

This report provides an overview of results from a survey of businesses in rural Wales undertaken by the Wales Rural Observatory [WRO] during 2010.

### KEY FINDINGS

- The adverse effects of the recession dominated business owners' comments. Compared with the 2007 survey:
  - Fewer businesses had expanded (34%)
  - More had contracted (25%)
  - Fewer had increased turnover (36%)
  - Fewer had increased profits (26%)
  - More reported decreased profits (41%)
  - 48% reported difficulties obtaining investment.
  - 34% had experienced a decrease in demand.
- 67% of the 1,308 businesses surveyed were employers. Most employees were local people.
- There were indications of a low-skills, low-wage economy:
  - Use of informal local recruitment networks had increased
  - Perceived low quality of job applicants
  - More people were available for work
  - Fewer business owners had or valued business training
  - Few (33%) had a business plan
  - Trend towards parochialism
- Advantages of rural Wales for businesses included scenic beauty, quality of life, strong local communities, niche markets and lower running costs.
- Perceived threats to business included supermarkets, shortages of skilled, motivated and dedicated labour, and an ageing customer base.
- 81% recycled waste products (61% in 2007).
- Businesses were concerned about:
  - excessive regulation
  - rising costs, particularly energy costs
  - costs to business of environmental concern
- 9% of businesses surveyed were aware of 'Economic Renewal: a new direction'.
- Internet connections had risen to 85%.
- Broadband connections had risen to 76%.



### The Research

By a team at Cardiff University for the Wales Rural Observatory (WRO)



Cronfa Amaethyddol Ewrop ar gyfer Datblygu  
Gwledig: Ewrop yn Buddsoddi  
mewn Ardaloedd Gwledig  
The European Agricultural Fund for  
Rural Development: Europe Investing in  
Rural Areas



## BACKGROUND

The 2010 Wales Rural Observatory [WRO] Business Survey was the third in a triennial series, following the 2004 and 2007 surveys. It was designed as an integral part of the WRO work programme, with an underlying rationale that the survey would complement and build on completed WRO work; drawing on the 2004 and 2007 surveys it would provide longitudinal data; and it would provide a data source for future WRO work.

The broad aims of the survey were to examine the state of rural (non-farm) business activities in Wales. More specifically the survey aimed to explore, quantify and provide qualitative data on the attitudes of rural business owners in Wales concerning a range of business, economic and environmental issues. In addition, the survey aimed to ascertain what changes had affected businesses in rural Wales.

Throughout this report the definition of what constitutes rural Wales is that used in the Welsh Assembly Government's Consultation on the Draft Rural Development Plan for Wales 2007 – 2013.

## METHODOLOGY

Methodologically the 2004, 2007 and 2010 surveys were similar, involving postal questionnaires accompanied by covering letters, both in Welsh and English versions. A new feature in 2010 was that businesses were encouraged to file questionnaire responses online to the WRO website.

The questionnaire had been refined and altered over the course of the three surveys. However, the differences between the 2007 and 2010 versions were few and minor.

### The Questionnaire

The questionnaire for the 2010 survey differed only in minor details from the 2007 version. There were nine sections in the final questionnaire:

Section 1 – A Profile of the Business and the Owner

Section 2 – About your Employees

Section 3 – Recruiting and Training your Employees

Section 4 – Your Business Operations and Strategy

Section 5 – Business Support

Section 6 – Changes in Business Activities

Section 7 – Your Business and the Environment

Section 8 – Financial Information

Section 9 – Additional information

A total of 1,308 responses was received, which included 138 online. This total exceeded the target of 1,000 and was higher than the 2004 and 2007 surveys.

## FINDINGS

### The state of rural business activities in Wales

The dominant types of business continued to be Wholesale and Retail (25%), Hotels and Restaurants (14%) and Construction (12%). Manufacturing increased from 9% in 2007 to 11%. Of the total, 67% were VAT registered.

Although male business owners remained predominant, the proportion of female owners had increased since 2007 by seven percentage points to 28%. The trend towards an ageing population of business owners in rural Wales, observed across the 2004 and 2007 surveys, continued.

Similarly, the tendency to undervalue formal business training and planning was again identified. In 2010, 25% of business owners had received formal business training; 41% considered it to be important; and 20% thought that it was not important. Moreover, only 33% of businesses had a written business plan, and 17% had a written marketing plan.

Regarding employees, 67% of the businesses surveyed were employers: 878 of the 1308 businesses employed 13,350 employees. In 2010, 13 businesses employed a total of 30 WRS (Workers Registration Scheme) workers, compared with 74 WRS workers employed by 17 businesses in 2007. Full-time employment continued to be dominated by males, with twice as many full-time male employees than females, but there were nearly three times as many part-time female employees than male.

There was an apparent trend towards parochialism for rural businesses in terms of employees, customers and suppliers. Two thirds of the workforce was recruited from within ten miles of the business that employed them and 39% of the businesses surveyed recruited their entire workforce from within a ten mile radius. Similarly, more customers and suppliers were drawn from local areas than in 2007:

18% of businesses surveyed in 2010 drew their entire customer base from within a 20 mile radius compared with 11% in 2007, and 14% of businesses surveyed in 2010 had their entire range of suppliers within a 20 mile radius compared with 6% in 2007.

### **The attitudes and perceptions of business owners concerning the business environment of rural Wales**

The concerns expressed by businesses in the 2010 survey focused on relations with the Welsh Government and local government. Both national and local government was perceived as unhelpful to business and it was argued that there was too much regulation and too much legislation. Contentious issues included increased parking charges; higher business rates; and increasing costs for fuel and energy. The costs to both business and government of implementing Welsh language legislation were also seen as excessive and unnecessary by some businesses.

It was perceived that there was a failure to promote rural areas and that there was a general lack of investment in rural Wales. The Welsh Government, it was argued, placed too much emphasis on large businesses and did not adequately support SMEs in rural Wales. In addition, there were ongoing concerns about the increasing penetration of rural Wales by large businesses and multinationals.

With regard to business support, compared with 2007 fewer businesses in rural Wales found the support and advice services satisfactory in 2010. Fewer businesses were making use of these services, although slightly more were contacting the Welsh Government.

Businesses viewed the formal recruitment agencies negatively and expressed concerns about the quality of potential employees that they forwarded. Moreover, the survey data indicated that informal networks for recruitment were increasing in use over time. Taken together with the evidence presented in this report of difficulties in the recruitment of skilled personnel; the increasing numbers of people seeking work; and the increasing parochialism of rural businesses, there must be concerns that the low-skills, low-wage economy identified in earlier WRO work has the potential to continue in rural Wales.

Substantial proportions of survey respondents perceived that Welsh Government policies were not helping to create jobs; to create higher quality jobs; to stimulate economic growth; to regenerate communities; to improve skills training; or to improve business support. Across the survey, 21% had

benefited directly from Welsh Government financial initiatives. However, a relatively small proportion of 9% of businesses surveyed was aware of 'Economic Renewal: a new direction'.

### *Broadband and the Internet*

Both Internet and Broadband use had increased: 85% of businesses were connected to the Internet; 84% had potential access to Broadband; and 76% of businesses surveyed had Broadband. However, some businesses complained that some types of rural businesses were being run from 'front-rooms and garages', which obviated payment of business rates – an unfair economic advantage. Other businesses, which depended on local trade, observed that they were losing trade to Internet-based businesses from farther afield, such as national and international suppliers.

### *Relations with the Environment*

There was evidence of increased environmental awareness. For example, in 2010 81% of businesses recycled compared with 61% in 2007. Also, there was a substantial increase of eleven percentage points in the proportion of businesses using low energy devices, which connects with more businesses reporting reduced energy consumption, despite the succession of cold winters since the 2007 survey. There were caveats: business contraction led to decreased energy use, while business expansion led to increased energy consumption. In addition, businesses raised concerns about energy costs and the costs to business of being environmentally concerned.

With regard to the more general environment in rural Wales, business owners perceived that the quality of life; beautiful scenery and landscape; and good community spirit and close networks conferred business advantages in terms of customer and supplier relations and employee recruitment. Conversely, the relative isolation of rural locations was seen as a disadvantage to business. More specifically, it was argued that the increased costs of rural life, particularly fuel, poor services, and inadequate roads and transport tended to exacerbate the problems associated with the recession.

### **The Recession and its effects**

In qualitative responses, businesses suggested that the various aspects of the recession were iterative and constituted multiplier effects detrimental to their operations. Fewer people were in work; there was less cash in the economy; and the housing market was low or had 'crashed'. Business customers were reported to have gone into liquidation. Faced with

increased rates of VAT and the rising costs of fuel, transport and energy, government-led cuts in services, and stricter rules on credit, people were being more frugal than before the recession. There was also a perceived increase in the penetration of rural areas by larger multinational companies, seeking new markets and business opportunities to alleviate the effects of the recession on their own businesses. And the recession was detrimentally affecting tourism and its related sectors - of great importance to many businesses in rural Wales.

Consequently, businesses reported lower customer footfall; fewer orders; and less overall demand. In addition, it was argued that businesses in rural areas were particularly vulnerable to the rising costs of VAT, fuel, transport and energy, and government-led cuts in services mentioned above. The banks were reluctant to offer loans, leading to a 'credit crunch'.

Rural businesses argued that, taken together, these economic circumstances had resulted in reduced cash flow and lower profits; a reining-back on expansion and employee recruitment; changes in working practices; and imminent closure for some businesses.

Quantitative analysis of the survey data also enabled inferences to be drawn regarding the detrimental effects of the recession on businesses in rural Wales. For example, in the 2007 WRO business survey, 24% of the sample perceived 'a shortage of applicants for work', compared with 43% in 2010. These data implied that the pool of unemployed had increased.

There were indications that there was an overall tendency towards business contraction compared with 2007. Since 2007, there had been an increase of eleven percentage points in the proportion of businesses that had contracted and a decrease of sixteen percentage points in businesses that had expanded. In 2010, 41% of businesses reported decreased profits; 26% an increase; 33% had remained the same; and 18% had made a loss or had broken even. (For 2007, the figures were 27%, 42%, 31% and 15% respectively).

However, there were a few businesses that identified potential benefits of the recession. Some of these businesses reported that in response to the demands of the recession they had become leaner, more efficient, and more profitable. Others observed that business rivals had gone into liquidation, leaving the field open for them.

### **Concluding remarks**

The report makes comparisons with the 2007 WRO business report, as the three year period between the surveys was included in the recession period, and the research evidence indicated that the recession was the dominant factor for business. This observation was supported by both qualitative and quantitative data.

More encouraging were businesses' relations with the environment; the rise in Internet use; and improved access to Broadband. There appeared to have been an increase in environmentally-sensitive business practices, although businesses continued to point to the perceived excessive costs to business. And while the Internet was a boon to some businesses, others had Internet-related problems. Moreover, there were indications that the Broadband project still required close attention.

Finally, a theme running through the three WRO business surveys was the apparent persistence of a low-skills, low-wage economy. Research evidence indicating this included low educational attainment; a perceived shortage of skilled job applicants; a lack of business training; a disregard for the usefulness of business plans; a trend towards parochialism in terms of employees, customer and suppliers; and a preference for the use of local networks, particularly for recruitment. Arguably, the effects of the recession, especially the apparent increase in people looking for work, have the potential to exacerbate this perceived problem.

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## **For Further information**

The full report, Rural Business Survey 2010 is published by the WRO. It is available free as a download from: [www.walesruralobservatory.org.uk](http://www.walesruralobservatory.org.uk)

Other formats available.

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