into knowledge-based economic activities that can offer both high wages and high levels of employment.

2.13. Arguably, the Internet and related advances in information and communication technology (ICT) are transforming economic activity in the same way that the railways and electricity did in the past. The Internet in particular is providing firms with new means of conducting business and exchanging and communicating information and knowledge. More importantly, the information highway may create opportunities for businesses to function more effectively in rural areas. For example, a recent survey carried out by the Royal Mail identified that towns in the south east of England are creating successful businesses by

taking advantage of new technology (Royal Mail 2002). Obviously, ICT infrastructure is an essential requirement if market towns are to remain competitive in the future and overcome the restrictions of geography (Countryside Agency, 2002).

### *Changing Housing Markets*

2.14. The growth of the rural population (discussed above) has been accompanied by changes in the housing market which have been a cause for concern. The demand for owner-occupied housing in rural areas is high and in a situation in which the supply of new housing is often constrained, prices have risen. House prices are generally higher in rural wards than in non-rural wards. This difference is considerably greater once Greater London is taken out of the calculations. Demand for rural housing comes from a number of sources as well as local populations: those working in nearby urban areas, those retiring, and those acquiring second homes. However, patterns of in-migration and second-home ownership are highly variable, with greatest pressure in coastal areas, national parks (Mace et al, 2002) and locations close to major centres of employment (KPMG, 2000).

2.15. The demand for rural housing creates problems of affordability for those on low and moderate incomes in rural areas (Bramley and Smart 1995). More recent work (Mace et al, 2002) has questioned the generality of the affordability crisis in rural areas, at least as portrayed in the media, pointing out that the lack of affordable housing in a particular settlement may co-exist with available housing in a neighbouring settlement. Thus the geographical scale at which the problem is addressed can be significant. The lack of affordable housing in rural areas is exacerbated by the generally low and declining availability of subsidised social rented housing in rural areas. Council housing has always been less common in rural than urban areas. Losses of this stock brought about by sales of properties under the Right to Buy legislation have been high (Lambert et al 1992). Turnover in the remaining rural social housing also tends to be low so that together these trends mean that few properties become available for letting in rural areas. Low levels of new social housing provision by registered social landlords (RSLs) in rural areas contribute to the problem. The affordability of rural property is also influenced by local incomes. Mace et al. (2002) show that in Wales, local buyers are better placed to afford homes than those living elsewhere in the UK, where the differential between average house prices and average incomes is greater.

2.16. The literature on rural housing makes little distinction of the situation in small towns versus villages and the open countryside. There is some suggestion that problems of affordability are more likely to be recognised in small towns than in the surrounding countryside and that the systems for delivering social housing work against its provision in the countryside. Planning authorities may also generally aim to concentrate development in larger settlements for reasons connected with the promotion of sustainable development (Tetlow et al 1996).

### **Local perceptions of success and problems**

2.17. The general policy context has been discussed in the Introduction to this report. Numerous special initiatives have been created over many years to address the trends noted above that reflect understanding about the problems of small towns and what policy makers think success means. In 1996, the Welsh Development Agency launched a three-year market towns initiative to encourage and enable communities to regenerate their towns (Tavistock Institute, undated)<sup>3</sup>. In England the Countryside Agency also developed a market towns initiative, recognising the fundamental changes in the context for functions for market towns and the need to define a new role for them in rural areas. It has argued that all market

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<sup>3</sup> The Welsh Market Town initiative involved 10 towns between 1996 and 1999. In England, the Countryside Agency's market towns initiative has a target of 150 towns, and began in 2001.

towns can be ‘*rejuvenated and healthy ... (with) benefits for residents and visitors alike.*’ (Countryside Agency 2002). The market towns initiatives see successful small towns playing the role of comprehensive local service centres including retail, education and employment, hubs and gateways for transport and tourism, focal points for processing local products and a focus for new housing and jobs. The creation of partnerships and local capacity building is also thought to be critical to effective action. analysis.

Table 2.1 The health check agenda for the Countryside Agency (England)

Areas of potential concern	Key issues arising from a review of Welsh market towns initiative & 24 health checks in England
Environment	
Character and vitality of the town	need for physical enhancement
The countryside	
Links between town and country	
Economy	unemployment levels
Employment	retail performance and vitality of the town
Retail and town centre services	employment diversification
Training and education	local vocational training and needs
Commercial and industrial property needs	maximising tourism potential
Tourism and visitor services	*protecting as well as sustaining ways of life
Business support	*business rates
	*capital
Social and community	
Population	
Housing	access to recreational facilities
Health and public safety	provision of cultural and heritage facilities
Local government and community organisations	*new ways of marketing places
Sport, leisure and open space	
Culture and heritage	
Transport and accessibility	connectivity to surrounding settlements by public transport
Ease of travel to and from local areas	
Ease of access to services	traffic congestion and management
Ease of movement around the town	*new infrastructure
Note: * issues mentioned only in the Welsh study	
Source: Shorten and Bell (2002)	

2.18. The market towns initiatives have led to many ‘health checks’ involving communities in evaluating a wide range of issues that affect the quality of life in towns, and which provide a basis for the town’s development strategy. Where available these audits have provided useful input to the case study work reported later. Table 2.1 shows the main issues arising from 24 of the first health checks to be completed together with a similar review of



experience in 10 Welsh towns. (Tavistock Institute, undated). The analysis from Shorten and Bell (2002) shows that the key area of concern, or at least the one most widely identified by the local partnerships, is the state of the local economy. Shorten and Bell (2002) argue that issues identified above are a reflection not just of the seriousness of the problems themselves but the perceived ease with which it is thought the problems could be addressed, and local perceptions rather than factual accounts.

### **Critical success factors**

2.19. This section presents a summary of findings from previous research on the principal success factors that may play a part in the performance of small towns. Over recent years the examination of success has broadened from traditional economic assets to also include other non-economic and less tangible factors. Much less research has been conducted on small towns than cities and regions. Whilst the same general theories of performance of regions and cities may be used as a starting point, this needs to be done with consideration of the very different conditions in rural areas.

2.20. Explanations for the comparative performance of places in the increasingly global competition for investment consider the type and quality of *assets* held by places. The assets can be broadly categorised into two groups: *Traditional or tangible assets* are readily identifiable and have provided the basis for theories of economic performance of places for many years. They include physical assets such as land and infrastructure, the labour force and its skills, and finance. *Less-tangible assets* include, for example, community vitality, business culture and quality of life. Some of the less-tangible assets such as institutional capacity and leadership can play a critical role in the way that the traditional assets are used to bring about economic development. Also, there has been a shift in attention to the quality rather than quantity of traditional assets which rather blurs the distinction between the two categories. Over and above these local assets non-local or structural conditions such as macro-economic performance and policies and changing technology will also play a determining role.

### **Traditional tangible factors**

#### *Location and proximity*

2.21. Many assets of a town are linked to its location. A town's proximity to other towns within a relatively more dense urban structure is an advantage in economic development, whereas the isolation of remote towns in relatively sparsely populated areas is a hindrance to growth. The result is that economic activity tends to be increasingly concentrated in the larger cities and their hinterlands (Collits 2000). Transport costs play a part in this process where regional agglomerations of economic activity provide an advantage (Krmenc and Esparza 1999).

2.22. Agglomeration theory suggests that enterprises choose to locate in close proximity to similar companies because this brings economies of scale and the possibility of exchanging information. It is argued that clusters of towns in a city system develop localised industrial markets which are mutually beneficial to the towns involved. The constituent firms are able to share information, knowledge and technology. This sharing or spillover effect is strongly localised but provides a basis for competitive advantage through innovation for the towns involved (Audretsch 2002). The agglomeration effect in much economic development is obviously a disadvantage to the small rural town. Another form of spillover can occur when a small town is in close proximity to another larger growth pole and the small town can benefit as a result. However, much depends on the local circumstances and in some cases a backwash effect has been noted where growth is drawn away from the smaller town by the expansion of larger towns.

2.23. The importance of clustering of similar types of economic activity around a particular location has received considerable attention over recent years, though with different points of view. Where clusters do arise, specific locational factors may be important – such as the availability of major infrastructure or the presence of a major firm. Proximity, whilst important in providing opportunities for positive spillover effects it is not sufficient to guarantee economic development. Also there is little consensus about why it does or does not occur. Non-tangible factors may be important in capitalising on the proximity advantage. These will include existence of entrepreneurial practices and attitudes, and the existence of good working relationships, mutual trust among the public administrations, and effective inter-organisational collaboration.

#### *Land and infrastructure*

2.24. Economic development requires land, buildings and infrastructure, whether for industry, services or homes. The quality of land and property may be as significant as the location. Infrastructure will include public utilities and public goods. In surveys of firms, accessibility to good transport infrastructure (mainly the road network) is consistently cited as a principal factor in location. Transport infrastructure is an obvious disadvantage for many small rural towns, but land availability may also be an issue. In some rural areas there may be considerable and successful resistance to the provision of further land for development by well established preservationist and anti-development interests who are able to influence the release of sites through the planning system.

2.25. Hall (1995) points out that access to information is the key to the locational logic of the emerging informational economy. Information and communications technology (ICT) is now a major factor which provides, in theory, a means to overcome problems of isolation and distance. In principle ICT provides opportunities for firms to locate in small towns in rural areas and there is some evidence that this is happening on a small scale. But Hall (1992) notes that despite the availability of electronic communication informational activities have not significantly located away from the major cities which were favoured for face to face communication. Indeed he argues that whilst production may disperse worldwide, high level producer services tend to concentrate in a relatively few global cities which are the locations of the headquarters of major production companies. There is some scope for decentralisation of routine producer services to 'back offices' in smaller centres with lower costs, though they may still need to be in easy travelling distance of the major city. Small towns lack access to the highest quality services, such as broadband connections, which may be a further disincentive to decentralisation of such jobs.

#### *Economic base and labour skills*

2.26. The existing economic base of a town will have been determined by its historical development in relation to many factors. Economic base theory emphasises the importance of this existing structure of basic industry and commerce in creating new employment, generating income for the location and advancing growth. Traditionally, this approach concentrated on the principal industries but it now incorporates the significance of an expanded service sector in generating economic development. In the past the economic base of most rural towns will have been based around agriculture. Although agriculture no longer dominates rural economies (Countryside Agency, 2003), it has nevertheless shaped activities in other sectors. For example, 17.6% of rural manufacturing jobs were in food products and beverages (Countryside Agency, 2003). The success of small towns rural areas will be linked to their ability to broaden or restructure their economic base through for example, the development of tourism related services.

2.27. The meaning of the economic base of a region or town has now broadened to include knowledge-based production and the skills and education of the workforce on which it depends. Knowledge is becoming a significant driving force for the economic growth of localities as the economic systems of developed countries become more directed to producing, using and diffusing knowledge and information rather than manufactured goods.

Whilst this 'knowledge-based economy' is often associated with larger cities, rural areas are no less connected to this new economy. In this context a new set of factors become very important including the exploitation of knowledge through innovation; investment in new technologies, the use of intangible assets such as creativity; and the development of skills within the labour force.

2.28. It can be argued that small towns in rural areas, particularly those that are peripheral in relation to the principal economic centres are at a distinct disadvantage in relation to the emergence of the knowledge economy. Certainly there is evidence of lower participation in the knowledge economy by smaller towns (Cooke et al 2002).

#### *Networks and milieu*

2.29. It has been argued that the interaction of firms, (public) institutions and labour within a region can be a significant factor in economic development, especially through encouraging innovation. Such networks have been described as innovative milieu and they may have different forms – the networks of small firms built up through a common history within a region; milieu arising from the location of subsidiaries of large companies in the same area; and the milieu arising from the proximity of businesses and institutions within metropolitan agglomerations.

#### *Summary*

2.30. There is a consensus in the literature that in the competition between places for investment it is human capabilities and capacities that are becoming more important to local economic success. There are two reasons for this. First, because the skills and knowledge of the labour force are becoming a more important ingredient in the production of goods and services. Second, as Veltz (2000) has pointed out there has been a fundamental change in the relative mobility of productive resources over the last decade so that of all the factors of production, labour is now the least mobile. This latter development has raised questions about why people live where they do and has focussed interest on the issue of local quality of life, a factor which is considered amongst others in the next section.

### **Less Tangible Factors**

2.31. This group of factors might be portrayed as being oriented towards the way in which the traditional factors are managed and deployed by the actors in a locality – covering topics such as institutional capacity, business culture and community. There has also been an interest in the importance to locational decision making for households and firms of another less tangible factor - the quality of life. Recent work on the dynamics of rural areas (the DORA project) used a similar list of contributory factors – labelled tangible and less tangible – to analyse differences in economic performance (Bryden 2002). The DORA list is set out in Table 2.2, alongside the factors for local economic development identified by Wong (1998).

2.32. Less tangible factors are less well researched and conceptualised than more traditional factors, especially the notion of 'quality of life'. Wong (2002) defines this as the desirability of a place for living, as determined by the quality of the built and natural environments, public amenities and cost of living. It is assumed that quality of life factors now form part of the locational requirements for business investment (Harvey 1989). Fothergill and Gudgin (1982) support this view. Much new economic activity appears to be located in high amenity areas away from older industrial centres. Whether this on its own is evidence that it is quality of life rather than other factors - communications, office rents and land values, wage rates, etc. - is highly debatable (Grayson and Young 1994). Rogerson (1999 p. 974) argues that though there is some evidence that quality of life can be a factor for some types of industry, evidence for a more general requirement is 'sketchy'. Wong (2002) also concludes on the basis of interviews with policy makers in England that quality of life is thought to be less significant than the traditional factors in location though it may be more important for the attraction of high tech industry. Another view is quality of life does

influence business location through its impact on the location and availability of skilled workers and on the wages that have to be paid to obtain their services. Skilled workers are attracted to places offering a high quality of life firms may need to seek out such locations and workers may be prepared to accept a lower wage Rogerson (1999).

Table 2.2: Factors contributing to local economic performance

Wong (1998)

	Factor	Characteristics
Less-tangible	Physical	Land availability; commercial property; derelict land
	Location	Accessibility (road, rail, air)
	Human resources	Skills of workforce; economic activity; unemployment
	Finance & capital	Venture capital
	Infrastructure	Road & rail networks
	Knowledge & technology	Technological innovation, know-how; R&D;
	Industrial structure	Jobs & employment in services & knowledge based industry
	Institutional capacity	Governance; leadership
	Business culture	Business start-ups; entrepreneurship
	Community identity	...
	Quality of life	Scenic beauty; health & well-being; schools/facilities

Bryden (2002)

	Factor	Characteristic
Tangible	Natural resources	Land – ownership, price, availability (policy)
	Human resources	Labour – demography, labour force characteristics
	Investment	Capital, past investment, costs, availability
	Infrastructure	Transport, business, tourism
	Economic structures	Employment by sector, diversification, linkages
	Institutional structures & performance	Governance –autonomy, co-operation, effectiveness
Less-tangible	Networks	Local embeddedness, IT & technology
	Community & culture	Identity, religion, history/tradition
	Quality of Life	Living standards, environmental quality, leisure
	Market performance	Labour mobility, marketing, distribution

2.33. Central to this debate is the assumption that 'quality of life' does have an impact on the attraction of people to live in an area, and there is some consensus that this is correct. Champion (1998), for example, argues that the explanation for the growth of population in villages and small towns and the loss of population in large cities can be attributed to the better quality of life in the countryside. In particular he points to the importance of the physical and social environments in decisions to relocate. Keeble (1990), Findlay and Rogerson (1993) and others confirm that out migration of highly qualified workers from cities reflects quality of life and environmental factors. Quality of life may also include climate

issues and with out-migration associated with wetter, colder conditions and in-migration is associated with drier, warmer conditions (University of Newcastle et al 2002). However despite the possibility of a link between the availability of highly skilled labour, the quality of life in an area and the attraction of inward investment, there is still little empirical evidence. In-migration, drawn by quality of life decisions may also increase entrepreneurial activity and the creation of new businesses in the receiving areas (Keeble 1990).

2.34. The factor of 'community identity is closely linked to quality of life but generally treated separately. It is the extent and quality of social relationships in places; the degree of co-operation and responsiveness among local residents and the character of the place that is projected and perceived by others. Other intangible factors concentrate on the business community and the quality of governance and institutions. The dynamism of local business – particularly the culture of entrepreneurship and innovation – is seen as a critical dimension to local development. In addition, the capacity of local institutions, and the coherence of local policies to support and assist economic development are commonly mentioned as an intangible factor.

2.35. Needless to say the measurement of these intangible factors is a challenge, not least because they are closely inter-related. But there is a strong view about their increased significance. For Porter (1990), the competitive advantage of nation-states is derived from the effectiveness and efficiency with which factors are deployed, pointing to the importance of factors such as business culture and institutional capacity. Commenting on the state of research in the mid 1990s, however, Amin and Thrift (1995 p108) assert that 'there is still a long way to go before the ultimate power of the new institutional paradigm can be assessed as an explanation of geographically uneven development'.

### **The application of success factors in studies of small towns and rural areas**

2.36. There is an emerging literature reporting on empirical studies on the economic development in rural areas and market towns. Perhaps the most ambitious research on this subject has been carried out by the DORA team (Bryden 2002) which tried to unravel the causes of the differential economic performance of rural areas in the EU. The project made a special effort to address the impact of intangible factors which they defined as how markets work in practice; how local people perceive and use the institutions which are intended to serve them; the personal networks that link public and private sector organisations; the sense of community as a basis for cooperation; and the quality of life affecting individual choices (Bryden and Hart 2001 p.35). The DORA team also recognised a number of possibly important contextual factors - population density, peripherality, status under EU regional policy, relative incomes, and institutional arrangements.

2.37. The DORA project found that aspects of the local institutional framework were *necessary* conditions for good governance which, in turn, could provide the conditions for entrepreneurial activity to flourish. They noted the importance of local democratic institutions and allocation of clear responsibilities and functions among agencies. These conditions, it is argued, provide conditions (public goods) that suited entrepreneurial activity which in turn plays a significant role in the transition and regeneration of local economies. However, these findings need to be considered in the light of the complexity of the project, involving eight regional contexts across the EU and the difficulties faced in measuring the intangible factors. The methods employed varied from case to case and seem to be largely impressionistic and whilst the factors may be evident establishing causality is very difficult.

2.38. In reviewing research on business growth and rural economies, Roger Turner (2001a; 2001b) concludes that influences are complex and differ both regionally and locally. He suggests that both economic circumstances and business prospects will depend on a wide range of factors and are likely to be highly variable, making it important to understand the particular features and context of each town. Context has also been noted as an important factor in other studies of rural areas, particularly in relation to accessibility,

geography and the proximity of rural areas and small towns to large urban centres which provide services, jobs and markets. Courtney & Errington (2000) for example, have shown that small towns close to major urban centres in England are less integrated into the local economy of the hinterland than those in remote rural areas. Similar studies in Canada come to the same conclusions. The smaller and more isolated the town, the harder it is to diversify its economy because of the importance of linkages with the economies of other settlements. Nevertheless, this study also concluded that some small and fairly isolated towns were able to prosper through long term development efforts following a strategic plan over many years, involving incremental changes, with a community-driven development process and participation of the community in a larger [sub]regional network with strong leadership. Intangible factors come out strongly here: entrepreneurial activity, community spirit, self-help and leadership are all seen to be important alongside other assets such as land, labour supply and capital.

2.39. Overall, the empirical studies of economic development in rural areas and small towns suggest that the success of these places is dependent on the same types of traditional and less tangible factors as those important for development elsewhere. What is distinctive about the rural literature however, is that it suggests that the relative importance of those factors vary from place to place according to the context. Accessibility, the relationship with the hinterland, and the structure of the local economy appear to be the key dimensions in this variation.

## **Conclusions and implications for the study**

### *The meaning of success in small towns*

2.40. The definition of success is variable and multi-dimensional. Its specification depends on the value position of those doing the measuring. It is not safe to assume that population and economic growth alone can define success, certainly not for local interests. Nor is it inevitable that these measures of success will themselves be highly correlated. The actual degree of correlation is investigated in the Chapters that follow. The inevitable value structured nature of definitions of success mean also for example, that reference may be needed to questions of quality, affordability and local availability of facilities, services and opportunities. The case studies will explore the meaning of success in objective terms and also as defined by local actors.

### *Critical success factors*

2.41. The review has demonstrated that there is consensus about the range of factors that might contribute to the performance of small towns but that there is only limited evidence to support these views. Previous categorisations of factors have been examined and a provisional revised categorisation for use in this project is shown in Table 2.3. The categorisation of factors differs somewhat from those used in other research presented in this report and this needs a little explanation. Four main categories of factor are suggested:

- *traditional economic assets*, which form the core of all studies of this type and relate to those factors which predominantly concerned with the production sphere;
- *characteristics of employers*, which has figured much less prominently in previous studies but which is of special significance in the context of small towns;
- *social cultural assets* which is concerned primarily with the qualities and supply of the 'human resource', and qualities of the local environmental, cultural and community conditions; these socio-cultural assets may be a consequence of in-migration of those in search of a better quality of life

- *institutional and public service infrastructure*, which also has not figured so prominently in previous studies but which is of increasing importance in the literature in relation to the mobilisation of resources (see below).

2.42. Another type of factor: the contextual assets of places which are non-local or structural and not amenable to change will be taken into consideration in the general analysis but not as potential ‘success factors’. These would include for example the macro-economic situation, the regional economic structure and the broader aspects of location and accessibility which will apply similarly to all small towns in Wales. In addition, each category includes factors which to some degree are more or less tangible and may be investigated through a combination of quantitative and qualitative data generation and analysis.

2.43. As well as the factors or assets themselves, there is the question of their ‘mobilisation’. It appears that it is possible to be relatively successful even where the asset base is not strong, for example, for some small towns in remote rural areas. Thus the institutional structure, the roles played by various agencies and their effectiveness is critical. For this reason that the institutional and public service infrastructure has been identified as a separate category. One reason for the growth in interest in these ideas is that, with the retreat of the state from significant investments in regional development, external resources are likely to be increasingly limited. Another reason is that such activities may well be amenable to local control or influence.

Table 2.3. The framework of success factors for the study

Categories of factors	Factors
Contextual assets	Regional economic structure
	Location and accessibility
	Environmental quality
Traditional economic assets	Location and accessibility
	Land and infrastructure
	Economic base and labour skills
	Finance and capital
Characteristics of employers	Productivity
	Dynamic sectors
	Business culture and entrepreneurship
	Networking and knowledge
Socio-cultural assets	Labour supply
	Social capital/community identity
	Affordability
Institutional and public service infrastructure	Institutional capacity
	Policy coherence

### 3. SUMMARY OF THE RESEARCH APPROACH AND METHOD

#### Research questions and the logic of the research design

3.1. Four main research questions were set out for the research.

- To what extent are there differences in the performance of small towns in rural areas?
- What are the factors that have played a causal role in the success of prospering small towns?
- How well are the surrounding rural areas performing in relation to small towns?
- What factors have helped to spread economic opportunities from small towns to their surrounding communities?

3.2. The literature review informed our approach to these questions. The method concentrates on small towns as the assumed driver in rural area performance. We were interested in the extent to which traditional economic development factors such as location, infrastructure, land and natural resources are giving way to other factors such as knowledge, skills and the capacity of local institutions. We anticipated that, despite the general urban-rural shift in Britain, there would be detailed variations between places. This led us to a research strategy of fixed design based essentially on the 'case control' method which involved identifying small towns in rural areas that had performed differentially over the 1990s, and attempting *retrospectively* to identify the factors (both traditional and more intangible ones) that seemed to account for, or were associated with, this difference in performance.

#### *The 'population' of small towns and their hinterlands*

3.3. The approach required identification of the 'population' of small towns and surrounding rural communities that were of interest, and the identification of a sample from this population for detailed investigation. It was important for the project to look beyond Wales to investigate the experiences of small towns generally. This approach provided a larger population of small towns and thus more robust results, investigation of comparative regional performance, and allowed for setting the Welsh experience in a wider context. For practical reasons of data availability and compatibility it was agreed to study in depth small towns in England as well as Wales, although the literature review also considered wider international experience.

3.4. The main objective of the research was to identify lessons for Wales. Therefore, only towns in England that are located in regional contexts similar to those found in rural Wales were selected for study. We operationalised this using the ONS categories of types of regions, namely remote rural, heritage coastal, accessible amenity. This is a classification of pre-1996 local authority districts across Great Britain taking account of 37 socio-economic and economic variables from the 1991 Census of Population (Wallace and Denham, 1996). The 37 variables cover demographic profile (including some measure of black and minority ethnic community populations), the quality of housing and over-crowding, measures of employment and economic inactivity, the socio-economic profile of the area (including a measure of transience) and finally some measures of household composition. The regions that fall within the selected categories are illustrated in Figure 3.1. Predominantly urban influenced regions were omitted from the analysis. The identified towns and rural areas were divided into the following broad regional groupings: Wales, the greater south east, far south west, the midlands, and the north.

3.5. A second key decision was the size of towns to be included. Small towns in recent research have been defined as being in the range of 2,000 to 30,000 population. To take into account the particular situation of some sparsely populated areas in Wales where towns with small populations can have important service and economic functions, the lower



threshold was adjusted to 1,000 for towns that act as service centres. Thus, small towns for the purpose of this project were defined as those with population between 1,000 and 30,000 at the time of the 1991 Census.

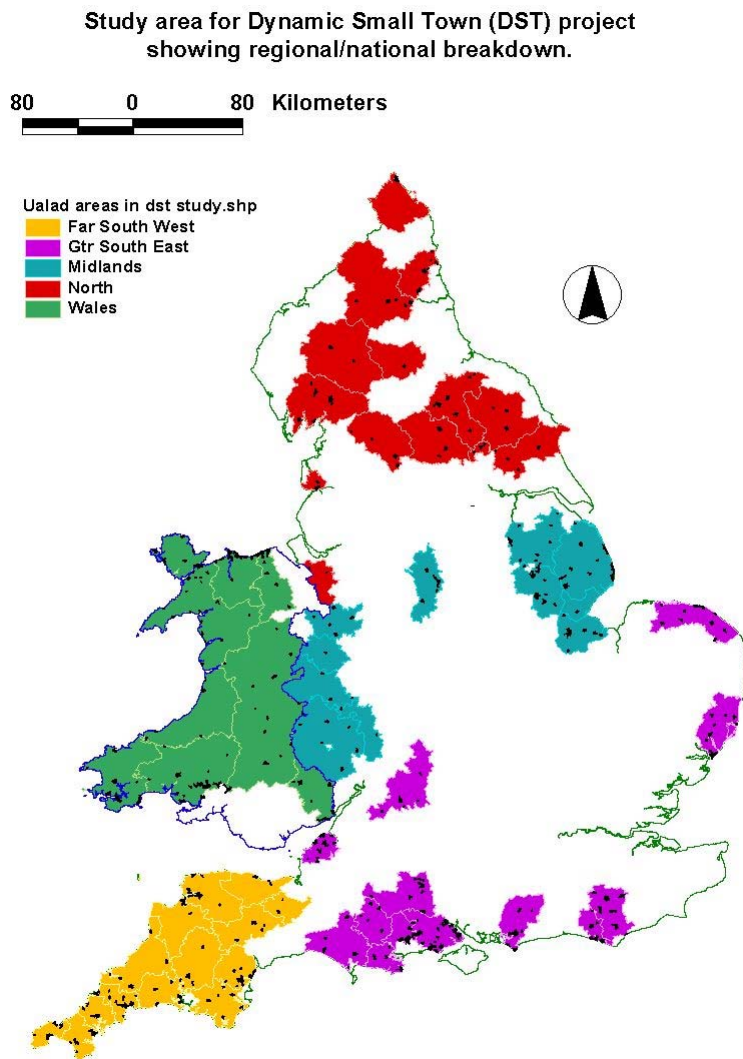


Figure 3.1 Regional breakdown of study area

### Spatial units of analysis

3.6. Constructing secondary data-sets for small towns presents problems because of the availability, expense and accuracy of data. Earlier work on rural areas (for example Wong 2001) has concentrated at the level of the local authority where there is a wider set of available data. It was important for this research to reach the level of small towns through using ward level data but this raised two main problems:

- ensuring the ward-level data addresses changing ward boundaries between 1991 and 1998; and,
- creating a consistent set of geographic units (made up of wards) that represent small towns, large towns and rural areas.

3.7. In order to make use of data-sets that are available through the Neighbourhoods Statistics service, spatial units were based on the 1998 ward geography. Where feasible data from the 1991 Census of Population was re-aggregated from enumeration district level

data to the 1998 ward geography. The extensive boundaries changes from local government reform in 1997/98 created some difficulties so there is some small variation in the number of spatial units included in certain parts of the analysis.

3.8. The creation of spatial units representing small towns and residual rural areas was based on the 1998 ward geography. An enumeration district-based approximation to the ODPM town boundaries was created such that wards were assigned to small towns if:

- the ward was completely contained within the ODPM town boundaries; or
- 50% or more of the ward's population was within the ODPM town boundary.

3.9. In this way the study area was divided up into areas associated with small towns, wards that were part of large towns (these were excluded from the study) and rural residual areas of local authority areas. This is illustrated in Figure 3.2 This method generated 371 small town units and 60 rural residual units. On the whole this process of constructing spatial units has tended to create small town units that are wider in territorial extent than the ODPM urban boundaries. Over-bounding in terms of area has meant that the average area of the spatial units we have used for small towns was of the order of 2800 hectares rather than the 210 hectares mean for the small towns in the study area. In terms of population however the spatial units we have used inflated the population size of the small town units on average by only 18% (varying from 20% decrease to 200% increase on any individual unit). Thus we would argue that the spatial unit used to define 'small town' reflects the essential characteristics of the people living in the towns even if this comes with some areal inflation.



Figure 3.2: Spatial units for analysis in data model

### Measuring economic performance through secondary data analysis

3.10. The key aims of the secondary data analysis within this study were

- to explore some broad trends across our population of small towns (and their contexts); and,
- to help contextualise the case study material.

3.11. Important aspects of the the secondary data analysis are that

- it was based on data-sets for small towns (rather than for the local authority areas in which they are located) accepting the reduced scope of data available at this scale (of aggregated wards);
- it was exploratory because of the diversity of experience of small towns;

- it was only possible to examine some of the success factors identified in the literature review (see 3.1) due to the choice of spatial unit (the individual small towns) and because of the difficulty in conceptualising some of the factors in terms of secondary quantitative data; and,
- it excluded the use of data from the 2001 Census of Population because of the timing of the release of this data-set.

Table 3.1: Success factors explored through secondary data analysis

Categories of factors	Factors	Dealt with?	Data heading
Contextual assets	Regional economic structure	✓	Context
Traditional economic assets (input costs)	Location and accessibility	✓	Context
	Land and infrastructure	X	No data
	Labour costs	X	No data
	Finance and capital	X	No data
	Quality of land and environment	X	<b>No data</b>
Characteristics of employers (labour demand)	Productivity	X	No data
	Dynamic sectors (sectoral profile)	✓	Economic
	Business culture and entrepreneurship	✓	Economic
	Networking and knowledge	X	No data
Socio-cultural assets (labour supply)	Labour force characteristics	✓	Social
	Demographic characteristics	✓	Social
	Housing markets (esp affordability)	✓	Social
	Social capital/community identity	X	No data
Institutional and public service infrastructure	Institutional capacity	X	No data
	Policy coherence	X	No data

### 3.12. The method of analysis of secondary data was

- to explore the data-set generated through using principal component analysis as a technique of data reduction (the principal components and their explanation of variance are introduced below);
- to undertake a multi-variate analysis of the the relationships between a set of outcomes with the principal components being used as independent variables.

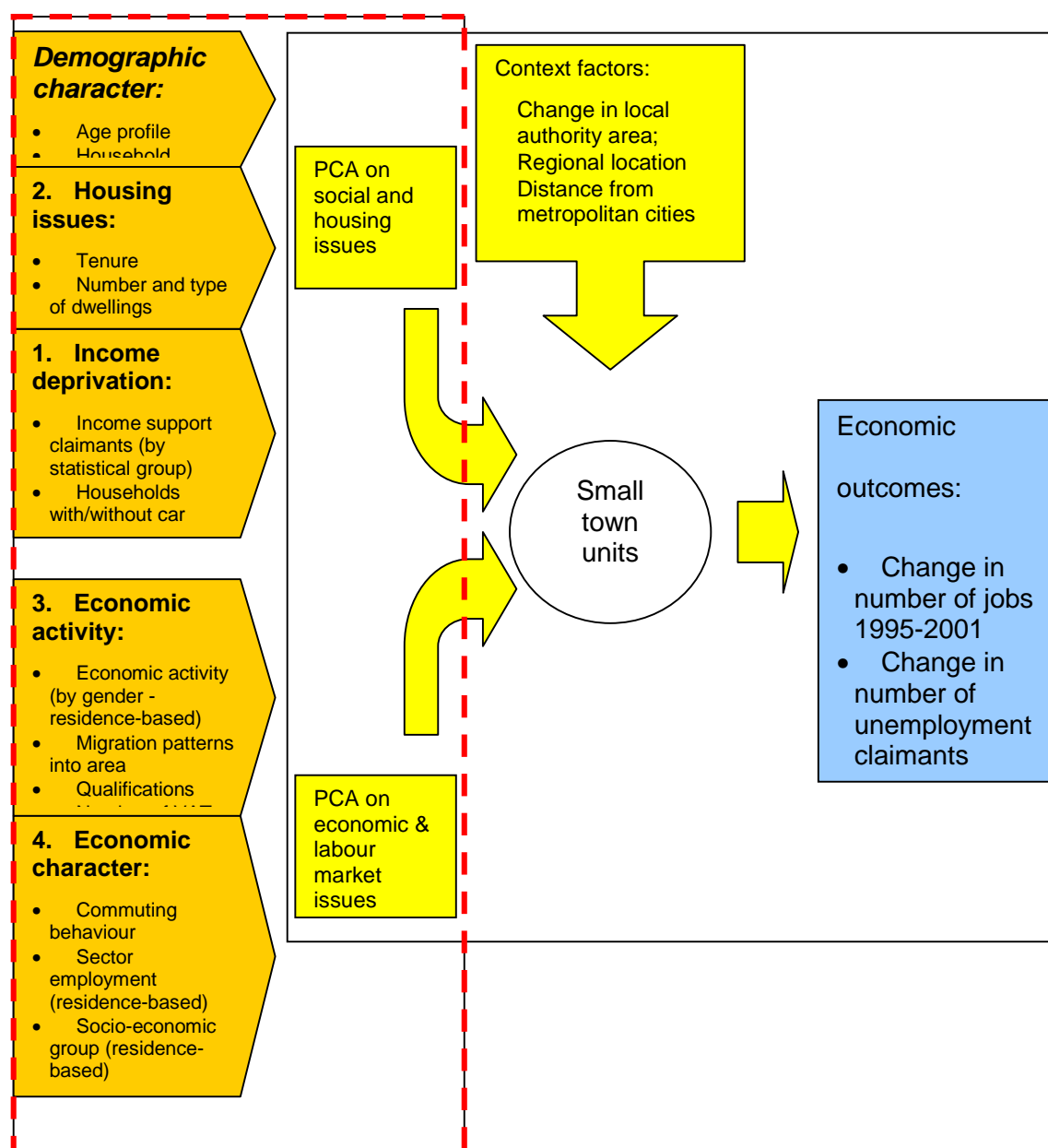


Figure 3.3 Data model for analysis of small towns and rural areas in England and Wales

#### *Economic business and labour market characteristics*

3.13. The principal component analysis of the economy of small towns was based on 80 variables. The analysis produced 12 rotated principal components (listed in Table 3.2). Prior to rotation, the first three components of labour market characteristics accounted for around 38% of the overall variance of the eighty input variables.

3.14. The first component (LM1) picks out areas with high levels of labour market mobility. This mobility is expressed either in terms of long commuting distances for the resident population or in terms of relatively high levels of in-migration from outside the local authority area. These are areas in which the resident labour force works in 'banking' and private service sectors, are in the higher socio-economic groups and who are highly qualified. This component thus draws a contrast with areas where in-migration is low, unemployment is high for men, few people have degrees and there are high levels of skilled and unskilled workers.

Table 3.2: Principal components from the analysis of economic (business and labour market) characteristics of spatial units.

Factor code	Description of factor
LM1	Highly qualified resident workforce, commuting long distances, working outside district of residence and high proportion of migrants into district (1991), high proportion of residents employed in private marketed services (financial, property and business services) (1991)
LM2	Entrepreneurship in terms of high rates of self-employment, working at home, employment in agriculture, forestry and fisheries and large numbers of businesses per capita
LM3	High rates of moving house, high rates of in-migration (1991)
LM4	High rates of economically active, high employment rates, low unemployment rates
LM5	High levels of employment in public services (1991) and jobs in public services (2000), residents in professional classes, absence of manufacturing jobs (2000)
LM6	High levels of employment in distribution and catering (1991), clerical workers and jobs in distribution and catering (2000)
LM7	High levels of employment in transport and communications (1991) and jobs in transport and communications (2000)
LM8	High levels of employment in utilities and mining (1991) and jobs in utilities and mining (2000)
LM10	Jobs in agriculture, fisheries and forestry (2000)
LM11	Absence of jobs in construction (2000) and presence of jobs in private marketed services (2000 – financial, property and business services)
LM12	High levels of employment in construction (1991) and jobs in ‘other services’ (2000)

3.15. The second labour market component (LM2) accounts for slightly less of the variance than the first component but contrasts places in terms of the entrepreneurial quality of the area. Thus areas that score highly on this component typically have high rates of self-employment, a high percentage of residents working from home, high levels of jobs in agriculture and high levels of businesses per head. The third component (LM3) picks out the contrasts between places in terms of people moving house (often from overseas) and also with employment in the armed forces.

3.16. The next three unrotated components (LM4-LM6) account for around 20% of variance cumulatively. The fourth component (LM4) picks out places with high rates of economic activity and low rates of unemployment amongst both men and women. The fifth component (LM5) identifies places with residents employed in public services albeit with relatively low economic activity rates for men. The sixth component (LM6) then picks out places where a relatively large proportion of the resident population works in distribution and catering.

#### *Social and housing characteristics of study area*

3.17. The ‘raw’ data for characterising the social and housing characteristics of our spatial units was based on 63 variables obtained many through the 1991 Census of Population but supplemented by data-sets from the Neighbourhood Statistics Service in relation to housing data and administrative data relating to income support claimants. The analysis produced nine principal components and are listed in Table 3.3 The first three rotated components together account for 51% of the variance in the input variables.

3.18. The first social and housing component (SC1 - accounting for 23% of the variance) shows a contrast between places in terms of demography. This factor contrasts age structure, the size of households, and the proportion of households containing children. Thus towns scoring highly in this component will typically have a large number of households without dependent children and a high number of economically inactive pensioners. Using this component we can conceptually divide our localities into two types of place:

- those containing a young or working age population with larger households, and children where people are buying house with a mortgage; contrasted with,
- places which have more older people, single pensioners and small households and where people finance buying a house as a cash purchase.

Table 3.3: Principal components from the analysis of social and housing characteristics of spatial units.

Factor code	Description of factor
SC1	Pensioners, small households and the absence of families
SC2	Income poverty (1991), social rented housing and single parent households (1991)
SC3	Income wealth and expensive housing (expressed in average cost and affordability ratio)
SC4	Families with children including single parent families on income support (1998)
SC5	Private rented housing, second homes
SC6	People in defence establishments, vacant dwellings
SC7	Pensioner households with long term illness (1991) and income support claimants with disability premium (1998)
SC8	Cheap housing and housing market failure (sales under £10,000)
SC9	People from BME communities and housing bought with mortgages

3.19. The second major component (SC2 - accounting for 21% of the variance) can be interpreted as one that highlights the difference between places in terms of the 'prosperity' of its inhabitants. It shows a contrast between places in levels of car ownership, in the size and market value of houses, the proportion of one-parent families and the contrast in levels of social renting. So our localities might be divided conceptually into two types of area:

- those with high levels of car ownership, high levels of owner-occupation, large detached houses with a high market value; and,
- those with low levels of car ownership, high levels of one parent families, high levels of social renting, low house prices, terraced dwellings and purpose built flats.

3.20. Of course there is some variation between places in relation to this factor but this is a pattern that has been observed within industrial cities (Byrne 1997) which has led some commentators to talk of the emergence of a dual city. This notion seems to apply equally well to the countryside.

3.21. The third component (SC3 - accounting for 7% of the variance) measures variation in the housing stock of areas drawing a contrast this time between areas with higher value larger properties with consequent issues relating to housing affordability and those that do not. Typically small towns that score highly on this component will also record relatively high proportions of households with two or more cars and with two or more economically active adults without dependent children.

3.22. The next three components (SC4-SC6) contribute cumulatively to 16% of variance. The fourth component (SC4) differentiates between areas with high levels of pensioners claiming income support and areas with a relatively large proportion of children in households claiming income support. The fifth component (SC5) picks out areas with a prevalence of private renting and second homes. The sixth component (SC6) identifies areas with defence establishments and higher proportions of vacant dwellings.

### **Defining contextual factors**

3.23. The notion of context for our small towns was centred on location, the relative size of the spatial unit in relation to the local authority area of which it was a part and the outcome performance measures of areas the other side of the urban-rural divide. Thus for small towns, the outcome measures of the rural residual areas were included whilst for the rural residual areas the performance of the aggregated small towns in the local authority areas was included in the conceptualisation of the context.

3.24. Location was determined as a variable in relation to the location of a small town within the United Kingdom in three ways. First, by constructing a 'regional/national' variable whereby local authority areas were grouped into five project-specific 'regions'; second, by whether the local authority area in which the small town was located was classified as a 'coastal' or 'rural' area under the ONS classification system; and third, by distance from one of four metropolitan centres in England and Wales.

3.25. The first group of variables relate to the context within which a particular town or rural area is situated. All places are set within a hierarchy of larger social systems that stretch from the locality through the region (Wales, parts of England) to the nation (UK) and to the European and global levels. They are not isolated from these systems. They are likely to be influenced by them: sometimes suffering from local competition, at others benefiting from the presence of people and economic activity in nearby areas.

3.26. At the locality level there are likely to be a number of other urban settlements of varying sizes that compete with the town itself for jobs, housing and population. Much discussion of the role of towns in rural areas focuses on the size of the town measured in population terms but given our interest in economic development issues, the importance of a town in relation to competing centres measured in terms of job provision seems more appropriate. In these terms some towns are clearly more important to the economy of the locality than others (whatever their population size) and this is officially recognised, for example, in the designation of some as centres of travel to work areas. In order to capture this significant aspect of the local context we calculated the following variable:

- The proportion of total district or unitary authority level (UALAD) level non-agricultural employment in the locality

3.27. As well as being in competition with other places in the locality, the literature reviewed earlier suggested that towns may also benefit from being located in an area which is in general growing or declining. This growth or decline will include neighbouring urban and rural areas within the locality. These benefits were measured by the following indicators:

- Changes in employment at the district or unitary authority level (UALAD) level
- Changes in population at the district or unitary authority level (UALAD) level
- Changes in unemployment benefit claimants at the district or unitary authority (UALAD) level

3.28. At the regional level we have already shown that there are strong regional variations in economic performance even though the towns selected for this research were all located in pre-1996 local authority districts which were classified as either 'remote rural', 'coastal' or 'accessible amenity'. We were therefore interested in assessing whether Welsh small towns

and rural residual areas per se were performing differently from other regional groupings once we had controlled for the impact of the other factors affecting economic development.

3.29. Beyond these contextual factors, how places perform may be linked to a second group of factors that reflect the characteristics or nature of the places themselves and the assets they have. The factors emerging from our analysis of secondary data, discussed above provide measures of the economic base of the areas and indicators of the nature of labour demand as well as socio-cultural assets measuring housing and labour supply. In the rest of this section we look at the linkages between our two groups of factors (contextual factors and local assets) and economic development outcomes (employment growth, change in unemployment and housing growth) for both small towns and rural areas.

### **Defining economic performance**

3.30. A fundamental aspect of the conduct of the research was to be able to define on a consistent basis, the success or comparative performance of small towns and their surrounding rural areas. As far as possible we were interested in using secondary data-sets for this purpose and a significant part of the early work of the project was concerned with developing a database drawing on such data-sets. However the choice of spatial unit (the small town level) does make the measurement of economic performance problematic.

3.31. Typically economic performance is measured in terms of business and labour market performance. Thus the performance measures of central government concentrate on business start-up rates, survival rates and business productivity as dynamic measures of economic performance. In labour market terms such performance indicators concentrate on employment rates or economic activity rates. The economic performance of places is frequently measured in terms of gross regional product. Unfortunately, many of these measures are not available either for small areas (smallest areal level for this data is generally local authority or NUTS3 levels) or for individual business units.

3.32. As our preferred measures of economic performance are not available for the spatial scale at which we would like to carry out the analysis, it has been necessary to use proxy measures of the performance of businesses and of the labour market. In addition any chosen proxies needed to be measurable across both England and Wales in order to permit comparison.

3.33. Our chosen proxies are thus:

- growth in the number of jobs outside of agriculture between 1995 and 2000 as a proxy of the economic performance of businesses in the area (abbreviated to 'employment growth');
- falls in the number of unemployment benefit claimants between 1996 and 2002 as a measure of the ability of the local labour market to take up spare labour (abbreviated to 'unemployment fall'); and,
- change in the number of dwellings 1991-2000 as a measure of the attractiveness of an area to attract people to live there (abbreviated to 'housing growth').

3.34. The focus on change in employment in sectors outside agriculture reflects the interest in diversifying the rural economy away from agriculture. The importance of this objective is illustrated by the continuing decline in agriculture since 1995. In Great Britain there was a loss of 39,000 jobs in the industry, a 14% decline. The situation in Wales is even more serious with a loss of over 6,000 jobs, a third of the 1995 level. Some interesting contrasts in the performance of towns and residual rural areas were revealed by this work and one advantage of using secondary sources was that we were able to make estimates of the performance of our population of towns and draw some useful comparisons with GB and Welsh averages.



3.35. The use of unemployment claimant figures as a measure of labour market performance has limitations. Following for example the work of Monk et al (1999) the labour market processes by which those without work find employment are complex and are not simply linked to the generation of new employment in a given locality. They are further complicated by the propensity of individuals to travel to where there is work either in terms of commuting or in terms of moving house. Equally the unemployment rates suggested at the end of the period of study do suggest effective 'full employment' in some of the small town areas. Thus there is an effective limit to how elastic this measure is in demonstrating success. However at the start of the period in question none of our areas were in a state of full employment with self-reported unemployment rates of around 8-9% (see below).

3.36. Due to the absence of ward level population estimates for Wales (prior to the release of the 2001 Census) we were forced to use the changing number of dwellings as a proxy. Across the small towns in England (where ward level estimates for population in 1998) we can demonstrate a significant correlation between changes in the number of dwellings (with residents present and liable for Council Tax) and changes in population estimates. Thus we employed the change in the number of dwellings as our measure of population change.

### **Measuring success of small towns through case studies**

#### *Selection of case study towns*

3.37. Secondary data is only available for analysis of some of the success factors, as shown in table 3. 1. Nor does the secondary data give an appreciation of local understandings of the meaning of success and how it is achieved. Primary data on the town and views of local actors was collected for a sample of 24 small towns. A combination of three characteristics of towns: population size, type of district and contextual economic success – was used to define 12 categories of settlement that were the basis for selecting suitable towns for case study investigation.

3.38. The population size banding used in this project is related to the practical issues of dividing towns into groups where there are enough potential settlements to select within each band. Hence we selected three size bands of small (1-5,000 persons), middle sized (5-15,000 persons) and large (15-30,000 persons). Contextual economic success refers to the economic performance of the local authority in which the town is located (in England this was the county level) as measured by percentage change in levels of employment (1995-2000) and changes in per capita GDP (1993-98). Towns were then categorised as in areas of either above or below average growth in employment and/or GDP. .

#### *The case study method*

3.39. A secondary data analysis was undertaken for 22 of the sample of 24 case study towns (it was not possible to construct datasets for two of the towns). This resulted in a short descriptive profile of each town and an assessment of the 'actual' performance of the town against the three key economic development measures in comparison with its 'predicted' performance given the information we had about the town's assets. The profiles which allowed us to identify towns that were performing 'better' or 'worse' than expected were used as a starting point for the case study research.

3.40. Beyond the secondary data analysis, the case study investigations were intended to provide a *retrospective* account of the recent development of these towns and localities. The ultimate aim was to identify through the comparative analysis of cases, other factors not captured in the secondary analysis of performance that successful towns had in common. What factors seemed to be a prerequisite for success? What factors seemed to trigger success? The literature review revealed the increasing interest and debate about the significance of the more intangible factors such as the sense of local community leadership in the town.

3.41. The precise method of collecting data in each town varied depending on the size of the town, the availability of documentary sources and the level of co-operation achieved. The approach began with a pilot study of one case. The other cases then comprised

- contact and discussion with the relevant local authority (via the chief executive) and Identification of a key contact (usually an officer in the local authority) who assisted in identifying sources and making other contacts;
- identification, collection and review of documentary sources such as local audits and regeneration strategies;
- face to face interviews with key contacts; in some cases we were able to do this through the use of a workshop session involving a number of interested parties such as national agency officers with responsibilities for the area, local authority departments and sector agencies operating in the town, and local community and business representatives;
- first hand investigation of conditions in the town and surrounding area using a standard pro-forma;
- an investigation of four to five local employers who (in the opinion of local actors) were 'making a difference', involving a short structured questionnaire undertaken through email and telephone survey.

### **Limitations of the method**

3.42. Studying economic and social change at the level of small towns is difficult. It relies heavily on the creation of appropriate statistical units to represent the town and aggregation of data for small areas where there may be questions of reliability. Many variables that should be investigated have to be represented by proxies in the absence of data. The 2001 Census results were not available for this project. Also, there is no single strong theory of economic change in small towns which might direct the analysis. It is widely recognised that performance depends on a complex combination of factors so much of the investigation here is exploratory.

3.43. One particular issue in this research is the lack of assessment of long term trends. At the local level of analysis a long term analysis of secondary data is exceptionally difficult because of changes to datasets, definitions and boundaries. Even over a relatively short period of about 10 years there have been significant changes that have required quite careful consideration in the method. The case studies have considered longer term issues.

3.44. In developing data-sets for the study area there have been difficulties in producing aggregate data-sets based on ward-level data. This is a problem many agencies attempting to evaluate the impact of economic development policy on the economic performance of localities (see Boddy et al 2004 and the Office for National Statistics 2004). The GIS-related method employed here is not completely successful for very small towns (as defined by ODPM boundaries) or where the shape of the boundary is thin and/or complex. At the very local level the research has relied on estimates, for example in relation to industry by sector, which are based on small samples. New data-sets are emerging that are based on synthetic estimates of national surveys. However the current range of data-sets have proved problematic (such as the data-sets constructed for the calculation of the IMD2000) because they only cover England.

3.45. The use of the data reduction technique may sometimes be problematic. Whilst it is a method that reduces the number of variables, the principal components themselves can be difficult to interpret. However, the components discussed above seem to be consistent with well-documented aspects of the economic and social geography of Britain and some of these are associated with economic development performance, as we discuss below.

3.46. The resources available to this project make the wholesale analysis of the detailed service relationship of the complete population of small towns to their hinterland difficult.

Data on environmental assets such as listed buildings and on sites of scientific interest have not been available in a format that could be easily manipulated within the confines of this study. Quality of life and quality of place are difficult measures to reduce to statistical measures but there are plainly insufficient measures of the quality of public services that make sense at the level of a small town. Equally detailed work on commercial and industrial property has been constrained due to the difficulties of generating data-sets from "raw" data.

3.47. Limitations of the qualitative case study work relate to the difficulties of identifying appropriate representative people for interviews and workshops at a distance. This was particularly the case for the smaller towns where local authority and other agency officers had less detailed knowledge. In practice, not all the case studies made use of workshops because of the difficulties of organising a meeting convenient to all. In these cases the relevant actors were interviewed either face to face or by telephone. In undertaking retrospective studies which involved establishing the recent history of the town and key events, the case study work was dependent on the memories of those participating. However documentary sources could often be used to corroborate these accounts. In practice many local authorities, regeneration partnerships, parish councils or other organisations had undertaken critical reviews of the performance of the town and its strengths and weaknesses. These documents proved to very useful in assessing local issues and perceptions.

3.48. It is important to be aware of the strengths and weaknesses of data provided by local actors. Its strength is that it provides richly detailed accounts of local problems and practices. Its weakness is that local actors will not always be aware of the importance of the context within which they are acting. This is something that the research team has to provide in interpreting the findings of the case studies about the importance of different factors.

### **Recommendations on data for monitoring small town performance**

3.49. The project has provided excellent experience in investigating change at the very local level and for future work a number of recommendations can be made.

3.50. There is a need for a data-set of businesses across Wales. Ideally this data-set should be able to track businesses and be linked into valuation office data on rateable values (it could be extended to include estimates of floor space). This data-set could be aggregated into small scale areal units. Currently there is no means of considering business productivity, nor the impact of economic land use below local authority level. At the very least ABI data should be released at the local unit level rather than the business level.

3.51. Future synthetic data-sets should cover Wales as well as England. Currently comparative work within Great Britain and the United Kingdom is hampered by variability in the availability and quality of secondary data-sets. Work is trying to construct a coherent data infrastructure across the United Kingdom must cover the full range of agencies including such bodies as the Countryside Agency.

3.52. Later sections will show that this data modelling exercise has only been able to put forward explanatory stories for a limited amount of the variance (only 11% of the variance of employment change). Thus there is a need to develop indicators and data-sets that help explain the variance that is not covered here. The first recommendation may help to deal with some of the issues as they relate to economic performance.

## 4. FINDINGS OF SECONDARY DATA ANALYSIS

### Introduction

4.1. This section sets out the findings of the secondary data analysis in four parts:

- a basic description of the state of small towns based in part on the factor analysis (see Chapter 3 for an explanation of the method);
- a picture of change across small towns and rural areas in relation to our chosen outcome measures;
- an analysis of employment change in our study area in relation to sectoral composition; and,
- an outline of the multi-variate analysis and an indication of plausible explanations of change in small towns and their rural areas.

### The state of small towns and rural areas

4.2. The key characteristics of the population of small towns in our study area are given in three sections relating to the basic dimensions of small towns; the labour market and economic characteristics; and their social and housing characteristics.

#### *Basic dimensions of small towns*

4.3. The sample of towns were selected in a population band (based on enumerated households from the 1991 Census of Population), from 1,000 (in Wales and 2,000 in England) to 30,000 residents (ODPM estimates). When using the aggregated geographies, our small town units varied from 1,200 residents to 32,800 residents. Figure 4.1 is a histogram of the distribution of population sizes for our small town spatial units. The modal population size is around 3,000 residents whilst the mean population size is around 7,000 residents. Figure 4.2 indicates the number of jobs located within each spatial unit based on the Annual Business Inquiry. There is a similar skewed distribution of towns in relation to the number of jobs where the modal performance identified around 1,000 jobs in these small towns and the mean number of jobs is around 2,800.

4.4. The rural residual areas tend to be larger in population and employment terms than their associated small towns. They range from 7,000 to 66,800 residents (averaging 36,300 residents) and they are the location for between 1,200 and 14,600 non-agricultural jobs with an average of 7,500 jobs.

4.5. The prosperity of places is closely linked to the degree to which residents are able to find paid work. Unemployment is a key indicator of low income and is operationalised as the unemployment benefit claimant rate. Figure 4.3 sets out a histogram of unemployment claimant rates for the small towns in the study and shows average unemployment rate in the small towns in 1996 was 6.5%. This was lower than the average rate of 7.6% for England and Wales (when calculated on the same basis as the small towns using the economically active population aged over 16 years). Unemployment claimant rates for the rural residual areas averaged at 4.9%. Given the distribution of unemployment rates, nearly three quarters of our small towns and 90% of rural areas had lower unemployment than the national average claimant rates in 1996.

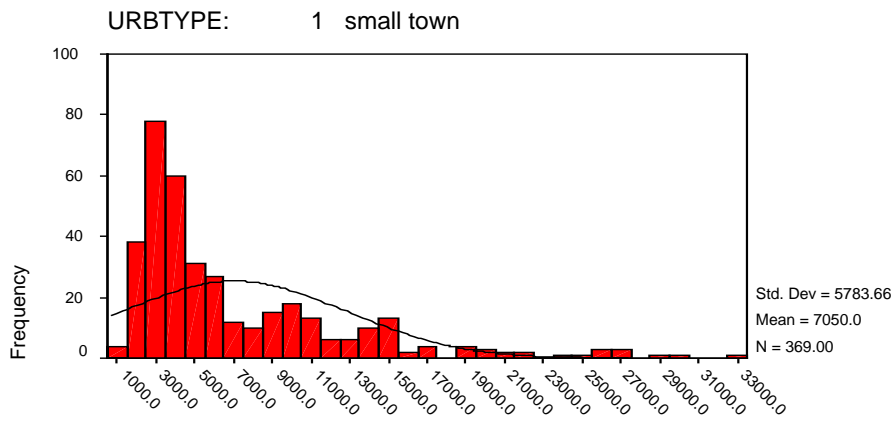


Figure 4.1 Resident population (1991) of small towns in study.

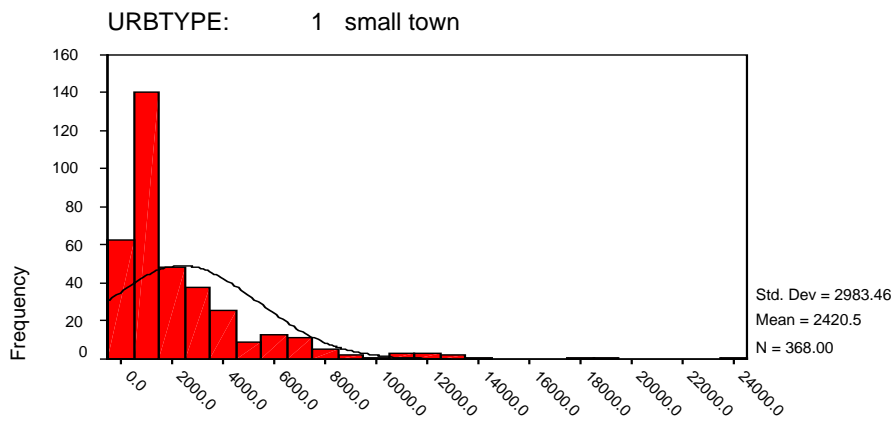


Figure 4.2 Annual Business Inquiry estimate of total non-agricultural employment (jobs), 2000 of small towns in study.

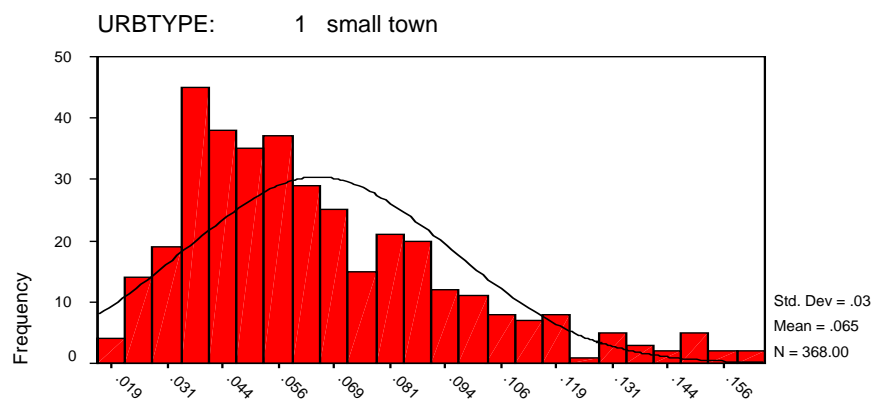


Figure 4.3: Unemployment claimant rates (1996) for small towns in study.

## Labour market and economic conditions in small towns

4.6. Section 3 describes the process by which 'raw data' aggregated on spatial units identified as small towns were analysed in terms of principal components related to labour market characteristics and economic conditions within the small towns. Some twelve principal components were identified of which six explained 38% of the variance in the small town data. This section explains how these six principal components characterise our towns and how each characteristic varies in relation to the broad study regions. These six components measure:

- qualification levels in the resident workforce and relatively long distance commuting;
- entrepreneurship;
- high levels of moving housing, international in-migration and employment in the military;
- high levels of economic activity and low unemployment rates;
- high levels of employment and jobs in public services; and,
- high levels of employment and jobs in distribution and catering.

4.7. Of the six components, five show significant regional variations. Only the component measuring entrepreneurship does not have significant regional variations between the small towns. The component identifying towns with qualified labour forces and long distance commuting identifies towns in the greater South East as different from small towns in other parts of England and Wales. Figure 4.4 indicates the range of average commuting distances for male residents of small towns in 1991. On average men in employment commuted around 11km for small towns whereas workers in small towns in the South East of England commute on average 13.5km. Residents of Welsh small towns were commuting on average 10.7km.

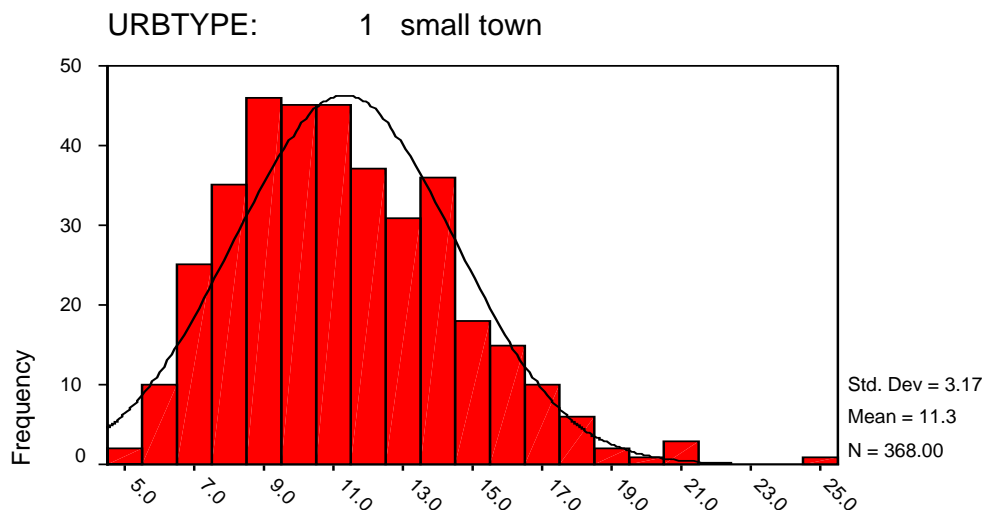


Figure 4.4: Average commuting distances for men in employment, 1991 (special work statistics).

4.8. Residents of small towns in southern and midland England were far more likely to have moved house in the period 1990/91 than residents of north England and Wales. On the whole Welsh small towns attracted far fewer migrants from outside the local authority district in which the town was located than was the case for English small towns.

4.9. In terms of economic activity and levels of unemployment, Welsh small towns are most like towns in the far South West. Small towns in these areas tend to have lower average economic activity rates and higher rates of unemployment. Thus from the labour supply point of view Welsh small towns in 1991 appeared to have a resident labour force that experienced relatively short commuting distances, relatively little in-migration and had relatively low rates of economic activity.

4.10. The final two components separate out towns that combine both the location of jobs and residents in employment within public services and within retail. This component suggests that Welsh small towns in common with towns in northern England have higher levels of employment in public services with a corresponding larger number of those employees living in the town. Small towns in southern and midland England have a far higher degree of dependence on retail and tourism sectors.

### **Housing and social characteristics of small towns**

4.11. The social and housing components picked out by the principal components analysis picked out five main dimensions of difference between towns that have significant regional variations. These dimensions concentrate on:

- age and size of households;
- prosperity as indicated by car ownership and expensive housing;
- the nature of the housing stock and housing affordability;
- the numbers of pensioners; and,
- the presence of private renting and second homes.

4.12. In relation to age and household size, the principal components distinguish between southern England and Wales against midland and northern England. Thus Welsh towns have higher proportions of older people (over 60 years of age) and a higher proportion of householders who buy their homes as a cash purchase. It is of little surprise that Welsh towns also record higher proportions of pensioner households claiming income support. On the prosperity measure Welsh small towns are most alike northern English small towns where these towns have higher proportions of households without cars, lone parent households and higher proportions of terraced housing and flats with social housing. Thus in 1991 20% of households in Welsh small towns did not have access to a car whereas in the Greater South East 15% of households did not have access to a car. Equally 16% of Welsh small town households lived in social housing within 1991 in contrast to 12.5% of households in the South East. Overall this has been interpreted as indicating lower levels of prosperity.

4.13. The housing stock measure distinguishes between small towns in the Greater South East and Wales and the rest of England. Figure 4.5 shows the general range of affordability that is measured here as the ratio between average house prices (as measured by the land registry in 2000) for the small town and the average level of earnings for the local authority district. Welsh towns demonstrated the lowest mean prices for small towns in this study at £69,000 in contrast to the average price of £150,000 in south eastern England. This equates to an affordability ratio of 4.4 in Welsh small towns and 8.8 in the south east of England.

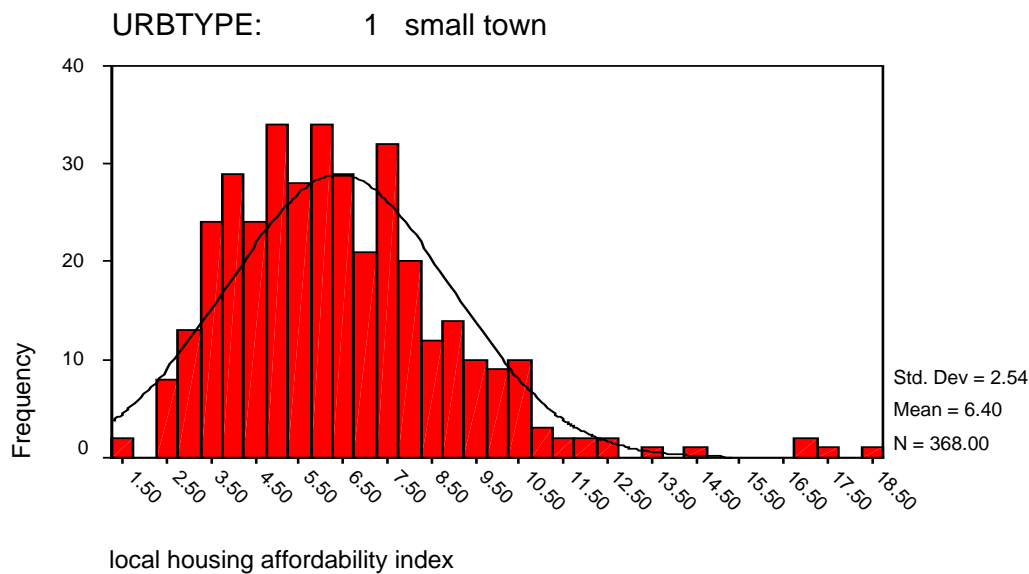


Figure 4.5: Housing affordability in small towns

4.14. In relation to second homes and private renting as a form of tenure, Welsh small towns are most like small towns in south west England. Thus 4.6% of dwellings in Welsh small towns were second homes in 1991 in contrast to 1.3% of dwellings in midland England. Equally 6.8% of households in Welsh small towns are private renters in contrast to only 6% of households in English small towns (outside of the south west).

### General patterns of change in small towns and rural areas

4.15. This section sets out patterns of change in the study area in relation to the three outcome measures: employment change, changes in the number of dwellings and falls in unemployment. It is through these three outcome measures that we will establish what characteristics are associated with better economic performance.

4.16. A general urban-rural shift in both economic activity and population has been noted for some time in Britain (and other advanced countries). Table 4.1 shows the relative change in employment in small towns and residual rural areas over the period 1995-2000, a period of recovery in the British economy. For the types of rural area we have studied we calculate that the net increase in jobs outside agriculture between 1995 and 2000 has been about 160,000. These figures are small in comparison with change over this period in GB as a whole but the performance of Welsh small towns and rural areas, however, is of considerable significance to employment in the Welsh economy. Of the 90,000 net jobs created in Wales over the period, about 20,000 were in these areas (Table 4.2).

4.17. On the face of it, this evidence is consistent with the more general finding that new economic activity is taking place in high amenity rural areas. There does not appear to be evidence here for a general rural employment 'crisis', if this term is taken to mean a severe problem, though it has to be noted that agriculture and fishing as a source of employment declined by 14% between 1995-2000 nationally. However, not only does there seem to be a gap between the performance of the Welsh and the British economy more generally but there seems to be a particular divergence between the performance of small towns and residual rural areas in Wales and those in England. If Welsh small towns and rural residual



areas had grown at the same rate as those in England, this would have made a significant contribution to closing the gap between the Welsh and the British economy in these terms.

Table 4.1: Employment in small towns and rural residual areas in England and Wales and in Great Britain

	1995	2000	Change	Change (%)
All small towns and rural residual areas	1,276,900	1,436,500	159,600	12.5
Great Britain	22,728,900	25,233,000	2,504,100	11.0

Table 4.2: Employment in small towns and rural residual area in Wales and in Wales

	1995	2000	Change	Change (%)
Welsh small towns and rural residual areas	253,000	272,900	19,900	7.9
Wales	982,200	1,071,200	89,000	9.1

4.18. Both small towns and rural residual areas gained jobs over the period between 1995 and 2000 with small towns gaining around 88,000 jobs and rural residual areas gaining 72,000 but the two types of area are starting from quite different bases. Small towns accounted for about three quarters of all rural jobs in 1995 both in England and Wales as a whole (957,000) and in Wales (320,000). Small towns and rural residual areas have thus shown a variable performance since 1995. Rural residual areas have out-performed small towns over the later 1990s in England and Wales with rural residual areas increasing jobs by nearly 23% over this period whilst small towns grew by about 9%. In Wales the same general story holds true but growth rates have been lower: rural residual areas grew at around 17% whilst small towns grew at only 5%. These findings indicate that within these types of rural area, as nationally, there has been a significant urban-rural shift in employment.

4.19. Against an average growth for Great Britain in jobs of 11.0% between 1995 and 2000 in sectors outside agriculture, small towns have in general seen growth somewhat below the GB average but rural residual areas have shown a remarkable rate of growth twice the average. Welsh small towns gained jobs at a rate less than half of the GB average whilst Welsh rural residual areas performed well above it.

4.20. Considering the three outcome measures of change adopted for this study, Table 4.3 sets out these key outcome measures by area type (small town-rural area). These changes are compared to national aggregate changes for both England and Wales. The change measures themselves are given firstly as the aggregate numeric change under each measure for each class of unit and secondly as the mean percentage change averaged across all areas in a given class.

4.21. Across the three outcome measures, small towns perform as well as England as a whole in net job creation, have experienced higher levels of house building and higher percentage falls in unemployment than both England and Wales. These small towns have generated more jobs than there has been in the number of unemployed people who no longer claim benefit. The growth in the number of dwellings (and by proxy households) is far higher than the number of jobs generated. Clearly one element of household growth is linked to changing lifestyles but we can equally postulate that economic growth in small towns has been accommodated by in-migration to some degree.

Table 4.3: Comparative performance of small towns and rural residual areas.

	Employment change 1995-2000		Change in unemployment benefit claimants 1996-2002		Change in the number of dwellings 1991-2000	
	Mean % change	Numeric change (sum)	Mean % change	Numeric change (sum)	Mean % change	Numeric change (sum)
England (all England) <sup>1</sup>	12.0%	2,319,800	56.6%	1,003,000	8.3%	1,625,000
Wales (all Wales) <sup>1</sup>	9.0%	89,000	54.6%	56,200	8.2%	97,000
Total (all small towns) <sup>2</sup>	12.4%	88,300	62.8%	44,500	12.3%	136,300
Total (all rural areas) <sup>2</sup>	23.7%	72,200	66.6%	20,500	9.1%	61,700

Notes

1. Percentage changes in performance measures for England and Wales are aggregate percentage changes.
2. Changes in performance measures for small towns and rural residual areas indicate mean percentage changes (averaged across all spatial units) and summed numeric change (summed across all spatial units).
3. Calculations based on 55 rural areas and 362 small towns (in England and Wales) – some figures may vary slightly from other tables.

4.22. The rural residual areas have generated around 85% of the jobs generated in the small towns. The mean percentage growth figure is twice that of the English economy as a whole and 2.5 times that of the Welsh economy. In terms of the decline in unemployment, the average percentage figure of rural areas is about the same as for the small towns. In terms of housing rural residual areas have experienced similar average rate of growth as both England and Wales. Again because the aggregate increase in the number of jobs is so much larger than the fall in unemployment, we must consider the degree to which employment growth is supported by one of: changes in economic activity rates, in-migration or changes in commuting patterns.

4.23. Both small towns and residual rural areas have experienced housing growth over the 1990s. Small towns have accommodated around 137,000 additional houses over the period 1991-2000 with 62,000 in rural residual areas. Whilst jobs are concentrated in small towns as might be expected in rural areas, housing is more widely distributed with about 38% of housing in 1991 in small non-urban settlements and other places outside the small towns. By contrast with the experience of employment growth, Table 4.3 shows that housing growth has been faster in the small towns than in the countryside.

4.24. Table 4.4 develops the analysis further by setting out outcome measure changes in relation to English region and to Welsh rural areas. Here we see a strong regional difference in performance under employment growth in both small towns and rural areas. In England the performance of small towns and rural residual areas is somewhat converse with the better performing small towns located in lesser performing rural areas and vice versa. In Wales both the small towns and rural areas appear to perform poorly although average growth in rural areas is over twice that of the Welsh small towns. All the rural areas by region appear to perform better than the national economy in which they are located although for the small towns, those located in Wales and midland England perform worse than their national economies.

4.25. All the regional areas performed better than their national economies in relation to falls in unemployment. However in the case of rural areas, all the areas generated more jobs than there were falls in unemployment implying in broad aggregate terms that

employment growth has been fuelled by labour coming into these areas. The picture for small towns is more diverse. In the case of south-east and northern England there is a strong imbalance between the number of jobs created and falls in unemployment. In the case of Wales and the far South West the aggregate change figures are about the same implying a crude indication that employment growth has been fuelled by falls in unemployment. However in the case of midlands England there the fall in unemployment is some 25-30% greater in numeric terms than the aggregate increase in employment. The implication for small towns in the Midlands is that those in unemployment have found employment outside of the small towns whereas in south-east and northern England, small towns have been drawing in labour (either in terms of commuting or migration).

Table 4.4 Comparative performance of small towns and rural residual areas by regional grouping

	Employment change 1995-2000		Change in unemployment benefit claimants 1996-2002		Change in the number of dwellings 1991-2000	
	Mean % change	Numeric change (sum)	Mean % change	Numeric change (sum)	Mean % change	Numeric change (sum)
England (all England) <sup>1</sup>	12.0%	2,319,800	56.6%	1,003,000	8.3%	1,625,000
Wales (all Wales) <sup>1</sup>	9.0%	89,000	54.6%	56,200	8.2%	97,000
<b>Small towns<sup>2</sup></b>						
Greater South East	13.0%	34,900	69.2%	10,900	11.4%	37,600
Far South West	15.9%	14,800	64.0%	12,200	13.8%	32,500
The Midlands	6.9%	3,900	62.9%	5,400	17.5%	25,600
The North	21.1%	24,900	62.2%	5,000	11.4%	18,500
England (study area)	13.8%	78,600	65.3%	33,600	13.4%	114,200
Wales (study area)	8.6%	9,700	56.0%	10,900	9.2%	22,100
Total (all towns)	12.4%	88,300	62.8%	44,500	12.3%	136,300
<b>Rural residual areas<sup>2</sup></b>						
Greater South East	22.8%	18,900	71.2%	3,900	8.3%	12,200
Far South West	23.1%	13,000	68.6%	6,100	10.0%	14,500
The Midlands	35.0%	11,500	65.7%	2,700	11.1%	13,500
The North	20.9%	18,500	63.8%	2,700	9.5%	11,800
England (study area)	24.6%	62,000	67.6%	15,300	9.6%	51,900
Wales (study area)	19.1%	10,200	61.3%	5,200	6.1%	9,800
Total (all rural areas)	23.7%	72,200	66.6%	20,500	9.1%	61,700

Notes:

1. Percentage changes in performance measures for England and Wales are aggregate percentage changes.
2. Changes in performance measures for small towns and rural residual areas indicate mean percentage changes (averaged across all spatial units) and summed numeric change (summed across all spatial units).
3. Calculations based on 55 rural areas (46 in England and 9 in Wales) and 362 small towns (279 in England and 97 in Wales) – some figures may vary slightly from other tables

4.26. With the exception of Welsh rural areas, all the area classes experience higher rates of housing growth than their respective national economies. In the case of small towns in midland England the rate of housing growth was twice that of England as a whole.

### Sectoral change in employment 1995-2000

4.27. The discussion above broadly suggests economic growth in terms of employment has been fuelled by labour moving into rural areas. Although some aggregate classes of small town suggest that unemployed labour in small towns is also seeking employment outside of small towns. In this section we turn to a detailed sectoral examination of changes in employment in small towns and residual rural areas. The literature on small towns suggests that small towns and rural areas are able to attract particularly dynamic economic sectors. The analysis here is based on the broad industrial grouping classification of nine sectors. However we have excluded employment in agriculture and fisheries because of the problems associated with the estimation of employment in this sector. Thus the analysis will not pick up very specialist sub-sectors but can give an overview of the role of industrial structure in small towns and their associated rural areas.

4.28. Table 4.5 sets out the industrial composition of English and Welsh rural areas in 1995. This is done using location quotients that show whether a particular industrial sector is over-represented in a given area in terms of employment. Thus areas with a location quotient of 1.0 will have a proportion of employment in that sector that is equal to the proportion of industrial employment in the economy of England and Wales as a whole. Thus areas with a location quotient greater than 1.0 have higher levels of employment than would be expected based on the whole economy and conversely areas with a location quotient less than 1.0 are under-represented in relation to the national economy. The location quotients are the mean location quotients for all spatial units in the different categories for two time periods 1995 and 2000.

Table 4.5: Location quotients by broad industrial sectors for English and Welsh rural areas 1995 and 2000.

	Small towns				Rural residual areas			
	English rural areas (N=270)		Welsh rural areas (N=98)		English rural areas (N=51)		Welsh rural areas	
	1995	2000	1995	2000	1995	2000	1995	2000
Utilities and extractive	1.59	1.98	2.65	1.81	2.40	2.09	4.13	3.25
Manufacturing	0.97	1.02	0.81	0.92	1.06	1.09	0.92	1.00
Construction	1.20	1.41	1.33	1.44	1.40	1.79	1.52	2.14
Distribution	1.23	1.21	1.25	1.19	1.25	1.19	1.19	1.00
Transport	0.76	0.74	0.75	0.68	0.95	0.84	0.77	0.94
Private services	0.62	0.53	0.50	0.47	0.61	0.54	0.40	0.44
Public services	1.09	1.14	1.20	1.25	0.89	0.97	1.17	1.21
Other services	0.99	0.98	1.10	1.15	1.07	1.16	1.08	1.02

4.29. Using the location quotients in Table 4.5, it is possible to compare the sectoral structure small towns and residual rural areas. The literature on regional economic change sets out a growing convergence between the industrial structure of different regions and areas. The evidence of Table 4.5 suggests that there is some divergence in the employment trends within small towns and their rural residual areas. In four broad sectors within Welsh small towns, location quotients are diverging from 1.0. Thus within construction, public services and other services employment in Welsh small towns become more specialised

between 1995 and 2000. Whilst in transport and communications there was relatively less employment in Welsh small towns over this period.

4.30. Overall small towns and rural residual areas seem to have disproportionately more jobs in distribution, hotel and catering and in public services and less jobs in banking, finance and insurance sectors than the GB average. Welsh small towns also have fewer jobs in manufacturing than the average for Wales. Obviously this raises questions about the failure of these areas as a whole to capture jobs in banking, finance and insurance. It also raises questions about the dependence of these areas on manual unskilled and rather poorly paid jobs in the retail and hospitality sector (labelled as 'distribution' in Table 4.5).

4.31. The one sector where there is a relatively high proportion of better paid professional and managerial jobs is in public services. Jobs in public services are more likely to be found in small towns than in the countryside. In terms of the relationships between towns and their surrounding rural areas, then, it seems that small towns are a focus for public sector jobs, with schools, leisure and health facilities being likely candidates for facilities that are located there. The industrial structure in Welsh small towns and rural residual areas is not markedly atypical. Manufacturing represents a smaller proportion of employment in Welsh towns than these towns as a whole whilst public service employment is more important. For rural residual areas Welsh areas have less employment in distribution, hotels and catering but more public service employment than the typical area.

4.32. Manufacturing employment has been one explanatory feature of the expansion of economic activity in rural areas since the seventies. This comparative urban–rural shift has been largely due to the faster rate of job losses in conurbations and free-standing cities compared with the rest of the country. Our evidence suggests there is an absolute rather than a relative increase in the manufacturing sector so that manufacturing in these areas has been in general able to expand within England. However there has been an absolute decline in manufacturing employment in Welsh small towns (see Table 4.7).

4.33. Transport and communications is another sector where the literature suggests a national urban-rural shift in employment since the early 1980s. This time the shift has been accompanied by absolute growth outside the conurbations and free-standing cities. However the evidence we have suggests a relative decline in employment in this sector although with an absolute increase in employment in England and a small decrease in employment in Welsh small towns (see Table 4.7). The slight decline in Welsh small towns may be connected with the loss of manufacturing jobs and the decline of employment associated with rural bus services but again this contrasts strongly with the general picture of employment growth. Finally, there has also been a relatively poorer performance in the banking, finance and insurance sector, where small towns have recorded a slight decline against a more general picture of rapid growth at national level particularly outside the conurbations and large cities. However job creation in this sector in Wales more generally has also been below the GB average.

4.34. Tables 4.6 and 4.7 outline employment change in for English and Welsh rural areas respectively. Each table compares sectoral performance for small towns and rural residual areas separately and compares sectoral performance to the percentage change figure for either the English or Welsh economies as a whole. The table gives the total aggregate employment by type of area with the aggregate change in the number of jobs and the average percentage change in employment by sector averaged across either all small towns or rural residual areas.

Table 4.6: Sectoral employment changes in English rural areas 1995-2000.

Sector	Rural residual areas (51)				Small towns (268)		
	Aggregate percentage change for England 1995-2000	Total in employment 1995	Aggregate change in employment 1995-2000	Median percentage change in employment 1995-2000	Total in employment 1995	Aggregate change in employment 1995-2000	Median percentage change in employment 1995-2000
Utilities and extractive	-14.5%	5400	-400	-25.5%	7400	-1300	-60.8%
Manufacturing	-5.2%	56900	5000	12.5%	135800	5200	5.4%
Construction	28.6%	15900	12400	80.5%	30300	11700	61.4%
Distribution	14.2%	89300	18700	21.7%	211600	29000	14.4%
Transport	15.8%	16000	3300	12.8%	39700	2800	9.8%
Private services	23.5%	34500	9700	21.9%	90400	2900	5.7%
Public services	9.7%	66800	22900	30.2%	213000	24400	19.2%
Other services	18.8%	15500	6100	37.4%	33600	4800	12.6%
Totals	12.0%	300300	77500	25.3%	761900	79500	11.1%

Table 4.7: Sectoral employment changes in Welsh rural areas 1995-2000.

Sector	Rural residual areas (9)				Small towns (98)		
	Aggregate percentage change for Wales	Total in employment 1995	Aggregate change in employment 1995-2000	Median percentage change in employment 1995-2000	Total in employment 1995	Aggregate change in employment 1995-2000	Median percentage change in employment 1995-2000
Utilities and extractive	-26.3%	2300	-800	-43.3%	2900	-1200	-59.2%
Manufacturing	-4.8%	9600	700	3.3%	26600	-2400	-1.2%
Construction	36.7%	3400	3500	115.2%	8600	3900	24.8%
Distribution	11.5%	16300	500	20.3%	56500	1100	3.2%
Transport	0.6%	2700	1600	0.0%	8600	-100	-0.7%
Private services	16.8%	4400	1600	52.5%	19900	-100	6.3%
Public services	11.4%	16400	3900	34.8%	69200	7500	17.7%
Other services	21.3%	2900	500	16.5%	9600	1400	8.3%
Totals	9.1%	57900	11700	22.8%	201900	10100	5.9%

4.35. Table 4.6 sets out sectoral change in English rural areas. Numerically construction, distribution, retail and hospitality and public services account for the largest aggregate changes in both small towns and rural areas. However in percentage terms for small towns

it is manufacturing, construction and public services that shown the best performance in comparison with the English economy as a whole. Employment in distribution and retail in these towns is about the same as England as a whole and in private services small English towns appear to generate a quarter of the jobs of the English economy. English rural areas appear to be more dynamic. Across six out of eight sectors, the median percentage growth rate is higher than for the English economy.

4.36. Table 4.7 sets out the picture for Welsh rural areas. The overall picture for Welsh rural areas is similar to that for England. Thus numerically it is public services and construction that contribute greatest to employment growth. Welsh small towns seem to be performing less well than the rural areas in which they are set although Welsh rural areas seem to be performing less strongly than English areas. Thus Welsh rural areas out-perform the Welsh economy as a whole in relation to five sectors out of eight. Small Welsh towns only outperform the economy as a whole in relation to construction and public service employment.

### **Sectoral change in the fast growing small towns and rural areas**

4.37. The overall conclusion of the discussion above is that small towns as a group have become increasingly important as locations of public sector employment and employment in construction. In addition small towns have recouped more of a role in relation to manufacturing employment. However their role as centres of employment within distribution, transport and private marketed services has decreased. The next question to be posed is whether there is a differential sectoral performance associated with towns that are doing particularly badly or particularly well.

4.38. Tables 4.8 and 4.9 explore the relationship between economic performance and sectoral change within areas ranked relative to their overall performance in generating jobs. Table 4.8 plots the case for small towns across England and Wales that have been ranked in order of the level of employment change (percentage figure). Then small towns were grouped in quartiles and the performance of the small towns then aggregated by quartiles. Table 4.8 shows the outcome in small towns in both the highest and lowest quartiles. Table 4.9 is the result of the same process applied to rural areas.

4.39. Overall the upper quartile of small towns have generated some 71,600 jobs over this period in contrast to the lower quartile of towns that lost some 32,900 jobs. For the most part the better performing towns are those that on aggregate were less important employment locations than these lower performing quartile. On the whole the picture of aggregate performance in the better performing towns is one where aggregate employment across the board has grown.

4.40. Public services and distribution and retail have made important contribution to employment growth (as indicated above) but in these small towns, aggregate manufacturing employment has also grown over this period. In the low performance quartile it has been job losses in relation to public services and manufacturing that have had the biggest numeric significance to employment. However the role of manufacturing needs to be contextualised relative to large changes in specific places. Thus for the better performing towns, two towns account for around 9,200 employment jobs gained whilst in the towns performing less well 5,800 manufacturing jobs were lost from four towns alone. This order of magnitude becomes even more stark when we recall that on average our small towns contain around 3,000 jobs in total. It is the difference in performance between these six places that account for the overall balance in manufacturing employment indicated in Tables 4.9. In the remaining 365 towns, there was a slight increase in manufacturing employment overall.

Table 4.8: Sectoral employment changes for the best and worst performing quartiles of small towns 1995-2000.

Sector	Top quartile of small towns (based on employment change measure)			Lowest quartile of small towns (based on employment change measure)		
	Total in employment 1995	Aggregate change in employment 1995-2000	Mean percentage change in employment 1995-2000	Total in employment 1995	Aggregate change in employment 1995-2000	Mean percentage change in employment 1995-2000
Utilities and extractive	1800	100	120.0%	4400	-1800	89.2%
Manufacturing	34400	14500	128.3%	43700	-10900	28.7%
Construction	8200	8400	248.4%	9800	1100	84.7%
Distribution	50500	13900	33.3%	71200	-1700	7.6%
Transport	8100	4000	83.2%	15300	-1100	23.4%
Private services	20600	5000	54.9%	27900	-3500	18.3%
Public services	51000	23000	57.2%	98900	-15100	-5.6%
Other services	8400	2800	74.0%	11000	100	40.9%
Totals	183100	71600	42.0%	282100	-32900	-14.3%

Table 4.9: Sectoral employment changes the best and worst performing quartiles of rural residual areas in England and Wales 1995-2000.

Sector	Top quartile of rural residual areas (based on employment change measure)			Lowest quartile of rural residual areas (based on employment change measure)		
	Total in employment 1995	Aggregate change in employment 1995-2000	Mean percentage change in employment 1995-2000	Total in employment 1995	Aggregate change in employment 1995-2000	Mean percentage change in employment 1995-2000
Utilities and extractive	900	-200	14.9%	2300	-700	32.4%
Manufacturing	13100	6900	82.4%	19300	-4500	-18.5%
Construction	4700	5000	113.9%	3900	3000	83.9%
Distribution	21100	9100	48.2%	24200	-1200	-0.8%
Transport	4600	1900	33.4%	3400	-100	1.6%
Private services	9800	6800	76.2%	8300	-1400	-1.7%
Public services	24400	13100	58.0%	17400	-400	0.0%
Other services	3600	1800	51.4%	3800	2000	54.6%
Totals	82300	44400	56.5%	82700	-3300	-5.2%

4.41. In the rural residual areas, there is a similar picture of performance with the better performing areas recording aggregate job growth across all sectors with the exception of extractive industries and utilities with public services accounting for the single largest rise. The poor performing areas generally show employment loss across most sectors with the exception of construction and 'other' services (personal, cultural and social services).



4.42. If this analysis is extended to the calculation of bivariate correlations between percentage employment change (by broad industrial sector), there is some degree of correlation. Thus in small towns, there is a correlation (at 95% significance level) between employment change in manufacturing and in private marketed services. Within rural residual areas, this correlation is stronger and bolstered by a significant correlation between employment in private marketed services and change in distribution, retail and hospitality. Thus whereas the aggregate figures suggest that small towns that are doing well, generate employment across the industrial spectrum, the bivariate analysis suggests that there may be some specific cross-sectoral linkages. Hence the conditions under which manufacturing employment grows also appears to be good for private marketed services (business, property and financial services).

### **Outcome measures for small towns and rural areas**

4.43. Following the discussion of the nature of economic change in the study area, this section outlines plausible stories for those changes and draws on the multi-variate analysis.

#### *Inter-relations in outcome measures for small towns and rural areas*

4.44. Some commentators (for example, Turok and Webster 1997) have argued that the recent debate about employment and unemployment in Britain has over-emphasised 'supply side problems' to the neglect of the impact of changes in the demand for labour revealed by the geography of job change. Given the local variations in unemployment rates they also argue that the analysis of employment change and unemployment should be based at a finer geographical scale than travel to work areas. At the city scale Turok and Webster (1997) demonstrate a clear negative relationship between the rate of unemployment in major cities and job change over the previous ten-year period. Our study has been conducted at the micro scale of small towns and rural residual areas, where we have found that employment change, housing growth and unemployment change were not strongly correlated with each other either within small towns or within rural residual areas. Employment growth, contrary to common perceptions, does not necessarily lead to reductions in unemployment (see Tables 4.10 and 4.11). Equally housing growth takes place independently of employment growth. This suggests that the processes linking these aspects of change are complex or that these aspects of change are responding to different sets of assets, a subject to which we turn below. Clearly this partly relates to the size of our small towns as economic units (see Section 4.2.1).

4.45. Tables 4.10 and 4.11 explore the relationships between outcome changes both within the spatial area types (small towns versus rural residual areas) but also between spatial area types using bivariate correlations. Table 4.10 deals with small towns and demonstrates that there is no correlation between outcome measures within the small town group. However a pattern of correlation emerges between the outcome measures of small towns and of the outcome measures for their rural residual areas. Thus changes in the numbers of unemployment benefit claimants in towns are strongly correlated to changes in the number of jobs and to the number of unemployment benefit claimants in the residual rural areas. Equally changes in the number of houses within small towns correlates both to changes in employment and in the number of houses in the rural residual areas. Similarly changes in unemployment benefit claimants and housing in rural areas correlate to changes within their associated small towns.

4.46. Whereas there was no correlation between the three outcome measures either within small towns or rural areas, there is evidence of a more complex relationship between the two area types. This suggests that the wider context (up to local authority district scale) is important for changes in labour market supply and for housing issues in rural areas. There is some evidence that there are cross theme linkages between employment growth and

changes in either housing or prosperity/labour supply at a wider scale but the relationship is not as clearly marked out.

4.47. The next stage of the analysis is the application of linear multi-variate analysis to each of the outcome measures which allows a more complex story to emerge associating changes within small towns to the characteristics of those towns and their wider economic context. In this section we are interested in exploring the linkages or associations between two groups of factors (or independent variables) and economic development outcomes taking each of the three outcome measures by turn.

### **Employment growth**

4.48. A considerable literature both in Britain and abroad reviewed earlier has commented on the relative dynamism of rural areas in terms of employment growth over at least the last 25 years. This has contrasted with experience of large conurbations and free-standing cities that have continued very largely to lose jobs. On average in our small towns the rate of employment growth was around 12.5% for the period 1995-2000. In absolute terms, this equated to an average of 240 jobs in sectors outside of agriculture and fisheries per small town.

4.49. Despite the interest in rural employment growth, there has been little previous work on the geography of small town job growth. Our research shows that place matters – the nature of the wider economic context in which a small town is located seems to be important. However for small towns growth in employment is associated with the growth of housing in the wider rural area. There is reciprocity in the association between job growth in the wider rural area and housing growth in associated small towns.

4.50. Table 4.12 sets out the results of a linear multi-variate analysis of the potential relationship between employment growth within a spatial unit (small town or rural area) versus the economic, social, housing and contextual characteristics of the spatial unit. The table gives both the adjusted value of Spearman's coefficient and the correlated factors associated with employment growth in both small towns and rural areas.

4.51. The overview of the analysis reveals that it is only of limited use in explaining the variation of job generation performance in small towns as it only 'explains' about 12% of the variation. Although the analysis for rural areas is capable of 'explaining' just over 25% of the variance. Despite the low value of R for small towns, the data still points to some plausible stories of job change in our small towns and their associated rural areas.

4.52. For small towns the explanation of changes in the number of jobs within the town is likely to be found in the positive relationship between job growth and the presence of a highly qualified workforce that has a high average commuting distance (and relatively high levels of in-migration). As noted above, these areas are likely to be in the greater south east of England. Other regional dimensions appear to be important for employment growth. Thus small towns in England appear to do well whilst small towns in midland England do relatively poorly. On top of these positive relationships there also appeared to be a positive correlation in relation to the quality of entrepreneurship in the town and to housing growth in the wider local authority area. Entrepreneurship is a characteristic associated with high rates of self-employment as well as places with relatively high numbers of businesses per head of population but does not demonstrate particular regional variations. However small towns that demonstrate this characteristic perform better in relation to employment generation than small towns whose resident population did not have these characteristics.

Table 4.10: Bivariate correlations between changes within small towns and between small towns and their associated rural areas.

		Employment growth	Unemployment benefit claimants	Change in the number of dwellings	Employment growth in rural areas	Change in unemployment benefit claimants in rural areas	Housing change in rural areas
Employment growth	Pearson Correlation	1	0.033	-0.051	0.112*	0.094	0.132*
	Sig. (2-tailed)	.	0.524	0.333	0.035	0.079	0.012
Unemployment benefit claimants	Pearson Correlation	0.033	1	-0.027	0.167**	0.463**	0.027
	Sig. (2-tailed)	0.524	.	0.609	0.002	0.000	0.611
Change in the number of dwellings	Pearson Correlation	-0.051	-0.027	1	0.198**	0.080	0.313**
	Sig. (2-tailed)	0.333	0.609	.	0.000	0.131	0.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Table 4.11: Bivariate correlations between changes within rural areas and between rural areas and their associated small towns.

		Employment growth	Unemployment benefit claimants	Change in the number of dwellings	Employment growth in small towns	Change in unemployment benefit claimants in small towns	Housing change in small towns
Employment growth	Pearson Correlation	1	0.133	0.111	-0.013	0.214	0.195
	Sig. (2-tailed)	.	0.334	0.419	0.923	0.116	0.155
Unemployment benefit claimants	Pearson Correlation	0.133	1	0.272*	0.052	0.728**	0.168
	Sig. (2-tailed)	0.334	.	0.045	0.708	0.000	0.219
Change in the number of dwellings	Pearson Correlation	0.111	0.272*	1	0.302*	0.038	0.505**
	Sig. (2-tailed)	0.419	0.045	.	0.021	0.778	0.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

4.53. Negative correlations arise in relation to particular sectoral profiles within the small towns. Thus towns that had higher levels of employment in both private sector services (business, property and financial) and those with high levels of employment in retail and

catering had lower levels of employment change. We have already noted that employment within these sectors has been subject to relative decline over this period within small towns.

4.54. For the rural residual areas variation in employment change appears to be explained in relation to industrial structure and housing growth in associated small towns. Areas retaining high levels of employment in public services and agriculture performed less dynamically than areas with high levels of employment in private marketed services. This observation goes against the general trend of employment in rural areas (see Table 4.5) where relative employment in private sector services has declined (from a low base) and where public sector services have increased both in absolute and relative terms. This would appear to indicate that the high performing rural areas have a particular strength in relation to employment in private marketed services that differentiates them from most rural areas. This introduces an interesting contrast to small towns in this study where high levels of employment (as jobs) in private marketed services are negatively correlated to better job generation.

4.55. Taking the performance of both small towns and rural areas together this picture suggests that employment growth in rural areas is associated with housing growth. The Countryside Agency (2001) has argued that population growth (taken to underpin housing growth), can support local job growth. Other researchers (Keeble 1990) have shown that rural areas growing in population terms attract in-migrants for reasons connected with the local quality of life but these in-migrants are likely subsequently to set up businesses. Our findings are consistent with these claims. Thus job growth in small towns is linked to long-distance commuters and in-migrants, self-employment rates and a highly qualified resident labour force (who may not actually work in the town). There is a suggestion that these highly qualified workers may be supporting the growth of local economies that demonstrate quite diverse industrial structures since there is not a strong positive correlation of job growth to a particular industrial sector. Although towns retaining a higher dependence on private service sector and retail employment have done less well. Thus there is a plausible suggestion that employment success is not linked to a particular role of the small town as a local service centre (either for shopping or for private marketed services. However for the rural residual areas strong employment growth appears to be linked to retaining a larger proportion of employment in private marketed services. Although rural areas retaining a higher level of dependence on agriculture and public services performed less well.

4.56. Thus the key elements of an explanation of success in job generation are associated with:

- the presence of highly qualified individuals who may have a higher propensity for generating employment either directly through the creation of businesses or indirectly through the consumption of a range of goods and services;
- the presence of a diverse employment economy in small towns that do not rely on the small town playing a service centre role but with service sector employment growing in rural residual areas;
- the association of employment growth and growth in the number of houses (and thus growth in the population) of a wider locality; and,
- some regional differences across England and Wales.

Table 4.12: Associations between employment growth, contextual factors and principal components for small towns and rural residual areas

	Small towns	Rural residual areas
Adjusted R squared score for linear multi-variate model	0.118	0.253
Factors associated with employment growth (standardised beta coefficients)		
Absence of jobs in construction (2000) and presence of jobs in private marketed services (2000 – financial, property and business services) – (LM11)	-0.220	0.428
Location in northern England	0.137	NA
Highly qualified resident workforce, commuting long distances, working outside district of residence and high proportion of migrants into district (1991), high proportion of residents employed in private marketed services (financial, property and business services) (1991) – (LM1)	0.162	NA
Change in the number of dwellings in associated rural areas	0.146	NA
Change in the number of dwellings in associated small towns	NA	0.268
Location in midland England	-0.125	NA
High levels of employment in distribution and catering (1991), clerical workers and jobs in distribution and catering (2000) – (LM6)	-0.128	NA
Entrepreneurship in terms of high rates of self-employment, working at home, employment in agriculture, forestry and fisheries and large numbers of businesses per capita – (LM2)	0.107	NA
High levels of employment in public services (1991) and jobs in public services (2000), residents in professional classes, absence of manufacturing jobs (2000) – (LM5)	NA	-0.281
Jobs in agriculture, fisheries and forestry (2000) – (LM10)	NA	-0.353

### Falls in unemployment benefit rates

4.57. There have been substantial falls in the recorded rate of unemployment between 1990 and 2002. The overall level of unemployment in Britain was at a level of about 1.5 million in 1990, rose to about 2.7 million in 1993 and thereafter fell to just over 2 million in 1996 and has declined to just over 900,000 in 2002. Unemployment on this measure has fallen by 55% in both Great Britain and in Wales between 1996 and 2002. In 2002 the average rates were 2.5% in the small towns and 1.7% in the rural residual areas. On the face of it these rates represent a situation of full employment in many places. However as we have noted above levels of unemployment at the start of our period of interest in the early nineties did exhibit the presence of a workforce that was seeking employment but was unable to find it.

4.58. Table 4.13 presents the key results of the multi-variate analysis for the outcome that measures changes in unemployment benefit claimant numbers. This has been taken as a proxy measure for prosperity but evidently also indicates labour market supply behaviour within these localities. The overall analysis suggests that these data models can account for nearly 32% of the variation in changes in unemployment amongst small towns and over 60% amongst rural residual areas.

4.59. The relationship between the generation of jobs and the fall of unemployment rates is complex. The rate at which unemployment fell in small towns in the latter 1990s reflected the balance between changes in labour demand, labour supply (reflecting population

increase, economic activity rates) and commuting. Everywhere in our study areas, unemployment was declining throughout this period. As with the measure for employment growth, falls in unemployment in both rural areas and small towns are closely correlated to changes in unemployment in their wider areas. This clearly invokes the notion that labour markets for small towns and their hinterlands are closely inter-linked. However it is clear that:

- falls in unemployment are not closely associated with increases in job growth;
- areas with the highest percentage falls in the number of unemployment benefit claimants have the lowest unemployment rates; and,
- the number of jobs created in rural areas (in aggregate terms) greatly exceed the aggregate fall in the number of unemployment benefit claimants.

4.60. In small towns Table 4.13 indicates that falls in unemployment are strongly related to three labour market characteristics of the populations that live within the small towns: a highly qualified workforce that commutes relatively long distances (predominantly in the greater south east of England), to areas where there are high levels of in-migration and to areas where there was already high levels of economic activity and low levels of unemployment. Thus the areas that experience the highest falls in unemployment are areas with a relatively tight labour supply that may be supplemented by people moving into the area.

4.61. In addition to the labour market characteristics, the small towns that perform the best on this measure also tend to have high levels of employment in retail (and hospitality) and in other services (predominantly services to households and individuals). Thus the best performing areas have high levels of employment within economic activities associated with the consumption of goods and services (rather than their production).

4.62. For rural residual areas, there is a simpler set of correlations indicated in Table 4.13. Context matters again because falls in unemployment within a rural area are strongly associated with falls in unemployment in the small towns located within the rural area. In addition falls in unemployment are associated with growth in housing. The only characteristic of the population and housing in rural areas is the negative correlation to areas with high levels of households living in social rented housing (with high levels of individuals claiming lone parent-related income support). Given that the rural areas in the study tend to have significantly lower levels of social renting and lone parents on income support, there seems to be a clear indication that areas that score highly on these factors (northern England) record relatively low falls in unemployment. Welsh rural areas tend to score lower than English regions on this factor.

4.63. Overall the pattern of correlation in relation to changes in unemployment and employment point to a shifting pattern of geography between labour demand and labour supply. These changes need not occur in the same immediate locality but may be occurring in nearby localities. Changes in the unemployment rate reflect changes in labour supply. In general labour supply in rural areas is being increased by population growth reflecting natural increase and net migration. According to labour market studies of Rural Development Agency (RDA) areas in England, migration is a more important component of change than natural increase (Beatty and Fothergill 1997). We have been unable to distinguish between migration and natural increase but on average the areas we have studied have been growing in population. A second source of change in labour supply is net changes in economic activity rates although we have been unable to include an analysis of economic activity rates from the 2001 Census of Population in this study. However economic activity rates in recent years for rural areas have shown strong growth for women but some decline for men (Beatty and Fothergill 1997). Labour supply factors do seem to have played some part in affecting the performance of different areas. It has been recognised that specific groups in the population have high levels of 'worklessness' – lone

parents for example – and that worklessness is strongly linked with low household income. Hidden unemployment – those people who have withdrawn from either employment or unemployment but who might be available for work, if it were available locally, has also been recognised. Green and Owen (1998, p. ix) (quoted in Turok and Edge 1999) have argued that ‘the greater the degree of labour market disadvantage in an area the smaller the proportion of people who would like to work who are included within conventional definitions of unemployment.’ Originally identified as a phenomenon in declining coalfield areas, recent research has shown that the phenomenon exists in rural areas (Beatty and Fothergill 1997) and inner urban areas (Turok and Edge 1999).

Table 4.13: Associations between decrease in unemployment claimants, contextual factors and principal components for small towns and rural residual areas

	Small towns	Rural residual areas
Adjusted R squared score for linear multi-variate model	0.317	0.619
Factors associated with employment growth (standardised beta coefficients)		
Proportional (percentage) change in rural residual areas in unemployment benefit claimants 1996-2002	0.363	
Proportional (percentage) change in small towns in area in unemployment benefit claimants 1996-2002		0.823
High levels of employment in distribution and catering (1991), clerical workers and jobs in distribution and catering (2000) – (LM6)	0.209	
Highly qualified resident workforce, commuting long distances, working outside district of residence and high proportion of migrants into district (1991), high proportion of residents employed in private marketed services (financial, property and business services) (1991) – (LM1)	0.196	
High levels of employment in construction (1991) and jobs in ‘other services’ (2000) – (LM12)	0.133	
High rates of moving house, high rates of in-migration (1991) – (LM3)	0.130	
High rates of economically active, high employment rates, low unemployment rates – (LM4)	0.098	
Proportion change in the number of dwellings in rural residual area, 1991-2000		0.262
Income poverty (1991), social rented housing and single parent households (1991) – (SC2)		-0.222

Table 4.14: Associations between housing growth, contextual factors and principal components for small towns and rural residual areas

	Small towns	Rural residual areas
Adjusted R squared score for linear multi-variate model	0.208	0.317
Factors associated with employment growth (standardised beta coefficients)		
Proportional (percentage) change in rural residual areas in dwellings 1991-2000	0.213	
Proportional (percentage) change in associated small towns in dwellings 1991-2000		0.465
Location in a local authority area classified as 'coastal'	-0.171	
Income wealth and expensive housing (expressed in average cost and affordability ratio) – (SC3)	-0.239	
High rates of economically active, high employment rates, low unemployment rates – (LM4)	0.207	
High levels of employment in utilities and mining (1991) and jobs in utilities and mining (2000) – (LM8)	-0.127	
Pensioner households with long term illness (1991) and income support claimants with disability premium (1998) – (SC7)	0.110	
Income poverty (1991), social rented housing and single parent households (1991) – (SC2)	-0.103	
People from BME communities and housing bought with mortgages – (SC9)	0.136	
High levels of employment in public services (1991) and jobs in public services (2000), residents in professional classes, absence of manufacturing jobs (2000) – (LM5)	-0.108	
Entrepreneurship in terms of high rates of self-employment, working at home, employment in agriculture, forestry and fisheries and large numbers of businesses per capita – (LM2)		-0.311

4.64. Overall better performance on unemployment is associated with areas that already have lower unemployment rates. There is a strong correlation in this study between areas that started with high unemployment rates and that ended with high unemployment rates. Thus the on-going dynamic of falling unemployment has not radically altered the pattern of disadvantage across these rural areas.

### Housing growth

4.65. A general debate about counter-urbanisation has been engendered by the experience since the 1960s of population growth in the type of rural areas we have been studying. Lewis (1998) has argued that there has been a tendency to over-emphasise the widespread significance of the rural turnaround, ignoring regional and local variations in change. There has also been a tendency to focus on population change whilst in terms of the operation of the housing market and public policy, it may be more important to think in terms of the change in the number of households. Changes in the number of dwellings in a housing market area are associated with the changing demand for housing (population growth, household formation) and the ability to supply housing (reflecting particularly the availability of land supply). Dwelling change is likely to be very closely associated with household change though the phenomenon of sharing and concealed households has been well-recognised in the literature on housing in rural areas.



4.66. Table 4.14 sets out the multi-variate data model in relation to housing change in rural areas. Overall the data model explains some 21% of the variance for the small towns and some 32% of the variance of the rural residual areas. The single largest variable contributing to the data model in the case of both the small towns and the rural areas is the change in the number of dwellings in the wider context.

4.67. We have already seen that there have been significant variations in the rate of housing growth in different small towns but that in general small towns have been growing faster than the rural residual areas. Our subsequent analysis further supports Lewis' (1998) assessment of the importance of place and context to rural population change. Housing growth in small towns is strongly linked to population growth in the wider locality. Regional factors are also important; towns in the Midlands region have grown more rapidly than those in Wales, which may be a reflection of counterurbanisation and spillover from metropolitan areas.

4.68. The data model in Table 4.14 suggests that towns that have a housing stock that is made up of large expensive housing (predominantly in south east England) tended to see fewer new houses built over the period. Small towns with high levels of employment and low levels of pensioners tended to be the ones with the highest rates of housing growth. The character of existing housing markets further influences new housing because areas with high levels of social rented housing have lower rates of housing growth. Thus the more affluent small towns outside of the South East of England have been the towns with the highest housing growth. Rural areas in Wales having experienced higher housing growth than those in the 'Greater South East' region. This may reflect an easier housing supply situation in rural locations in Wales than in the South East of England where there may be fewer opportunities for conversion of buildings and infill development and strong pressures to resist further growth.

4.69. In terms of industrial structure, small towns with high levels of employment in extractive industries (a significant concentration in these rural areas – see Table 4.5) performed poorly and areas with high levels of employment in public services also did poorly. Areas where there were high levels of self-employment and agricultural employment (under entrepreneurship) which are the more 'rural' of our rural areas - have also had lower rates of dwelling growth.

### **Concluding points of secondary data analysis**

4.70. The underlying motor of employment in small towns in both England and Wales remains a combination of retail, distribution and public services. It is these sectors that push the aggregate strong performance of small towns although in Wales the performance of the distribution sector was generally lower than the case for English small towns. Across all the broad sector headings the performance of English small towns was statistically undistinguishable from the Welsh small towns. Although the aggregate performance of Welsh small towns suggest that Welsh towns have been less able to generate employment in manufacturing, transport and communications and private marketed services. Overall it is noteworthy that the wider context of the small towns matters. Thus the performance of small towns is intimately linked to changes in the surrounding rural area.

4.71. Labour market mobility (both physically and within the labour market) seems to be crucial in that small towns through the late nineties generated twice the number of jobs than the numerical drop in unemployment benefit claimants. Employment generation in small towns appears strongest in areas where workers already commute relatively long distances and where there are relatively high rates of in-migration. However employment generation does not appear to be related to a specific sector.

4.72. Falls in unemployment are strongly associated with areas that are already prosperous and that can support growth in industrial sectors based on consumption. Thus

low skill sectors can help deal with unemployment but employment generation appears to be associated with higher skills sectors and more mobile labour forces.

4.73. Outside of south east England high levels of economic activity support higher levels of housing growth in small towns. Housing growth in small towns appears to underpin employment growth in the surrounding rural areas. Within Wales the growth in housing in small towns numerically greatly exceeds growth in employment (although to a far less degree than midland England). Given the growth in housing it is of little surprise that small towns (and rural areas) have seen a dramatic rise in employment in the construction industry although these two trends do not appear to be spatially correlated reflecting the flexible and mobile pattern of employment within the construction industry.

## **5. ANALYSIS OF THE SAMPLE OF 24 CASE STUDY SMALL TOWNS**

### **Introduction**

5.1. Of the 371 towns in the population for both Wales and England, 24 were selected for more detailed case study investigation in consultation with the Steering Group. The method of selection to ensure that they represented of all 'ONS area types' and a range of sizes is described in Chapter 3. In order to maintain anonymity of our principal sources the towns are not named here. The findings are presented here in two parts

- comparison of secondary data for 22 towns (two towns are excluded from this analysis because of issues connected to the data as explained below);
- analysis of the findings from in-depth qualitative case study work in 24 towns.

5.2. As explained in earlier chapters, the analysis of secondary data is concentrated on the three principal output measures of success:

- changes in the number of dwellings 1991-2000;
- change in the number of jobs (excluding agriculture)1995-2000; and
- change in unemployment benefit claimants 1996-2002.

5.3. Comparison is made among the towns and between the towns and their residual rural areas as defined for analytical purposes in this project. It has not been possible to compare population growth in the absence of ward based estimates for Wales, but the measure of increase in the number of dwellings is used as a proxy. It should also be noted that some limitations on valid comparisons are set by the incompatibility of data for Wales and England. Similar considerations limit the potential to explore changes in the output measures over a longer time span.

5.4. A summary of the size of population and number of jobs in the case study towns is presented in Table 5.1 and Figure 5.1. The figure illustrates the large range in population of the case study towns from around 30,000 to less than 2,000. It should be emphasised that the secondary data analysis of all small towns found no general correlation between size (or 'economic weight) and economic outcomes. Welsh towns are represented across the size range. The four smallest towns are in Wales, reflecting the sampling which included towns of populations down to 1000 in Wales and 2000 in England.

5.5. Figure 5 shows a generally consistent relation between size of population and number of jobs. Two towns have a higher proportion of jobs for population. The larger small towns tend to have a larger ratio of jobs, reflecting the tendency for jobs to be located in larger centres. Other variation from the norm may be explained by particular factors such as the dominant location for retirement homes.

### **General trends in housing, jobs and unemployment**

5.6. Figure 5.2 compares net change in numbers of dwellings, jobs, and unemployment benefit claimants for the full sample of towns. The findings are ranked by change in the number of jobs. All the case study towns have experienced growth in the number of dwellings and most have experienced growth in the number of jobs. There is a small cluster of towns that have experienced a decline in the number of jobs which are discussed below in the section on employment.

Figure 5.1 Case study towns: population and number of jobs 1991

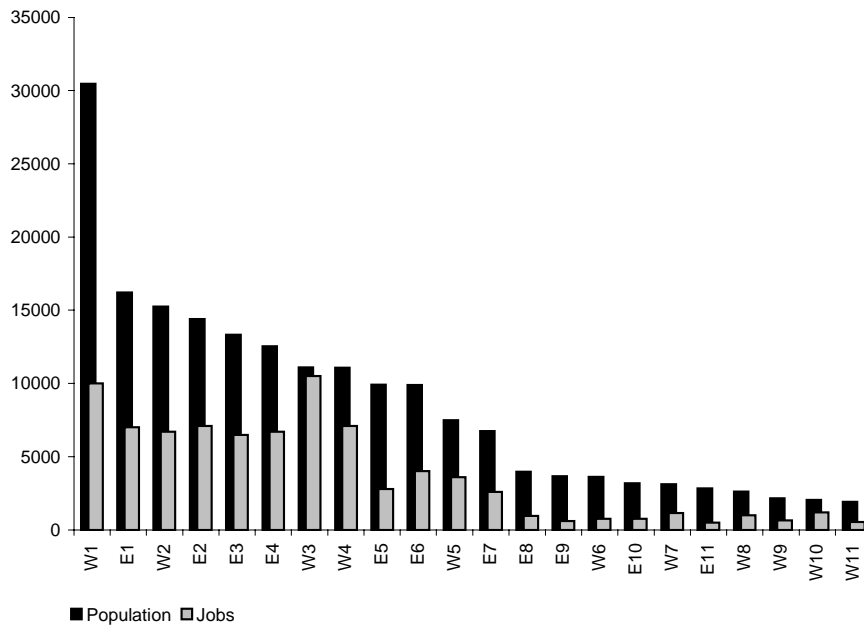


Table 5.1 Case study town characteristics: population, number of jobs and proportion of local authority area jobs in the town (Welsh towns in bold)

	Population 1991 (000)	Jobs 1991 (000)	% LA jobs in town 1991
W1	30	10.0	9.5%
E1	16	7.0	27.7%
W2	15	6.7	22.4%
E2	14	7.1	18.3%
E3	13	6.5	49.8%
E4	13	6.7	29.7%
W3	11	10.5	23.4%
W4	11	7.1	35.2%
E5	10	2.8	27.8%
E6	10	4.0	31.7%
W5	7	3.6	28.8%
E7	7	2.6	19.1%
E8	4	1.0	16.8%
E9	4	0.6	6.2%
W6	4	0.8	11.7%
E10	3	0.8	
W7	3	1.2	25.4%
E11	3	0.5	11.6%
W8	3	1.0	28.8%
W9	2	0.7	28.8%
W10	2	1.2	28.8%
W11	2	0.6	23.4%

Notes

1. Population 1991 of small town area as defined for this project (see Chapter 3); number of jobs in area 1991 and proportion of local authority non-agricultural employment in the local authority area located in the town 1991.
2. Not all data not available for W6

5.7. The distribution of change in the three output measures for the small towns is similar in Wales and England. The experience of the case studies reflects the general trends explained in Chapter 4 with rural area population and employment growth and relatively good and stable economic conditions through the 1990s.

5.8. There is no apparent pattern in the variation among towns which reflects the findings of the secondary data analysis of all small towns. Some towns have both strong housing and employment growth and others are much stronger in one than the other. The differences among towns can often be explained with reference to particular local circumstances. In some cases very low housing growth arises from physical constraints in and around the town; and particularly high levels of housing growth in comparison to job growth is experienced where they are close to other larger employment centres.

5.9. Findings for the residual rural areas around the case study towns are shown in Figure 5.3 also ranked by change in the number of jobs. The figure illustrates a generally consistent relationship between job growth and housing growth, although in residual rural areas job growth is generally stronger and housing growth weaker than in towns. The changes in job growth in rural areas surrounding the case study towns reflects the findings of the analysis of all small towns which showed that new employment has been stronger in the areas surrounding towns. The ranking of towns according to job growth changes quite significantly from towns to residual rural areas. The group of four residual rural areas that have experienced the worst outcomes in terms of jobs, are all in relatively remote rural areas. The slower growth of housing in residual rural areas is as would be anticipated but may be considered relatively strong given planning policies that seek to direct new housing to existing urban areas. The decline in unemployment in residual rural areas has been very consistent.

### **Change in employment**

5.10. Overall job growth in the areas under study in Wales at 9.7% lies midway in the range of growth of the same types of area in the regions of England, from 21.5% in the South East to 5.5% in the North East. Table 5.2 shows that the sample of towns for Wales includes towns with both better and worse employment growth than that for the comparison sample towns in England. The data for job growth in the residual rural areas is not complete, but it shows a similar mix of experiences with Welsh residual areas doing both better and worse than comparison areas in England.

5.11. There is great variation in employment growth, ranging from very strong growth to decline. The variation is consistent with the effect that small changes can have on small towns where the gain or loss of one significant employer can make a very big difference. The actual numbers of jobs gained or lost are listed along with the rankings of small towns according to their percentage job growth in Table 5.2. For example, the Welsh town with the greatest proportionate job loss has in fact lost 26 jobs in total.

5.12. However, the absolute numbers of job change in some towns is very significant, especially since these are net figures. Two Welsh towns, have the highest absolute growth in jobs over the five year period at 2,750 and 2,000. Similarly, there are high absolute net fall in job numbers in some towns. One Welsh town shows a net fall of 1,200 jobs. These figures illustrate the extent of change (or churn) in employment, with places gaining or losing many jobs and these net figures mask the true extent of change.

Figure 5.2 Towns: change in dwellings, jobs and unemployment ranked by job change

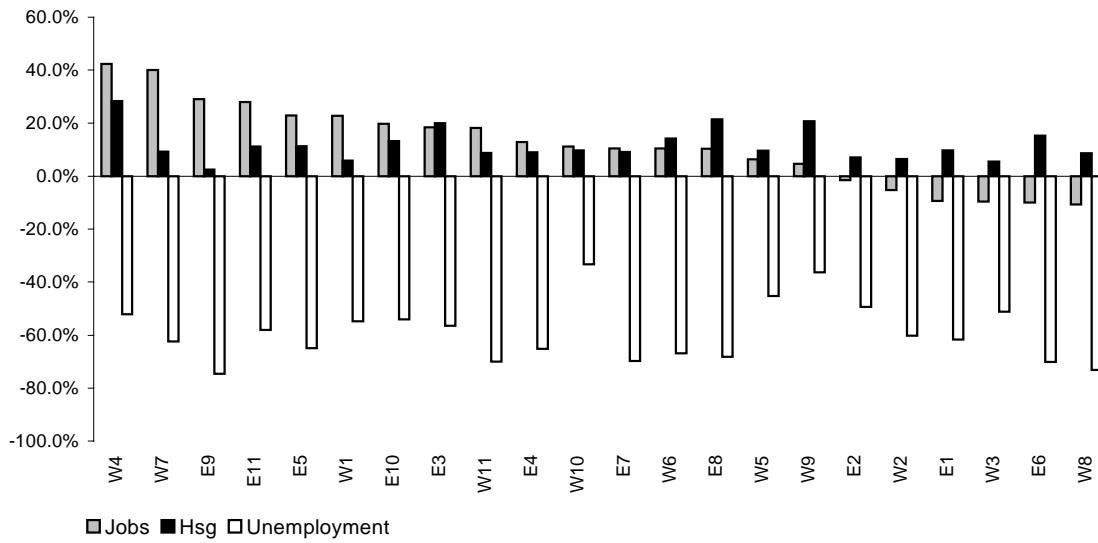
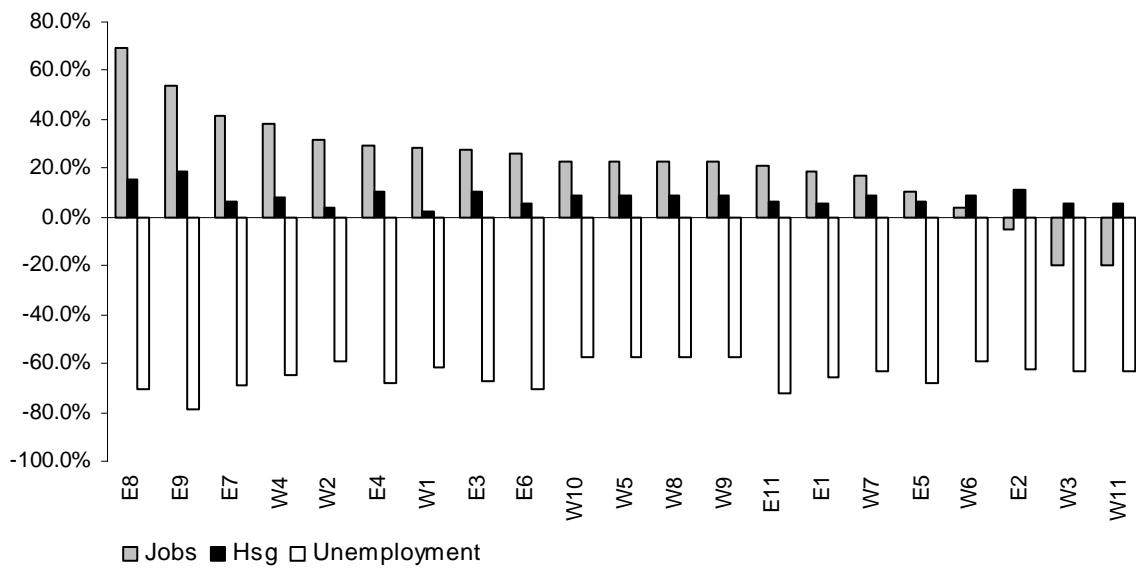


Figure 5.3 Residual rural areas: change in dwellings, jobs and unemployment ranked by job change



Note

Job change is change in non-agricultural employment 1995-2000; housing is change in number of dwellings 1991-2000; and unemployment is change in unemployment benefit claimants 1996-2000

Table 5.2 Employment growth rankings of small towns (in percentages, Welsh towns in bold)

Rank	Town	Towns			Residual rural areas	
		Actual	Predicted	Number	Actual	Predicted
<b>1</b>	<b>W4</b>	<b>42.4%</b>	<b>7.4%</b>	<b>2750</b>	<b>69.5%</b>	<b>58.0%</b>
<b>2</b>	<b>W7</b>	<b>40.0%</b>	<b>22.5%</b>	<b>300</b>	<b>0.0%</b>	<b>0.0%</b>
3	E9	29.1%	14.2%	150	0.0%	0.0%
4	E11	27.9%	15.0%	150	0.0%	0.0%
5	E5	22.8%	10.1%	700	41.2%	27.0%
<b>6</b>	<b>E1</b>	<b>22.7%</b>	<b>11.4%</b>	<b>2000</b>	<b>20.8%</b>	<b>12.4%</b>
7	E10	19.7%	15.1%	150	4.3%	28.5%
8	E3	18.4%	20.2%	1300	.	.
<b>9</b>	<b>W11</b>	<b>18.2%</b>	<b>-4.6%</b>	<b>100</b>	<b>-5.1%</b>	<b>9.5%</b>
10	E4	12.9%	13.2%	850	29.5%	22.9%
<b>11</b>	<b>W10</b>	<b>11.2%</b>	<b>8.2%</b>	<b>100</b>	<b>4.3%</b>	<b>28.5%</b>
12	E7	10.4%	12.9%	350	.	.
<b>13</b>	<b>W6</b>	<b>10.4%</b>	.	<b>100</b>	<b>10.3%</b>	<b>26.3%</b>
14	E8	10.3%	8.5%	50	.	.
<b>15</b>	<b>W5</b>	<b>6.4%</b>	<b>7.8%</b>	<b>250</b>	<b>22.8%</b>	<b>10.3%</b>
<b>16</b>	<b>W9</b>	<b>4.6%</b>	<b>13.8%</b>	<b>0</b>	.	.
17	E2	-1.5%	15.1%	-150	16.8%	27.6%
<b>18</b>	<b>W2</b>	<b>-5.2%</b>	<b>9.9%</b>	<b>-400</b>	<b>22.8%</b>	<b>10.3%</b>
19	E1	-9.3%	2.3%	-1100	37.9%	64.4%
<b>20</b>	<b>W3</b>	<b>-9.5%</b>	<b>-9.7%</b>	<b>-1200</b>	<b>0.0%</b>	<b>0.0%</b>
21	E6	-10.0%	-2.6%	-500	0.0%	0.0%
<b>22</b>	<b>W8</b>	<b>-10.7%</b>	<b>15.1%</b>	<b>-100</b>	<b>0.0%</b>	<b>0.0%</b>
	272 English towns	13.0%		300		
	99 Welsh towns	<b>8.1%</b>		98		
	<b>South East</b>	21.5%				
	East of England	13.5%				
	<b>West Midlands</b>	12.3%				
	<b>South West</b>	10.2%				
	Wales	<b>9.7%</b>				
	<b>North West</b>	9.3%				
	<b>East Midlands</b>	8.4%				
	North East	5.5%				

## Notes

Employment growth is change in number of jobs 1995-2000.

Zero figures and small inconsistencies with other tables arise from rounding of actual employment numbers.

Figure 5.5 Actual change in jobs in towns and residual rural areas

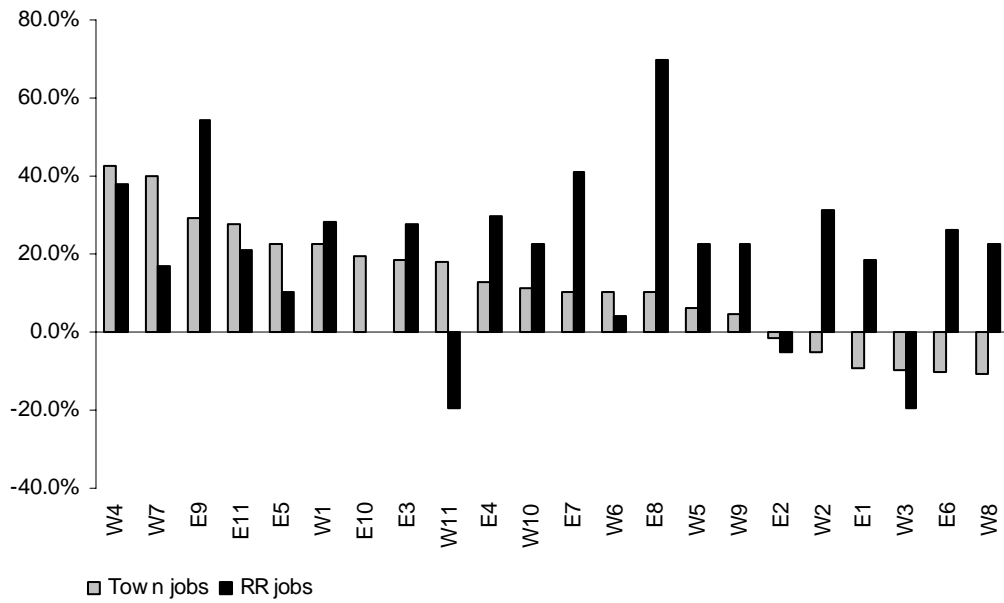
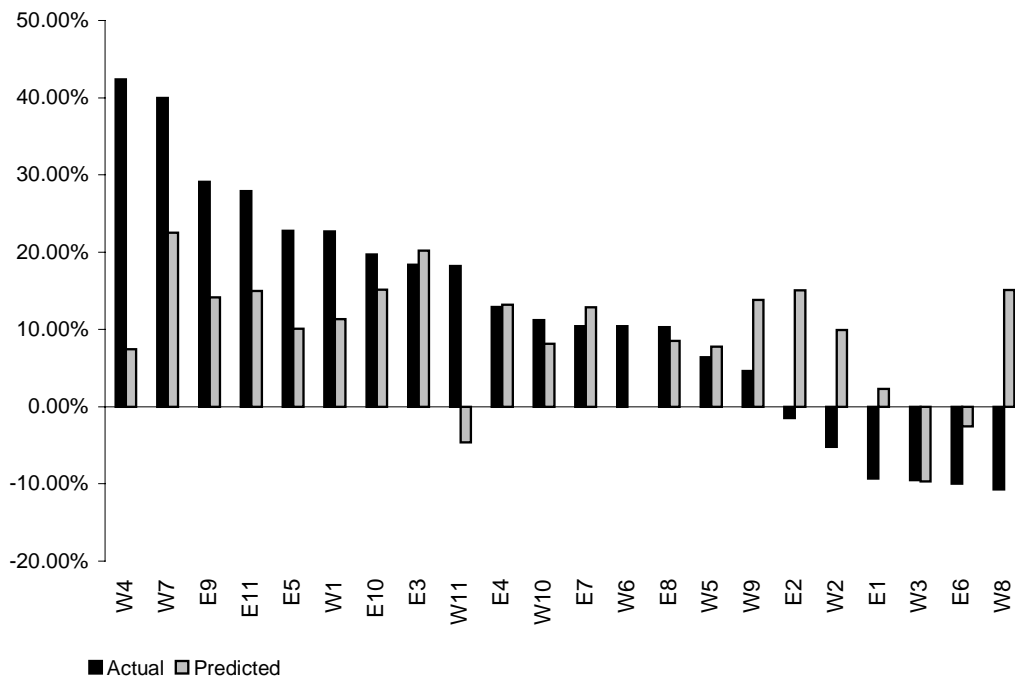


Figure 5.4 Jobs growth: Comparison of Actual and Predicted in Small Towns



Notes

Employment growth is change in number of jobs 1995-2000.

Zero figures and small inconsistencies with other tables arise from rounding of actual employment numbers.



5.13. The comparison of actual and predicted job growth in Figure 5.4 shows considerable variation in the performance of the case study towns based on their characteristics. Some small towns are performing very much better than predicted, whilst a small number have done worse.

5.14. Figure 5.5 gives a comparison of job growth in towns and their surrounding areas. There is little pattern to the variation. In about two thirds of the cases residual rural areas perform better than the towns and in numerous cases the difference is very great. One town in England (E8) stands out and this is probably explained because of a combination of employment development in the urban fringe area of a nearby city and growth other major food production related employment in the area.

### **Housing growth**

5.15. As would be expected, all small towns and their residual rural areas have experienced growth in housing. Table 5.3 gives the findings for the case study small towns and residual rural areas and show that in almost all cases there has been very substantial growth. Overall, the Welsh case study towns have a similar spread of performance to the comparison towns in England. Only one town has very low housing growth in the town (the number is rounded down to zero) but the detailed case study work showed that this was due to physical constraints.

5.16. Figure 5.6 compares actual with predicted housing growth and illustrates very well that it is easier to predict housing growth than jobs growth in small towns because it is more closely linked to the performance of the surrounding area. There is steady demand for housing across most of Wales and England and housing development is more closely controlled by planning policy. Nevertheless, some case study towns have experienced considerably more housing growth than would be predicted.

5.17. The comparison of housing growth in small towns and their surrounding rural areas is shown in Figure 5.7. As with other comparisons of this kind the definition of towns and rural areas is critical, and it may be that there are pockets of new housing that are on the urban fringe just beyond the defined area of the town. We have explained this problem in Chapter 3 and concluded that the general findings are robust. The secondary analysis confirmed expectations that most housing growth would be taking place in the towns and the case studies generally show this same pattern with most towns showing much greater growth in towns than the rural residual areas – especially where growth is strongest. The towns that illustrate very strong housing growth in the town compared with the surrounding rural areas are all attractive locations where there is evidence of planning policies releasing substantial housing land to encourage and concentrate growth. Figure 5.7 also illustrates exceptions to the rule that housing growth is predominantly in towns. The case study work found that these tend to be towns with physical constraints to substantial housing growth

#### *Housing affordability*

5.18. In addition to the main output measures, Table 5.4 provides the affordability ratios for the case study towns. In all but four cases the towns are more affordable locations than surrounding rural areas. The exceptions are all at the most expensive end of the housing market. Housing in rural areas in Wales is generally more affordable than that in rural areas in England.

Table 5.3 Housing growth: ranking in small towns and residual rural areas 1991-2000

Dwelling numbers					
	Small towns			Residual rural areas	
	Actual	Predicted	Number	Actual	Predicted
<b>W4</b>	<b>28.30%</b>	<b>18.4%</b>	<b>1400</b>	<b>8.3%</b>	<b>10.0%</b>
E8	21.40%	24.1%	350	15.2%	16.3%
<b>W9</b>	<b>20.70%</b>	<b>11.7%</b>	<b>200</b>	<b>8.8%</b>	<b>4.9%</b>
E3	19.90%	14.3%	1150	10.2%	9.4%
E6	15.30%	15.1%	700	5.3%	9.6%
<b>W6</b>	<b>14.20%</b>	<b>9.2%</b>	<b>200</b>	<b>8.8%</b>	<b>4.1%</b>
E10	13.20%	17.2%	200	11.5%	.
E5	11.30%	13.2%	600	6.0%	9.1%
E11	11.20%	11.3%	150	6.6%	11.1%
E1	9.70%	12.0%	650	5.6%	8.5%
<b>W10</b>	<b>9.70%</b>	<b>11.7%</b>	<b>100</b>	<b>8.8%</b>	<b>4.9%</b>
<b>W5</b>	<b>9.60%</b>	<b>11.7%</b>	<b>300</b>	<b>8.8%</b>	<b>4.9%</b>
<b>W7</b>	<b>9.30%</b>	<b>7.7%</b>	<b>150</b>	<b>8.7%</b>	<b>4.1%</b>
E7	9.10%	10.9%	300	6.4%	7.3%
E4	9.00%	14.4%	450	10.3%	9.8%
<b>W11</b>	<b>8.80%</b>	<b>8.6%</b>	<b>100</b>	<b>5.7%</b>	<b>6.1%</b>
<b>W8</b>	<b>8.70%</b>	<b>11.7%</b>	<b>100</b>	<b>8.8%</b>	<b>4.9%</b>
E2	7.10%	5.8%	400	11.2%	7.2%
<b>W2</b>	<b>6.50%</b>	<b>12.0%</b>	<b>400</b>	<b>4.3%</b>	<b>7.3%</b>
<b>W1</b>	<b>5.90%</b>	<b>8.7%</b>	<b>800</b>	<b>2.0%</b>	<b>3.9%</b>
<b>W3</b>	<b>5.60%</b>	<b>8.6%</b>	<b>300</b>	<b>5.7%</b>	<b>6.1%</b>
E9	2.50%	15.1%	0	18.8%	13.6%

### *Unemployment change*

5.19. Unemployment change between 1996 and 2002 has been quite dramatic across the board as shown in previous figures. Table 5.5 gives the details for small towns and residual rural areas. In all cases there have been significant falls which are linked to the performance of the national economy and the relative performance of rural areas as jobs have 'flowed out' from more urban areas. In most cases the actual observed change is close to the predicted change which indicates the strong relationship between falls in unemployment in the locality and changes in the economy of the wider surrounding area. People are not tied to their town or even rural area when searching for jobs so there is a more even distribution of benefit. Findings in the case study analysis for two towns that have performed less well than predicted suggest that they particularly poorly located to take advantage of the counterurbanisation of job opportunities from more urban areas.

Figure 5.6 Housing growth: Comparison of Actual and Predicted in Small Towns

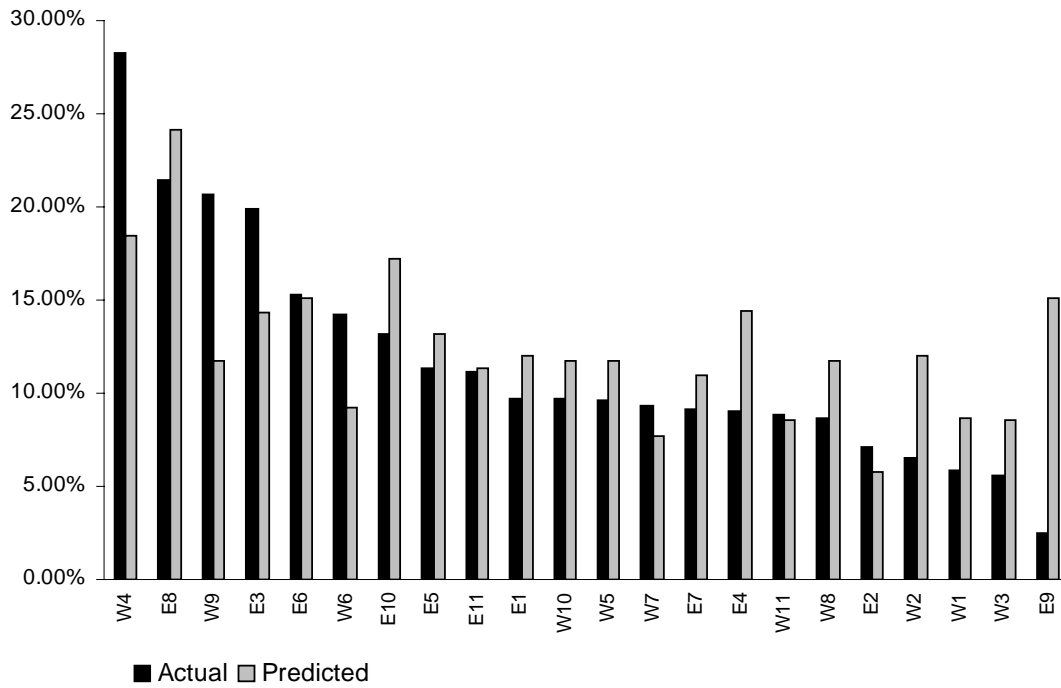


Figure 5.7 Housing growth: comparison of actual growth in small towns and residual rural areas

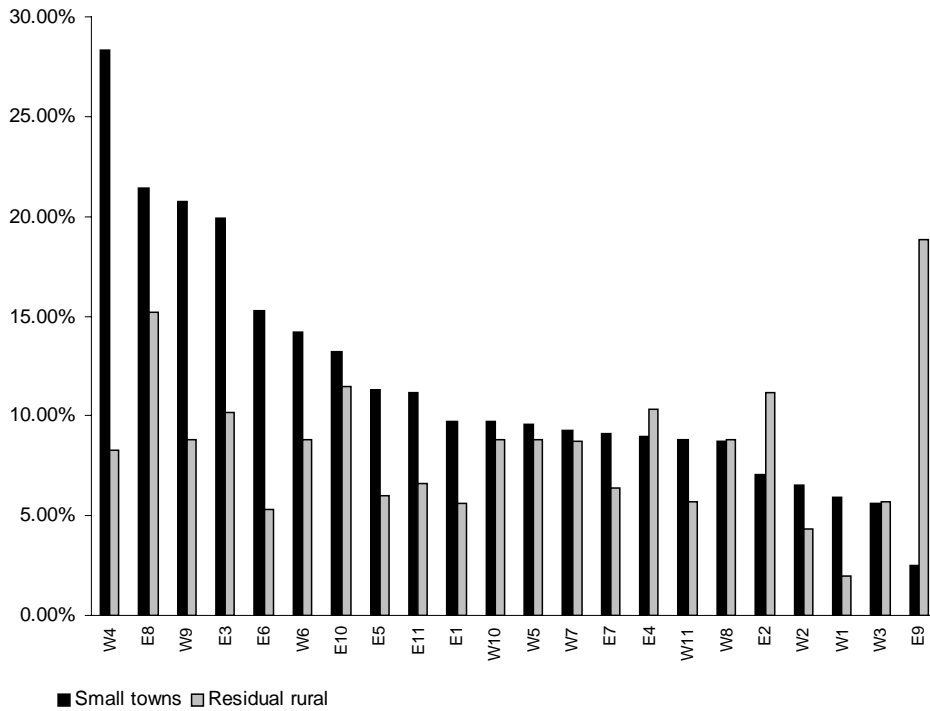


Table 5.4 Local affordability ratio 2000 (expressed as the average house price in the town or residual rural area divided by the average earnings for the local authority area)

	Town	Residual rural area
E7	12.3	18
E11	11.0	10.2
E8	8.3	8.1
<b>W9</b>	<b>7.1</b>	<b>5.8</b>
E1	6.4	9.7
E10	6.3	
E2	6.1	10.7
E5	6.0	7.9
<b>W2</b>	<b>5.9</b>	<b>10</b>
E4	5.6	9.3
<b>W7</b>	<b>5.6</b>	<b>6.1</b>
<b>W1</b>	<b>5.5</b>	<b>6.4</b>
<b>W6</b>	<b>5.5</b>	<b>5.2</b>
E3	5.4	7.5
<b>W4</b>	<b>5.2</b>	<b>5.1</b>
<b>W5</b>	<b>4.9</b>	<b>5.8</b>
E6	4.5	6.8
E8	4.5	5.6
<b>W3</b>	<b>3.9</b>	<b>4.3</b>
<b>W11</b>	<b>3.4</b>	<b>4.3</b>
<b>W10</b>	<b>3.3</b>	<b>5.8</b>
<b>W8</b>	<b>3.1</b>	<b>5.8</b>

## Summary

5.20. The analysis of secondary data for the case study towns confirms the findings of the general analysis for the full population of towns. It illustrates the variety in experiences and the relationships among housing, employment and unemployment change in particular towns and rural areas. It demonstrates for the sample how employment growth is strongest in the rural areas surrounding towns although there are exceptions which are explained by local factors. Similarly, these cases illustrate how housing growth is strongest in the towns; the exceptions seem to be explained by local physical conditions and/or planning constraints.

5.21. Despite the general conclusions of the secondary data analysis the experience of individual towns and rural areas can be very different; some towns have performed very well others very poorly. This variation among towns is greater in employment change than in housing change across the case studies. The decline in unemployment is very consistent across all cases confirming that job growth and unemployment are poorly related and that employment is not dependent on location. The sample of towns in Wales has generally not performed any better or worse than the comparison sample of towns in England. There appears to be little general explanation for variability except that housing growth appears slowest in towns that are more remote. As suggested by previous research the explanations

for the performance of small towns lies very much in their particular characteristics and context.

Table 5.5 Unemployment: change in benefit claimants 1996-2002 for small towns and residual rural areas (percentage fall)

	Small towns			Residual rural areas	
	Actual change	Predicted change	Number	Actual	Predicted
E6	70.1%	70.8%	250	70.6%	71.2%
E1	61.6%	59.1%	200	65.3%	65.6%
E5	64.9%	69.2%	200	68.0%	68.1%
E8	68.1%	65.2%	100	70.8%	68.3%
E3	56.4%	61.7%	150	67.1%	63.9%
E10	54.0%	67.0%	0	.	.
E7	69.8%	64.0%	100	69.1%	68.8%
E9	74.6%	73.5%	100	78.8%	71.6%
E2	49.4%	50.4%	200	62.3%	62.1%
E4	65.1%	58.8%	350	68.0%	68.6%
E11	58.0%	64.9%	0	71.8%	68.2%
W3	51.1%	49.5%	350	63.4%	61.4%
W11	70.0%	55.7%	50	63.4%	61.4%
W10	33.2%	52.1%	0	57.3%	56.5%
W5	45.3%	48.4%	100	57.3%	56.5%
W1	54.8%	57.4%	550	61.4%	65.1%
W2	60.2%	56.5%	300	58.8%	64.8%
W8	73.1%	50.7%	0	57.3%	56.5%
W4	52.1%	52.9%	200	64.6%	60.5%
W9	36.2%	47.7%	0	57.3%	56.5%
W7	62.3%	58.6%	50	63.1%	60.0%
W6	66.9%	.	50	59.1%	59.9%

Notes

No data for residual rural area of E10 and predicted change not available for W6

Numbers rounded.

## 6. QUALITATIVE ANALYSIS OF THE CASE STUDY TOWNS AND RURAL AREAS

### Introduction

6.1. This section summarises the findings from the in-depth case studies of the samples of towns and their surrounding rural areas. The starting points for the case studies were the questions raised in the literature review, secondary data analysis and the profiles built from secondary data on each town. The method for in-depth case study analysis is explained in Section 3. Particular attention has been paid to ensuring that claims made below are validated by reference to more than one source, and where possible documentary evidence.

6.2. The discussion on the case study findings is in three parts:

- reflection on the findings of the secondary data analysis for the full populations and the comparison of data for the case study towns;
- a review of the local understanding of success among actors and agencies;
- examination of the findings on critical success factors.

### Reflection on the findings of the secondary data analysis

6.3. The case studies were intended to investigate success factors, but they were also directed to some specific questions arising from the secondary data analysis. In practice it was difficult to clearly identify success factors from the very complex interplay of assets in particular towns. The following discussion is built around the main findings.

*Rural areas are growing more quickly in terms of employment than towns*

6.4. Section 4 suggests that the whole pattern of economic development in rural areas seems to be more dispersed than is usually suggested in the literature. It certainly challenged the wisdom that towns tend to be the engine for growth in rural areas. The qualitative analysis provided an opportunity to investigate the extent, character and location of the job and housing growth in rural areas, in particular whether it is actually development on the edge of the towns, on the fringe of larger urban areas nearby, or elsewhere. The definition of town and rural area is obviously important here. Section 3 explained that the method used in this study will tend to create over-bounded towns and incorporate surrounding countryside. Nevertheless, it may be the case that some growth is strongly related physically to the town, possibly in its urban fringe, but is classified as 'rural'.

6.5. There are examples where job growth is clearly stronger in the countryside and is not part of the town. For example, in one area employment expansion is high in major employers in food processing which were originally located around farms, Ministry of Defence establishments in the countryside and private quarries. Another area has gained new jobs through conversion of an old rural hospital. Elsewhere tourism trends have moved jobs from coastal towns to surrounding rural areas, and new major tourism attractions are located in the countryside. Sometimes land availability constraints in the towns are important. In some cases the net change of jobs in towns has been affected by the closure of one relatively major employer located in the town. In many rural areas planning policy and some funding is directed to rural diversification and the support of job creation in rural areas.

6.6. So there are many examples which explain job growth in rural areas, but it is not possible to reach a definitive conclusion because of the lack of readily available information about the precise location of job growth at the local level. The case studies definitely support the conclusion that the location of employment in rural areas is much more widely dispersed and is now less concentrated in towns. This is a subject that needs further, more detailed investigation.

6.7. Where job growth does take place in towns, the secondary data analysis suggested that it will tend to be in the distribution, hotels and catering, construction and public services sectors. Some case study towns illustrate this very well. Employment in one town has increased significantly following expansion of the shopping centre and public service employment. However, this has led to continued concerns about the concentration of low wage jobs in towns.

*Context matters: employment growth in rural areas is associated with population growth in the locality (local authority area).*

6.8. This tentative conclusion of the secondary analysis tends to be borne out by some of the case studies. Population growth around towns is largely made up of in-migrants (incomers and returners) and this is thought to be strongly associated with the growth of employment. People move into these rural areas for different reasons. Some are making a lifestyle choice and moving in because of the quality of education and other assets in rural areas (as discussed below). Sometimes they are the retired but the incomers also include younger families and returners. This is the typical of a number of towns that have grown strongly in population. Respondents agree that incomers (who are often better off) demand services that can be provided locally and thus drive the growth of jobs in distribution, hotels and catering. They are also widely thought to be more entrepreneurial than the indigenous population, though there is only anecdotal evidence to support this claim. There is also recognition of the need to maintain and strengthen local and regional identity, but in-migration was not consistently thought to be necessarily damaging to this objective (and this is discussed further below).

*Small towns that are already important employment centres are doing less well than smaller towns.*

6.9. Whilst the findings from the case studies are far from unambiguous, they point to some potential explanations here. First, there may be more land availability and planning policy constraints around larger towns, and certainly more competition with smaller towns for footloose businesses. For example, Penrith has experienced constraints for many years which have only recently been relaxed. Towns with a strong employment base will be less motivated to take special measures to develop employment and this was noticeable in the different attitudes to establishing economic partnerships and strategies in the case study towns. Also, public policy will be geared to those areas with more pressing economic development needs.

*Housing growth has been more rapid in towns than rural areas*

6.10. The control of the location of housing through the planning system is much stronger than the control of employment (which often takes place without the need for new development). There is often more resistance to new housing in rural areas than employment uses (although this does vary from place to place and in relation to the types of employment). It is much more difficult to guide employment to particular locations and there is sometimes intense competition between places to attract employment – especially higher paid jobs, but much less competition for housing. These factors were self-evident in the case studies and many local authorities maintain a type of ‘key settlement’ policy which is more effective for housing than employment. Underpinning the growth of housing in small towns are the asset factors – the quality of education, environment and the like which are discussed in detail below.

*Population growth in small towns and rural areas is associated with population growth in the locality (local authority area) and regional growth.*

6.11. Housing growth in small towns in Wales is much less than in the Midlands of England where there is a much stronger regional growth rate leading to extensive suburbanisation and growth of smaller towns in areas surrounding the major conurbations. The eastern parts of Wales have felt this effect to a small extent. But rural areas of Wales have grown more

strongly than rural areas in the South East of England where demand and growth are strongest in the UK. This reflects different political attitudes to growth in rural areas and the much stronger application of planning restraint in South East England. There are some striking comparisons to be made. In one growing Welsh town there is considerable and steady release of land for employment and housing, whereas in a nearby English town there is strong restraint.

*Unemployment levels have declined in all areas*

6.12. Whilst the facts on unemployment point to considerable success, the case studies revealed different local attitudes to the universal large falls in unemployment. It was pointed out by many respondents that for small towns and rural areas the employment generated is often low wage and unskilled, typically in the distribution (retail), tourism and agricultural sectors. Very low unemployment is even seen as a problem in some areas in terms of improving the quality of jobs since it is considered more difficult to attract and grow businesses where labour supply may be a problem. A number of the firms surveyed pointed to the problems of finding suitable staff in small towns and rural areas.

*Unemployment decline in small towns and rural areas is associated with changing unemployment levels in the locality (local authority area).*

6.13. Employment in small towns is not independent of the area in which it sits. To put this another way, it would be very difficult for a small town to succeed independent from the success of the wider area in which it sits. Residents of one town will be employed throughout the locality. In one town a local employer closed with the loss of 450 jobs in 2002, within six months all but 100 of the workers had found similar paid work in the locality. Thus, the economies of small towns, rural areas and the wider locality (local authority) are fundamentally interconnected. Thus, it is perhaps inappropriate to talk of the economy of the small town or economy of the surrounding rural area.

*Small towns with a high proportion of jobs and resident employment in distribution, hotels and catering are associated with larger reductions in unemployment.*

6.14. This finding is borne out by some of the case studies. It suggests that there is a strong local labour demand for certain jobs. Employees in distribution, hotels and catering are more often resident locally in the town, partly because the jobs are more often taken up by women and are part-time.

*Socio-cultural assets: the 'quality' of the housing and labour markets are strongly associated with performance.*

6.15. This is saying that places where people are better-off are better educated and enjoy better facilities (that is the town has stronger socio-cultural assets) then the town is likely to perform better in terms of employment. This was confirmed by the case studies. A number of towns point to the legacy of their history and the production of a particular pattern of housing and environment in explaining their problems of attracting or retaining the higher skilled. It was agreed in a number of cases, the housing market tends to funnel people to particular locations and that this reinforces existing disparities.

### **The local meaning of success for small towns and rural areas**

6.16. The literature review concluded that it is critically important to consider the local understanding of success among communities and actors in small towns as well as objective indicators. The findings are presented in summary in Table 3 which also draws out the particular findings for Wales. The discussion that follows concentrates on the findings for respondents in Wales.



### *Understanding the performance of the town disseminating information*

6.17. A little more emphasis was given in the case studies in Wales to the value of gathering and disseminating knowledge about the state of the town and its surrounding area and its performance in comparison to other towns. This may reflect the very recent increase in analysis of the performance of smaller towns in Wales and may also be stimulated by the availability of increased European funding. Analysis has led to many recent reports and strategies.

### *Physical fabric of the towns and its surroundings*

6.18. Many case studies reveal a greater emphasis on the impact of the physical fabric of towns, particular the town centre and housing estates, whether positive or negative. The perception of success relating to the physical condition of the town was a particular issue for some towns in Wales. This can be contrasted with the emphasis put on the value of the often high quality natural environments surrounding the towns. This was related to problems with transient populations often staying in houses in multiple occupation that were poorly maintained. Certainly the 'look' of the town and its surroundings is a very important measure of success for local people.

### **Traffic management and parking**

6.19. The impact of traffic management and parking on the success of small towns was raised in many cases, and even for very small towns, and relates to the significance of the role of towns as markets (see below).

### *Tourism*

6.20. Tourism was raised more often as an important indicator of success, and not just for coastal resorts. There is much discussion and activity on developing alternative forms of tourism products and this is linked to safeguarding and strengthening the (Welsh) identity of the town and rural area (see below).

### *Market town role*

6.21. The role of the small town in providing a market for the surrounding rural area was more often mentioned both in the sense of a centre of retail and service provision, but often meaning maintaining the physical presence of an agricultural or retail market in the town. The retention and location of markets was an important and topical issue in a number of the towns.

### *Identity and incomers*

6.22. This is the most significant additional issue which arises from the Welsh case studies. Whilst both case studies in Wales and England have mentioned the significance of community identity for the success of the town, it is seems to be a more significant issue in Wales. Strongly associated with this is the extent and impact on small towns and rural areas of 'incomers' or in-migrants from elsewhere in Wales or England. Views about the impact of incomers on the success of towns are mixed. The presence of incomers is regarded by some as an indicator and a driver of success but is regarded by others as a threat to the identity of the town. A number of the case study towns mention both sides of the argument.

6.23. On the one hand, some towns have defined success according to their attractiveness to incomers, for example larger towns with a university. In these cases respondents regarded the cosmopolitan nature of the town and the acceptance of incomers as an asset. Even in smaller settlements, the presence of incomers is seen by some as a mark of the town's attractiveness - a high quality natural and physical environment, and affordable housing. Some respondents also point directly to the additional economic benefits linked to in-migration. In the Welsh case study towns this comment was linked to positive views about the entrepreneurial skills of incomers.

6.24. On the other hand, a small number of the towns are very concerned about the negative impact of incomers, especially in the way they threaten the town's Welsh identity, but also (in one case) their impact on the social profile of the town. The impact of incomers on Welsh identity was mentioned in a number of Welsh case studies but is understandably regarded as more important in towns with a high proportion of Welsh speakers. Maintenance and promotion of Welsh culture including language, music and social traditions is recognised locally to be the most important success criterion. Respondents noted the potential to build success on commodifying 'Welshness'.

Table 6.1 A summary of the findings on the meaning of success for the 24 small towns in Wales and England

Category derived from literature review	Findings for all 24 small town case studies in both <b>Wales and England</b>	Particular aspects of the finding for the 12 small town case studies in <b>Wales</b>
Multi-dimensional nature of success	Wide definitions of success, especially where towns and actors have been subject to some kind of assessment (health check) as most have.	Consistent reports about the importance of recent improvements in knowledge of performance of the town, through health checks, community audits, and funding bids in the Obj 1 area.
Definitions of success	Varying definitions depending on where respondents live and work and use of the town, but generally comprising aspects of	
	Environment and town centre quality	The quality of the <b>physical fabric of the town centre</b> is more strongly emphasised and is linked to the quality of the retail offer.
	Economy	<b>Tourism</b> is more strongly identified as a measure of success (with notable exceptions). There is a strong view about the success of alternative forms of provision of tourism, linked to the issues of identity and image.
	Retail offer	The <b>market town role</b> is more strongly emphasised and is linked to the identity of the town.
	Transport and accessibility including local congestion and parking	<b>Traffic management and parking</b> are seen as critical issues for some towns, and there is a view in a number of towns that the management of town centres has been undervalued in Wales.
	Identity	The importance of the <b>identity</b> of the small town and rural area is much more strongly emphasised; especially in the north and west where it described as <b>Welsh identity</b>
	Population change and incomers	<b>In-migrants or 'incomers'</b> to small towns and rural areas are more often raised as a measure of success mostly in relation to the negative effects on <b>affordability</b> and Welsh identity, but sometimes in relation to improved <b>entrepreneurialism</b> .

6.25. In summary, whilst most aspects of the local definitions of success for small towns are common to most case study towns there are particular criteria which are particularly strong for the Welsh towns. The most important finding is that the great variation in objective measures of performance in relation to employment, population and housing is not nearly so strongly reflected in the local views about success.

### **Success factors**

6.26. The incorporation of in-depth case studies in the research method was in recognition of the need to examine potential success factors in more detail at the local level. They can also help to address the widespread finding of previous research that objective indicators based on traditional economic factors that are amenable to quantification do not give a complete picture of the performance of small towns.

6.27. However, investigations at the 'micro-level' of small towns are unlikely to lead to strong generalisations about success factors; rather they will help to reveal the sorts of processes of change in different types of place. It is rarely the case that success can be attributed largely to one factor, although there are cases where one factor, for example the demise of a local employer, has had a very significant impact. Small towns are usually starting from a 'low base' in terms of absolute numbers of economic outcomes (jobs) and assets and so the impacts of any significant change can be dramatic. Also, for the larger small towns, success or failure may vary across the town.

6.28. 'Path dependency' (the socio economic history and trajectory of the town) is understandably very strong in all cases and many case studies refer to this, especially in relation to the economic base and housing market. There is a general recognition that intervention will need to try and adjust the existing path, rather than make any radical change.

6.29. The findings from the case studies on success factors are briefly summarised in Table 6.2 according to the categorisation outlined in Section 2, that is, traditional economic assets; characteristics of employers; socio-cultural assets; and institutional and public service infrastructure. Findings are given for all towns but with additional commentary on the particularly important factors for Welsh small towns. The findings here are a synthesis of the very large number of responses. Success factors were noted as important for towns where there was agreement among respondents and particularly when there was some documentary evidence to support the claim (for example in a regeneration strategy or 'town health check'). Those selected here have been mentioned in a number of cases. Given the method of generating this information, it is not possible to formally 'add up' the responses or to weigh their significance one against the other, although in the commentary we have tried to indicate their importance.

### **Traditional economic assets**

6.30. The **accessibility** of towns to large urban centres has had a determining effect on their economic trajectory over many years and this is well understood and accepted. It is now particularly important in attracting in-migrants, returners and visitors. However, isolation is not necessarily a detrimental factor, and there were very few responses that suggested major improvements to infrastructure (except for a number of firms and references to access to broadband). Concerns were expressed about the maintenance of existing infrastructure, particularly rail access where it existed. However, local access to and from the local market from the surrounding hinterland was considered an important topic for many towns and this includes dealing with traffic management issues in town centres.

6.31. **Land availability** for housing and employment is an issue for some towns, especially 'attractive' employment and housing sites. There is evidence that planning policy is becoming more important in directing development to particular locations and so land

availability is likely to become more important with increasing restraint policies and apparent growing tensions between restraint policies and economic growth pressures.

6.32. It is not possible to generalise about the **economic base** except to say that it is believed that some towns do not have the right 'mix' for success. There is also wide recognition across many cases of the consistent under-representation of professional services in small towns in Wales, and there is a belief in the potential for growth here (though not supported by measured trends) allied to the issue of retaining more highly qualified young people. Questions have been raised about the value of skills development and regional policy support in promoting professional services which need to be investigated more fully.

6.33. Resources, and particularly **public funding** for local physical environmental improvements, are perceived to be in short supply. There is an acceptance that some current strategies will not be implemented. Questions have been raised about the awareness of national government, agencies and local authorities of the need for and potential of improvement; and that existing criteria for funding may disadvantage small towns and indigenous businesses.

### **Characteristics of employers**

6.34. Although unemployment has reduced very significantly over recent years; more emphasis is given in small towns to the relatively small proportion of better paid jobs. It is widely understood that **wage rates** are also low; that this contributes to graduates and other skilled young people moving out (see below); and that it creates difficulties of developing new business locally because of the poor availability of skills and qualified staff.

6.35. **Entrepreneurship** and innovation are thought to be lower in Welsh towns than elsewhere. The evidence presented to support this was largely anecdotal relating to the development of small businesses by incomers. A number of towns have a lively network and even clusters of businesses, or are proposing to develop a network, and there is evidence of action among business to promote 'Welsh business', but the view was often expressed, perhaps inevitably, that not enough is being done to support local business..

#### *Socio-cultural assets: labour supply and the community*

6.36. As noted above, there is a common understanding that an under-supply of moderate and **highly skilled labour** and low entrepreneurial activity among the labour force are strong barriers to better performance. Questions have been raised about the orientation of **learning strategies** to local economies. There is a very strong community activity in many towns which is closely linked in some cases to a strong sense of national identity in Wales, but many small towns feel remote from government and decision makers.

#### *Institutional and public service infrastructure*

6.37. Perhaps surprisingly, small towns in Wales generally have a lively **service infrastructure** both public and private, and this is recognised as an important success factor. The situation is the reverse in the surrounding rural areas. It is believed that a high level of independent traders and services contributes to the distinct identity and quality of small towns and that this must be maintained, although some towns are also seeking to be the location for larger retail stores.

6.38. Despite evidence of very lively community activity in most towns, it is believed that the **institutional capacity** to develop and engage in major projects and strategies is weak at the level of the small town, and that to great a reliance is placed on the local authority and other agencies. Government and local authorities were sometimes described as more remote (and local government reorganisation in Wales is a factor here). Numerous respondents thought that support systems are biased in favour of larger enterprises and not to the needs of small towns and small businesses.

6.39. There is much evidence of recent activity through **partnerships** to agree strategies and plans for small towns. Many respondents pointed to recent successes and failures of agencies communicating and working together. Effective inter-organisational co-operation was believed to be a necessary factor for a successful town in many towns although partnership working (and institutional issues generally) were seen to be important where there are more problems, whilst very successful towns are much less concerned about this.

Table 6.2 A summary of the findings on success factors for dynamic towns from the in-depth case studies of 24 small towns in Wales and England

Category derived from literature review	Findings for all 24 small town case studies in both Wales and England	Particular aspects of the findings for the 12 small town case studies in Wales
Traditional economic assets		
Location and accessibility	<p>Accessibility raised as issue only where there is potential for improvements or threats to existing infrastructure</p> <p>Relative isolation is not necessarily detrimental to success</p>	<p>Access to immediate hinterland is generally more important in Wales.</p> <p>Isolation may not be a barrier to success, especially for the market function of towns.</p>
Land and infrastructure	<p>Shortage of employment land in some towns.</p> <p>Great emphasis given to existence of local infrastructure, especially good road links within the local area.</p> <p>Broadband infrastructure</p>	<p>Apparent emphasis of funding programmes and business support to inward investment versus existing businesses; and preference for greenfield sites and new infrastructure versus renewal of existing developed land and property – e.g. vacant town centre shops and farm buildings.</p> <p>Planning constraints on land availability have been less of an issue for most towns but evidence suggests that stronger planning policies will have more impact in the future.</p> <p>Less emphasis given to importance of large scale infrastructure; more emphasis on local improvements to infrastructure (e.g. traffic management).</p> <p>Poor access to broadband mentioned more.</p>
Economic base	<p>Poor representation in growing sectors (with exceptions); policy tends to concentrate on existing strengths rather than diversification.</p> <p>Under-representation of professional services.</p> <p>Limited work opportunities for well qualified young people</p>	<p>Same; great variation among towns with some heavily reliant on one declining sector (e.g. engineering in Llanidloes.) and others with a good spread of active businesses.</p>

Finance and capital	<p>Major private sector finance only significant in a few cases.</p> <p>Availability of public funding is generally a significant problem.</p> <p>Capacity to access funds tends to be more important than funding</p> <p>Perception that larger urban areas win over small towns and rural areas</p>	<p>Particular issue in relation to the limitations of use of Obj 1/WDA funding in relation to requirements for short term job creation v. physical renewal, local environmental and traffic management improvements; support to market function and retailing function of small towns, and promotion of professional services.</p> <p>General concern about poor linkage with government and agency funding.</p> <p>Capacity issue less in evidence. Much partnership and community effort in drawing up strategies and schemes.</p>
Quality of land, property and physical environment	<p>Physical environmental quality increasingly important, especially for town centre</p> <p>The impact of traffic and poor traffic management and parking is a serious problem, especially where tourism activity.</p> <p>Environmental quality and tranquillity of surrounding rural areas is an asset.</p>	<p>More relaxed attitude to traffic congestion and management but recognition that this is a growing problem.</p> <p>Environmental quality of rural areas is more important, especially in retaining people and jobs and attracting certain types of investment</p>
<b>Characteristics of employers</b>		
Type and productivity	Quality of jobs and low wage rates	Generally same. Large employers tend not to be doing as well as small employers
Dynamic sectors	Professional and other services under-represented except strong public sector service role of some larger small towns.	<p>Same, but public sector role less evident in most towns. Specific employers (Army, local government, manufacturing, etc. have been particularly important for the success of individual towns.</p> <p>Small businesses more important</p>
Business culture and entrepreneurship	<p>Entrepreneurship weaker in rural areas</p> <p>Inward migrants (incomers) can improve firm formation, innovation and widen economic base.</p>	Entrepreneurship apparently a particular problem with claims from numerous towns that incomers tend to be more entrepreneurial than resident population.
Networking and knowledge	Variable effectiveness of partnerships	<p>Often strong partnership arrangements although only effective over last few years in drawing up strategies and impacts still to be seen.</p> <p>Stronger networking among business community, linked to 'Welsh national identity' of business, and in some cases lack of action in public sector.</p>

Socio- cultural assets: labour market supply		
Labour supply	<p>Unbalanced labour supply with under-representation of moderate skilled and professional qualifications, leaving predominantly low skilled population</p> <p>Entrepreneurial activity among workforce relatively low</p>	<p>Lower economic activity rates and similar low wage rates.</p> <p>Concerns about local specificity of training strategies and orientation to needs of local economy.</p> <p>ELWA noted as 'remote' in a number of cases.</p> <p>Entrepreneurial activity also low but potential of incomers recognised and in some cases, promoted more; question about whether this is begin tapped sufficiently.</p> <p>'Returnees' (as opposed to incomers) are low in number and is emerging as a policy issue.</p>
Identity and social capital	<p>[Social capital difficult to measure.]</p> <p>Evidence of community activity in all towns.</p> <p>Graduates not returning to small towns.</p> <p>Strong link between evidence of identity and perceptions of a successful town</p>	<p>Strong evidence of community activity, especially at neighbourhood or village level, less prominent at town (for larger towns) and local authorities, especially following impact of local government reorganisation.</p> <p>Maintenance of national identity is a driving force for community activity in some towns.</p> <p>'Aspiration gap' more apparent as economic vitality is traded off against other 'quality of life' factors.</p> <p>A number of towns are searching for the equivalent of the Brecon Jazz Festival to raise profile.</p>
Affordability	<p>Varied considerably among towns but a growing problem.</p>	<p>More significant with many towns reporting big affordability problems (e.g. housing prices doubled in two years) and limited public sector response in some cases.</p>
Institutional issues, public and private service infrastructure		
Public and service infrastructure	<p>Towns have largely maintained services (relative to size and catchment) though some problems of access to health and professional services.</p>	<p>Most towns have a lively and buoyant service centre with evidence of expansion in a number of towns over recent years.</p> <p>Apparently less retail and service provision less affected by multiples (to check data) with strong independent sector and specialist local suppliers.</p> <p>Similar issues in relation to professional services.</p>

Institutional capacity to mobilise assets	Weak local capacity to access funding and under-spending in rural v. urban areas. Perceived disadvantage cf. cities.	<p>Support systems and strategies weighted in favour of land-based enterprise v. retail market functions, professional services and local manufacturing sector</p> <p>Heavy reliance on agencies and local authorities for project development and implementation.</p> <p>Perceived top-down style of policy formulation and implementation with local actors challenging agencies view.</p> <p>Local authorities and agencies seen as remote, particularly in view of local government reorganisation.</p> <p>Representation of local communities in councils and agencies seen to be weak (has reduced following LGR).</p> <p>Impact of landowners and agricultural interests more often cited.</p>
Business support	Variability in business support mechanisms.	Recent improvements to business support but generally very local and small scale.
Policy coherence	<p>Strategies and plans in place at regional and local levels.</p> <p>Cross-sectoral policy co-ordination in place in theory but weak according to local actors</p>	<p>Vertical integration more of a problem.</p> <p>Perceived remoteness and lack of relevance of national (sometimes) local government strategies) and some evidence of conflict among levels and authorities.</p> <p>Potential benefits of unitary authorities in coherence of policy and delivery, but is this realised?</p> <p>Policy integration tackled through partnership strategies but mostly only in last few years – evidence of much inaction previously, but much more awareness now resulting in more action – also among business sector.</p>
Planning policy (see also land)		<p>Planning very reactive rather than proactive.</p> <p>Traditionally more relaxed approach to development and regulation;</p> <p>Only recent development of widespread strategies and plans bringing increased constraints on growth, especially in coastal strip and areas of high landscape value.</p> <p>Evidence of some planning projects successfully implemented, e.g. relocation of markets.</p>
Other		Strong concerns about the impact of reform of CAP.

## Summary

6.40. The in-depth case studies have proved very effective in building understanding about wider definitions of success at the local level and local views about the critical factors which determine the performance of small towns and their rural areas. They have been less successful in reflecting on the findings from the secondary data analysis although they do



provide some tentative explanations of the processes of change at the local level and also useful illustrations of some of the observations from the data. The main drawback is a lack of readily available detailed data at the local level (for example, on where jobs are being created and lost), to support and validate comments made by respondents.

6.41. The case studies generally support the findings that

- the pattern of employment change is diffuse with more generation of jobs in rural areas surrounding towns than in the towns themselves, although there are important exceptions;
- population growth in the local authority area generally is an important driver of job growth in small towns;
- housing growth continues to be concentrated in particular towns because of key settlement planning policy and control;
- the performance of small towns is strongly interconnected with the wider area in which it sits; and
- whilst unemployment is falling an equally important issue is the quality of jobs created.

6.42. The local understanding of success has particular emphases, and in most cases was more positive than perhaps the hard data would suggest. Some issues are more important for Welsh towns, notably

- the quality of the physical fabric of the town and traffic management;
- performance as a market for its immediate hinterland and as a tourist destination;
- maintenance of local identity and for some towns, its 'Welshness'.

6.43. Each case study has revealed a different understanding about the combination of factors related to success. The local view starts with the importance of the 'bigger picture', including the strength of the national and regional economies, and general location and accessibility. Beyond this there is no doubt that each town has its own story, and as other research has found much depends on the detailed combination of factors at the very local level and the history of the place. The local factors most often cited as being critical for determining the success of small towns are

- local environmental quality both in terms of the town centre and the surrounding rural areas and public investment in physical improvements, and with this, the extent to which traffic management and parking is being managed so as not to damage the attractiveness of the town – by providing opportunities to park and get access whilst maintaining environmental quality;
- land availability well located for businesses and housing, sometime linked to the need for a clear strategy and consensus about the need for and direction of development;
- improving the skills base of the workforce that can be employed locally;
- public funding to implement locally important projects including general proactive business support tailored for the small town and small business;
- local capacities to raise awareness of needs, to mobilise existing assets and to bid for resources.

## 7. CONCLUSIONS

### Introduction

7.1. Four main research questions were set out for this research.

- To what extent are there differences in the prosperity and performance of small towns in rural areas?
- What are the factors that have played a causal role in the success of prospering small towns?
- How well are the surrounding rural areas performing in relation to small towns?
- What factors have helped to spread economic opportunities from small towns to their surrounding communities?

### **To what extent are there differences in the prosperity and performance of small towns in rural areas?**

#### *Definitions of success*

7.2. In this research performance has been measured quantitatively in terms of the rate of housing and employment growth. Prosperity has been measure in terms of change in unemployment rates. The case studies also provided qualitative findings on changes in performance and prosperity as seen from key local actors. As anticipated the local definitions of success also reflected concerns over employment, (mostly in terms of wage rates) and housing (more in terms of affordability). But they tended to emphasise other factors more, including:

- the quality of the physical fabric of the town centre and estates, and local traffic management issues;
- the vitality of the town centre as a retail/market and services centre;
- the quality of the surrounding rural environment, and the town's attractiveness as a tourist destination;
- the enhancement of local character and identity and in some places, its 'Welshness'.

#### *Performance in employment housing growth*

7.3. Rural areas in Britain have been growing in population and employment over recent decades. But there were marked differences in the performance of small towns as measured both by housing growth and by employment change during a period of generally rising economic prosperity across the country.

7.4. **Housing growth** in small towns in general was rapid over the 1990s, at a rate faster than the national average, though this varied regionally from 18% in the Midlands to 9% in Wales. This variation is reflected in findings for the case study towns ranging from 28% housing growth between 1991-2000 to 2.5%. In most/all case study areas, this growth was thought to be associated with in-migration.

7.5. **Employment growth** in small towns over the period 1995-2000 has been on average very similar to the national average, although also highly variable among the towns. Employment in small towns in the North of England grew at 21% over the period whilst the Midlands experienced only 7% growth. Welsh small towns had the second lowest growth rate of 9%. Amongst our case study towns in Wales, the highest net rate of growth of employment was 42% and the lowest a net loss of 11%.

7.6. The absolute numbers of job growth in small towns are rather small. Also, the addition or loss of one employer may make a very significant impact on the growth rate. Mean job growth in small towns was 98 in Wales but 300 in England. However, the largest employment growth in our Welsh case study towns was 2,750 jobs (the largest of all towns).

7.7. There does not appear to be any strong relationship in job growth in particular **sectors** and the performance of small towns. Small towns and rural residual areas have more jobs than would be expected based on national averages in utilities, construction, and distribution but less in transport and banking. (The full names of the sectors are given in Chapter 4.) In addition, small towns have a higher proportion of jobs in public services, and rural residual areas have more jobs in other services.

7.8. Between 1995-2000 in both England and in Wales, most new jobs have been generated in just three sectors: public services, construction and distribution. In Wales other services is also important. These findings apply to both small towns and rural residual areas. Transport has been an important growth sector in rural residual areas in Wales. In percentage terms too construction and public services have seen the strongest growth across all areas together with manufacturing.

7.9. In general, the towns in the top quartile for percentage job growth have witnessed job growth in all sectors. Similarly, the lowest quartile of towns for job growth have seen losses across all sectors (with the exception of construction which has seen growth even in declining towns). However, there is some evidence that towns which had strong service role in distribution and banking at the start of the period performed less well in the later 1990s. This is discussed further below.

#### *Prosperity in terms of unemployment change*

7.10. In 1996 small towns had on average a lower rate of unemployment than the national rate but with wide variation among them. The majority of towns had a relatively low unemployment rate; three quarters were below the national average of 7.6%. A small number of less prosperous small towns had relatively high rates of unemployment; one quarter had rates above the national average.

7.11. All small towns and rural residual areas experienced declines in unemployment greater than the national average between 1996 and 2002. Some regions experienced sharper reductions in recorded unemployment than others, with Wales showing the lowest fall of all regions. In England there was a general north-south pattern with higher falls in the more southerly regions. Contrary to what might have been expected, the highest rates of decline in small towns tended to be in those towns where the rate was lowest at the start of the period.

7.12. The period ended with unemployment in small towns down to 2.5% and in many of our case studies, respondents suggested that there was almost full employment. Whilst this was welcomed, the local understanding of prosperity emphasised more the 'quality' of local jobs and in particular the low local wage rates. Much aggregate job growth in small towns has been in distribution which is characterised by an overwhelming proportion of unskilled and skilled manual jobs (see Turok and Edge 1999) and low levels of pay (Chapman et al 1998). These concerns did not seem to be restricted to the least prosperous localities.

### **How well are surrounding rural areas performing in relation to small towns?**

#### *Performance*

7.13. There is as much diversity in the performance and prosperity of the rural residual area surrounding towns as in the towns themselves. **Housing growth** in residual rural areas is obviously relatively small in absolute terms compared with small towns though the percentage average growth of 9.1% from 1996 to 2006 is significant. The residual rural areas of Wales had the lowest growth rate of all the regions at 6%, whilst the highest rate,

11% was in the Midlands. In the case study towns housing growth ranged from 19% to only 2%. The findings confirm the understanding of housing growth concentration, including new social housing, in small towns in rural areas. This reflects planning allocations and control (Hoggart 2003, Edwards 2003, Milbourne 1998).

7.14. **Employment growth** in residual rural areas between 1995 and 2000 was large absolutely (72,000 jobs compared with 88,000 jobs in small towns) and large proportionately (23% in rural residual areas compared with 9% in small towns). Thus, in general, the rural areas surrounding our small towns are growing more rapidly in terms of jobs than the towns. The findings suggest a changing pattern of employment location between small towns and the rural areas around them, and one which is leading to a more dispersed pattern of employment in rural areas. This is an important finding with potentially significant policy implications. In particular it suggests closer interactions of small towns and their surrounding rural areas. The extent of dispersal of economic activity is not known in detail because it has not been possible to plot precisely the location of jobs. It may be that the growth of jobs is taking place on the edge of small towns in urban fringe areas that have been designated as rural residual. Much depends on the method that was adopted for the definition of the areas of small towns and residual rural areas that was explained in Chapter ??3.

7.15. Four points need to be made about the accuracy of the method in locating the changing distribution of jobs. First, the technique of defining small town and rural residual wards tended to over-bound the area of the towns, the boundaries of the small towns tend to go well beyond the built up area, although not always. Second, the analysis is making use of aggregate employment change within businesses and not just new businesses which may need new physical development. Third, the comparison with housing growth is instructive. The amount of housing growth is, as would be anticipated, much greater in small towns, even though much of this would be on the urban fringe. The technique allocated the housing growth to the town and we would expect the same for job growth. Fourth, concerns were voiced in about half of the case study small towns about the shortage of land in and around the town. Respondents also pointed to particular examples of employment growth in the surrounding rural areas. Therefore, our conclusion is that there is evidence of significant dispersal of jobs from small towns to rural areas. The planning system has obviously played an important part in this process through rural diversification policies and land availability, though this is somewhat an unintended outcome. There may be medium term policy implications for planning and transport. However, the results are tentative and suggest more detailed research on the changing rural geography of jobs.

7.16. Excluding agricultural employment, the findings do not suggest that there are large differences between the employment structure of small towns and their surrounding rural areas in either 1995 or 2000. However, there is some degree of specialisation with small towns, as might be expected, playing a role as service centres with a greater concentration of jobs in public services, banking, finance and insurance and distribution.

#### *Prosperity*

7.17. Rural residual areas have greater prosperity in terms of unemployment than small towns. They had lower rates of unemployment than small towns at the start of the period and experienced greater percentage falls over the period 1996-2002. Unemployment rates were well below the national average in 1996 (4.9%) and only a minority of these areas (10%) had unemployment rates above the national average. The decline in unemployment was faster than the national average declining to 1.7% in 2002. As mentioned above, many case study respondents suggested that there was almost full employment. But once again the decline of unemployment was not uniform. Some areas experienced sharper reductions in recorded unemployment and, contrary to what might be expected, the highest rates of decline tended to be in rural residual areas where the rate was lowest at the start of the period.

## **What are the factors that have played a causal role in the success of prospering small towns?**

7.18. There is a consensus that a wide range of factors interact to have an impact on local economic outcomes and the success of small towns in a broader sense. They are

- traditional economic assets such as location, infrastructure, land and natural resources;
- the characteristics of employers that affect the demand for labour;
- socio-cultural assets which influence the supply of labour;
- institutional infrastructure or 'local 'governance'.

7.19. The review of factors here follows this categorisation. Only those factors which the findings from the data analysis and/or case studies suggest may have a causal role are discussed. The following discussion also reflects on the suggestions from the literature that the 'traditional' economic development factors are becoming less important to the location of economic activity, knowledge and skills are becoming more important. Moreover the way that local institutions work (or fail to work) together is also thought to be increasingly significant.

### **Performance: employment change 1995-2000**

#### *Contextual factors*

7.20. The performance of towns is likely to be influenced by the context of the general area in which it is located. Three factors related to each town's geographical context were examined: its location in relation to major metropolitan areas; the relative size of the town in comparison to others in the area (its 'economic weight'), and the performance of the town's rural hinterland. The Research Brief asked us to look particularly at the latter issue.

7.21. In relation to the economic geography of Britain, proximity to London and other major metropolitan areas is thought to be a vital factor in economic success. The theory is that there are benefits from the proximity to a large population, lower transport costs and agglomeration economies.

7.22. Bivariate analysis of job growth for towns by region shows no clear pattern of growth in terms of distance from London. Towns which are growing fastest are to be found in the North, followed by the far South West. Towns on the fringes of the South East are third out of the five regions. The more accessible Midlands region is doing less well than the less accessible Welsh region. This does not suggest that growth is a simple function of distance from the South East. When we conducted multivariate analysis, the regional variation was maintained with the North experiencing a substantial growth premium over the Midlands. Our conclusion from the secondary analysis, therefore, is that neither location in relation to London and the SE nor urban Britain more generally have a direct impact on small town job growth in rural areas. Location may play an indirect role through its role in permitting certain small towns to act as dormitory or commuter settlements which attract a workforce who commute relatively long distances to work in other urban areas. (Note that the areas and small towns most strongly influenced by large cities are excluded from this research.)

7.23. There was no consistent relationship between job growth in small towns and the type of area (remote rural, heritage coastal or accessible amenity) within which the town was located. Similarly no relationship was identified between the performance of small towns and their 'economic weight' in the locality as measured by the proportion of all jobs in the district located within the town.

7.24. The performance of the rural hinterland was measured in terms of unemployment change, job change and housing growth. There is a positive relationship between small town employment growth and housing and population growth in the rural residual area

surrounding the town. Whether this indicates a causal relationship – for example, a growing population in the rural hinterland generating a demand for goods and services in the town, or the coincidence of two independent processes we are unable to confirm. Certainly in some of the case study towns, the importance of local population growth to the continued viability of businesses in the local shopping centre was asserted. However, this suggests to us that we need to know more about the processes by which in-migration is linked to local economic activity. A particular interest is the conditions which shape the decision by in-migrants to set up local businesses. This conclusion further reinforces the point made above about the close interrelationship of towns and their surrounding rural areas. Where there is growth in jobs and housing it tends to take place in both the towns and their surrounding rural areas. Indeed, this interrelationship may suggest that to separate out analysis of the town and its residual rural area may be too fine an analysis.

#### *Traditional economic assets*

7.25. As discussed above the **economic base** of small towns does not seem to be significant in explaining differential job growth among small towns. All rural areas are under-represented in the ‘banking’ category (which includes a range of professional services, and this is particularly so for Wales. This explains the difference in growth between rural Wales and regions with large cities in England but does not seem to be a factor that determines different performance within more rural areas (as discussed below).

7.26. As noted in the Economic Futures Report of the Economic Research Advisory Panel, the characteristics of places and labour supply characteristics are generally more important than their strength in particular sectors. **Environmental qualities** are particularly important and were stressed by many respondents in the case studies as the key factors in business location (and retention) decisions and in-migration. This is a major component of what some studies have termed (vaguely) as ‘quality of life’. The environmental quality mentioned most often was landscape although it also includes the environmental quality of town centres (thought to be important for the retail and service function) and other factors which were difficult to investigate in this research such as microclimate.

7.27. **Land supply** was investigated through the case studies. Respondents pointed to the restricted availability of sites for employment as significant in relation to small town job growth. Clearly aggregate employment change in a town can take place within the existing stock of buildings and land. However, some job growth is dependent on an increase in the stock of land and buildings and the availability of land for employment uses in and around the town was reported to have been a significant barrier to recent and future job growth in just over half of our case study towns.

7.28. The case studies also pointed to the importance of **local accessibility**, that is, convenient access to the town centre’s services from its immediate hinterland. Certainly this was seen in many small towns to be a more important factor than regional and national accessibility, since many small towns do suffer from problems of local traffic management and relatively poor public transport provision.

7.29. **Finance and capital** does figure as an issue in the case study findings, but perhaps not as prominently as might be anticipated. (this may be related to the small scale of development in many small towns). However, specific mention was made of the lack of funding for the implementation of major schemes (for example for town centre physical improvements and traffic management). The limitations of use of Objective 1 funding has been raised, in relation to the requirements for short term job creation initiatives versus environmental improvement, physical renewal and traffic management.

#### *Characteristics of employers*

7.30. We have already noted that there is no general relationship between employment growth in small towns and strengths or weaknesses in particular sectors of the economy so sectoral endowment does not seem to be a barrier to success in capturing jobs. However,

small towns in general have been disadvantaged by poor growth in **dynamic sectors**. For small towns, our evidence is that two sectors of the economy, distribution and banking, have failed to grow at the national rate with a consequent relative decline in the importance of these sectors to employment in the towns. Multivariate analysis does however suggest that towns with a specialisation in distribution and in banking (where there are both relatively high levels of workplace and resident employment in these sectors) have experienced significantly lower employment growth trajectories in the later 1990s. These findings are somewhat at odds with previous research findings that shows above average growth of these sectors in 'towns and rural areas' over the period 1981-1996 (Turok and Edge 1999). Some of the growth in banking has been in rural areas with an existing strong specialisation in this sector.

7.31. Employment growth in rural residual rural areas is related to strong diversification away from agriculture and where services have become an important source of employment, which is what would be expected. Rural areas with relatively high employment in public services have performed less well in job growth which is more difficult to explain. It may be that there has been some redistribution or centralisation of public sector jobs.

7.32. The secondary data analysis has lent support to the argument that an **entrepreneurial business culture** (indicators are high level of business per head, high levels of self employment and high levels of working from home in 1991) has contributed to the faster growth of some small towns over the period 1995-2000. The implication is that in these towns more jobs are being generated by local people. It has been suggested that it is accessible rural areas that have the highest levels of entrepreneurial activity but our research found no regional pattern for these indicators. Also the quantitative analysis showed no clear relationship between increased entrepreneurial activity and in-migration, although there was some anecdotal evidence from the case studies supporting this view suggesting that it is something to be investigated further.

#### *Socio-cultural assets*

7.33. Amongst the human resource factors which appear to contribute to local economic success in generating jobs are the availability in a small town of a **highly qualified resident workforce, those who commute relatively long distances to work and high levels of in-migration**. Though we have excluded typical commuter catchment areas from our study area, commuter towns in our sample which score highly on this dimension are more likely to be in the Greater South East region although not restricted to that region. Therefore, location would seem to play an indirect role in job growth. (There are no such associations for rural residual areas.) One explanation for the greater job growth in these areas could then be the suburbanisation of employment from the large cities, particularly London. The findings support other research that has shown that commuters and affluent incomers create a demand for local services and thus generate local employment. (Bevan et al 2001, Cloke and Thrift 1990).

#### *Institutional infrastructure and local governance*

7.34. Our findings from the case studies do not support the conclusion the way that local institutions work together that accounts for the greater job growth of some towns than others. We found examples of good partnership working in areas that were not prospering whilst finding examples of little or no partnership working when towns were prospering. Our conclusion is that partnership working is better developed where there are local problems and where such working is required by policy-makers at higher levels to access funds. This does not mean that developing such institutional relationships will not help to regenerate such areas, merely that they do not seem to account for the current pattern of prosperity we discovered. There are certainly concerns in many towns, particularly in Wales, about the weak institutional capacity to engage in funding bids, the relatively remote nature of local authorities who take on much of this work and the perceived bias of systems towards larger towns and major (non-local) projects.

## **Performance: housing growth 1991-2000**

### *Contextual factors*

7.35. Regional location is discussed extensively in relation to the housing market, with areas close to London and the South East facing considerable housing development pressures and whilst also the most constrained housing land supply (Shucksmith et al 1995). Other areas including much of Wales may also be constrained because of National Park and other landscape designations. Despite these regional variations of demand and constraints, our multivariate analysis shows that regional location does not affect housing development rates. Small towns and rural areas in Wales have had the lowest housing growth rates in the study area over the 1990s whilst the highest have been in the Midlands.

7.36. In-migration is related to housing growth, with demand primarily from commuters in accessible rural areas and demand from retirement and second homes more likely in remote rural and coastal areas, especially from populations in the wealthy suburbs of the big English cities. Our analysis has found that small towns in coastal locations have grown less rapidly than those in accessible amenity areas suggesting that either demand was less in these areas of Wales or that the planning system controlled such developments more strongly.

7.37. Our results also confirm that housing growth is more concentrated in small towns reflecting planning policies and regulation that seeks to concentrate growth in the larger centres. However, the findings suggest a strong relationship between strong housing growth in small towns and similar levels of growth in the surrounding rural area. Pressures and responses for development are rural area-wide rather than specific to small town or countryside. However, perhaps surprisingly, there is no apparent relationship at the level of the small town between housing growth and employment growth.

### *Traditional economic assets*

7.38. Whilst the research did not find an association between the growth of employment and housing growth, there is an important link between housing growth and the economic base of the town. This is most obvious in the case of the Valleys (which were excluded from this study) and in mining settlements generally which may have environmental as well as employment disadvantages (Bevan et al 2001). In this analysis small towns with higher levels of employment in utilities, which includes extractive industries and are a declining source of employment nationally and in our small towns, have experienced slower housing growth. Somewhat more difficult to explain is the finding that towns with a strong employment base in public sector services and low levels of manufacturing employment have also had less housing growth.

### *Socio-cultural assets*

7.39. The social and labour supply characteristics of towns experiencing strong housing growth might best be characterised as 'middle market'. They have a relatively affluent population as measured by low levels of unemployment and high rates of economic activity. They are not the most desirable localities with protective designations expensive large houses and local resistance to housing growth (see Hoggart 2003). In these locations it is well understood that house prices tend to be high and that the restriction of housing growth is in the interest of owner-occupiers. Neither is growth generally strong where there are high levels of social housing, low income households and cheaper housing types like flats and terraces. Some towns exhibiting strong housing growth do have high levels of some low income groups dependent on welfare (lone parents and the disabled) but not the elderly.

## **Prosperity: unemployment decline 1996-2002**

7.40. Are towns which are able to attract or generate jobs also more likely to reduce the levels of unemployment locally? In common with other studies of unemployment in rural areas, the findings show no simple relationship between job growth and the decline in



unemployment in small towns. In aggregate, our research indicates that job growth has far out-stripped the fall of unemployment in both small towns and rural residual areas. The rate of the change in unemployment reflects not only increase in local jobs (labour demand) but also changes in labour supply and commuting.

7.41. In general labour supply in rural areas is being increased by population growth which is evident across our population of towns (as indicated by housing growth). It is likely that migration is more important than natural increase (Beatty and Fothergill 1997) though this research is not able to distinguish between them. Labour supply is also increased by activity rates. Job growth is likely to have had a positive impact on economic activity rates for women, but less so for men (Beatty and Fothergill 1997). Little local level evidence on labour supply and commuting was available to this project so our findings point to some interesting possibilities for follow-up research.

### *Context*

7.42. Despite some indication that unemployment decline might have been more rapid in our southern regions than in more northern regions or in Wales, the multivariate analysis does not indicate a direct locational effect once we control for other factors. Neither is there any apparent relationship between unemployment decline and the type of area (rural or coastal) or the economic weight of a town in its district. These findings apply to both small towns and the residual rural areas.

7.43. However, there are positive relationships between small town unemployment change and changes in unemployment and growth in housing in the surrounding rural residual areas. Given the relatively small areas we have been analysing and the average lengths of the journey to work in these areas, it is not surprising that the impact of job growth is not necessarily on the immediate locality and that unemployment decline reflects the picture at a wider level. Simply, wider rural areas that are growing in jobs and housing also have falling unemployment.

### *Characteristics of employers*

7.44. Unemployment has tended to fall most rapidly in towns with high levels of workplace and resident employment in distribution and workplace employment in other services. What are the causal processes at work here? This reflects the discussion above that growth creates particular demands for local services and that these tend to be provided in existing service centres. It is likely that such jobs tend to be filled by local people rather than those who commute long distances. As we have seen traditionally many of these jobs are part-time and for women; women tend to travel much shorter distances than men to work. Hence an increase in service jobs may have important impacts on local unemployment rates.

### *Socio-cultural assets*

7.45. The labour supply characteristics of places have been important in unemployment change. Three types of town have performed particularly well.

- 'commuter towns' with a strong representation of higher socio-economic groups in professional and managerial occupations, migrants who have moved relatively long distances to their dwellings, and long distance commuting;
- prosperous towns, characterised at the beginning of the study period by high levels of economic activity and low levels of unemployment;
- 'military towns' with considerable housing market turnover and a strong representation of those employed in the armed services.

7.46. Other research has shown that towns with high levels of commuting out experience the lowest unemployment rates of all rural areas (Bevan et al 2001). They are concentrated in the south east of England, but are also to be found in Wales. The factors producing

positive outcomes for military towns are not readily evident and further research is necessary.

7.47. These important labour market characteristics are closely related to the social and housing characteristics of places and the housing market processes that play a key role in affecting the social composition of a town's population. Evidence that the experience of unemployment locally is linked to housing market processes emerges clearly from analysis of change in unemployment in rural residual areas. Rural residual areas with relatively high levels of social renting, low house prices, terraced dwellings and purpose built flats also tend to be areas with a relatively high percentage of lone parents and low levels of car ownership. They have performed less well in reducing levels of unemployment than areas with high levels of owner-occupation, high house prices, detached dwellings and high levels of car ownership. It is important to be aware of the processes that reproduce spatial patterns of prosperity. Bevan et al (2001) suggest that rural areas with high levels of social housing are more likely to attract migrants from other rural areas within the same locality who are attracted by the housing availability, and affordability.

7.48. We conclude that the legacy of housing in prosperous and less prosperous towns and rural areas has a determining effect on future prosperity in the way that it affects their attractiveness to particular migrants (and employers) and opportunities for others to move out. There is in particular a channelling of certain types of households to some towns and rural areas that is associated with poor economic performance.

### **What factors have helped to spread economic opportunities from small towns to surrounding areas?**

7.49. This section draws on findings from across the analysis. The assumption about rural economic change underlying this question is that small towns are the drivers of prosperity in rural areas. The argument might be that small towns are the most dynamic areas in terms of job creation; that the growth of jobs has a direct impact on the prosperity of the town because it provides jobs for the unemployed in both the town its surrounding rural area and thus raises local incomes and prosperity. None of these propositions is supported by the evidence of this research. Job creation has been more rapid in the countryside. Job creation in towns does not have a strong impact on local town unemployment rates. Much small town job creation has been in sectors where work is manual, part-time and where pay rates are low (with the exception of public services). Small town employment growth does not appear to have an impact on the reduction in unemployment in surrounding rural areas.

7.50. Instead the picture which emerges from this research is one in which economic trends in small towns such as the reduction in unemployment are responding to national factors and to conditions in much wider local labour markets. There is one sense in which economic opportunities are spreading from small towns to the countryside: the wider dispersal of job growth from towns to surrounding rural areas during the 1990s. Why has this happened? The quantitative data analysis provides little explanation because of the difficulty of analysis at this local level. More detailed local area investigation is required. However, the case studies suggest the sort of processes that are driving this change.

7.51. The economic problems facing agriculture and the response to these problems in planning and other rural policy measures, as described in the introduction to this report, have been important. Encouragement to diversify farms and farm buildings has helped to spread employment growth in rural areas. It was suggested that the pattern of small units and sites made available in villages by rural development agencies has played a part in making employment land more available in rural areas. The shortage of employment land in small towns has also focussed attention on more rural sites. Just over half of our case study towns indicated that the shortage of employment land in and around the town (not restricted to the ward boundaries we used for definitional purposes) had been or will be a significant barrier to growth. It was argued that it is relatively easy to obtain planning permission for the

conversion of rural and agricultural buildings to non-residential uses, certainly much easier than is the case with conversion to residential use. This is an unintended consequence of the implementation of planning policy in rural areas and may work against the policy of strengthening existing centres in these areas.

7.52. A second set of housing market processes have also been involved. Rural areas are experiencing in-migration and housing growth linked to the environmental quality of rural areas and to the perceived good living conditions or 'quality of life' in these areas. Though a number of migrants are retired or may continue working outside the area, many in-migrants will take up jobs locally. Our research shows that housing growth in small towns is linked to the rate of job growth in rural areas. This finding is of some significance, raising questions about what the connections are between these processes.

## **Policy implications**

### *Changing functions of small towns*

7.53. The relative role of small towns and their surrounding rural areas appears to be changing; housing appears to be increasingly located in towns whilst the location of employment is becoming more dispersed with the countryside becoming more important for job location. Are these desirable trends? The implication of current policy for small towns (as briefly reviewed in Chapter 1) seems to be that they should function as 'key settlements' - locations where both new jobs and housing should be welcomed, in comparison with the wider countryside, and further that they should provide 'access points to employment opportunities'. The argument is that such settlements will help to focus development and reduce urban sprawl in the countryside, and provide a focus for maintaining and improving service provision in rural areas. Moreover there is a desire to produce 'balanced development' so that people are able to live and work within the same town, reducing the need for travel, and making walking and cycling more feasible transport modes and enabling 'properly planned and co-ordinated local transport networks'. Reinforcing the market or service role of towns will also tend to support the employment role of towns.

7.54. Current trends seem to be supporting the housing role of small towns but they do not seem to be supporting a stronger employment role for. In relation to the service role of towns, our evidence seems also to indicate that in two sectors which are keys to this function - distribution (hotels, retailing and catering) and services (banking, finance and insurance) - employment is growing less fast than the national average and that towns with a stronger dependence on these functions have witnessed slower growth rates. One implication of the concentration of housing in towns with a more dispersed employment location pattern in the countryside and in wider labour market areas is a wider pattern of journeys to work and greater difficulties in planning and coordinating local transport networks.

7.55. If it is thought to be important to focus employment growth on small towns, then it has to be recognised that there are limits to the extent to which local land use policy can influence this. Our case studies show how there can be considerable changes in employment in towns without significant changes in the land available for employment within those towns. Policy and action to restrict employment land in the countryside and release more employment land in and around small towns would create some tension with existing policies to support agricultural diversification and in some areas, restrain the physical development of towns.

7.56. Currently policies for small town regeneration tend to see the problem as focused on the town itself, and much emphasis is placed on building local capacity to address solutions within the town. This study has emphasised the interconnection of towns with the much wider labour market; the average distance of commuting for men in 1991 being 11kms. Unemployment in small towns reflects the unemployment rate of the wider labour market (the rural area and other towns) in which it is located. There is little association between

changes in the number of jobs and the unemployment rate. The prosperity of residents is thus affected by the prosperity of the wider locality. This has been recognised in more recent policy statements that are calling for more explicit development of co-operative networks in rural areas to replace some of the competition between neighbouring towns, an issue also evident in this research. Given the interconnectedness of rural areas there is a place for policies that encourage more linkage among towns and rural areas and institutional arrangements and strategies that address the towns and their surrounding rural area together. This approach has been discussed in the draft Spatial Plan for Wales following recent developments in European policy.

#### *Promoting prosperity*

7.57. In terms of the labour market, our research shows that prospering small towns are in prospering rural areas. Policy measures which aim to increase rural prosperity more generally should also benefit small towns. However, prosperity goes beyond employment to the quality of jobs and wages rates. There is a strong perception in many rural areas that the main economic problem is the failure to generate well-paid jobs and that some towns are locked into a cycle of providing predominantly low wage employment for a less skilled workforce. This is linked to the loss of young people from the countryside who leave for higher education and for employment opportunities in urban Britain. The loss of young people was seen as a major policy issue by local communities and is well reflected in objectives in the various national strategies, but the findings here confirm just how difficult it is to address this problem.

7.58. Previous research suggests that migrants to rural areas are more prosperous than the existing rural population and that current trends are leading to the 'gentrification' of rural areas. Our findings also support the general conclusion that the prosperity of a town and its surrounding rural area a function of housing market processes which play a key role in affecting the social composition of a town's population. In part this is a function of the accessibility of the town to urban labour markets, where some towns are occupied by professional and managerial workers commuting some distance to work. In part too this is a function of the local geography of house prices in the owner-occupied sector. In general house prices are higher in the countryside than in small towns and so one would expect to find more first time buyers and those on lower incomes buying house in small towns. An important role seems to be played by the retired in some of these localities who though they have low current incomes may be able to sell houses in more expensive parts of the country and buy houses in the countryside. In-migration of all kinds seems to have a positive effect on the quality of labour supply and stimulate job creation, thus enhancing opportunities for the less qualified. In-migrants may also contribute to entrepreneurialism, although this is by no means certain. Certainly, there is a policy issue around the potentially positive impacts of in-migration (or returners) and the provision of housing that might attract them. This has to be set against the consequences for local 'culture'.

7.59. Social housing is also a factor. Housing market processes may be 'channelling' or trapping particular types of poor households in certain settlements that have a relatively strong representation of social housing. These areas are less likely to be prospering as measured by unemployment rates. The loss of the locally based low income population from rural areas more generally or their concentration in a few places is, as Hoggart (2003) points out 'only a problem if you believe in the benefits of socially mixed rural communities or in the appropriateness of enabling those whose families have lived in a village for generations, if not centuries, to be able to continue to live there.' There is a well-documented shortage of social housing in the countryside and in our case study towns there was a recognition of the increasing problems of affordability as house prices had been rising rapidly from the late 1990s. However, there were also barriers to the provision of social housing, including the absence of large sites for housing release, the limited implementation of exception site housing and some lack of local support for development. If more balanced local communities are to be achieved the issue of affordable housing will need to be addressed.

### *Promoting job growth*

7.60. Some small towns have a more entrepreneurial character than others with relatively high rates of self employment, and a high rate of businesses per head. These towns seem to continue to generate more jobs than other places and the reasons should be investigated further. There is some suggestion that there might be a link between in-migration and the start up of rural businesses (noted above). There is also a link between housing growth and the demand for local services. Our results show that there is a link between housing and population growth in the hinterland of towns and job growth in the town. Our case study investigations did not prove conclusive on this point. However in so far as entrepreneurialism means self-employment then we come back to the issue of the 'quality' of jobs created and to the issue of prosperity. Previous research has shown that amongst those of working age in rural areas most of those on low incomes are self employed (Chapman et al 1998).

### *Promoting population and housing growth*

7.61. All small towns in our research were growing in housing numbers and were experiencing some degree of growth. Current trends are resulting in an increasingly important housing role of small towns. The vast majority of housing being built in our case studies towns was for owner-occupation. We have already raised the issue of the need for consideration to be given to the availability of affordable or social housing in rural areas. There is a certain ambivalence about the desirability of promoting housing growth in a number of our case study areas. Some very high rates of recent growth have been experienced in some towns. Housing growth can change the character of the town and be resisted by those who see this as a challenge to maintaining local distinctiveness and culture. New housing can also generate extra trips and traffic in and around the towns. Traffic management and parking were issues in every town. How this growth is managed can be crucial for the impact it has on the town. But funds for capital investment in small towns are limited. In some places housing growth where it is organised in relatively large developments on the edge of town, however, has been seen as a useful mechanism for obtaining planning gain contributions to the development of local infrastructure (roads and traffic management and infrastructure) to improve local conditions.

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