



Arsyllfa **Wledig** Cymru
Wales **Rural** Observatory

THE IMPACTS OF THE CURRENT RECESSION IN RURAL WALES

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EXECUTIVE SUMMARY

This Executive Summary provides an overview of a research project that examined the impacts of the current recession in rural Wales, which was undertaken by the Wales Rural Observatory between April 2009 and August 2009.

Background

The Wales Rural Observatory was commissioned by the Rural Policy Unit of the Welsh Assembly Government (WAG) in April 2009 to undertake research on the impacts of the current recession in rural Wales. The aim of the research was to examine the economic, employment, housing, welfare and social consequences of the recession in rural areas, with a view to comparing the rural situation with that in other parts of Wales. Consideration was also given to the differential sectoral, social and spatial impacts of the recession within rural Wales.

Methodology

For the purpose of the report rural Wales was defined as all local authorities in Wales with a density of fewer than 150 residents per square kilometre. The study involved two stages of enquiry. The first involved temporal and spatial analyses of relevant data. Drawing on various data sources, information was collected, analysed and presented on different aspects of the recession, including house prices, housing affordability, property completions, housing need, property repossession, homelessness, unemployment, Job Seekers Allowance (JSA) claimants, job vacancies, debt and other welfare enquiries, and business insolvencies. Where possible, data were analysed across time and at different spatial scales to compare the rural and non-rural situations. In the case of the JSA claimants data, a detailed ward-level analysis was undertaken to explore spatial distributions within rural Wales.

Relevant data at different spatial scales were made available by organisations such as WAG, Jobcentre Plus, the Insolvency Service, Shelter Cymru and Citizens Advice Cymru.

Running in parallel with the statistical work, a series of semi-structured interviews was conducted with relevant economic, employment, housing, welfare and social / health organisations. A total of 50 organisations and agencies was initially contacted, and from this figure 37 agreed to be interviewed as part of the research. The interviews explored in greater detail the impacts of the recession on different economic sectors, social groups and places within rural Wales and, where possible, compared the rural and non-rural situations. Access to any additional statistical data held by these organisations was also sought. The following organisations and agencies provided valuable evidence and commentary, which forms the basis of this report:

- *employment organisations* - Federation of Small Businesses, National Farmers Union of Wales, Farmers' Union of Wales, Careers Wales, Jobcentre Plus, Chambers of Commerce;
- *welfare and advice organisations* - Citizens Advice Cymru, Shelter Cymru, Wales Co-operative Centre, Consumer Focus Wales;
- *housing and planning* – Home Builders Federation, The Royal Institution of Chartered Surveyors (Wales), National Federation of Builders Cymru, Council for Mortgage Lenders, Federation of Master Builders, Welsh Planning Officers Society, Chartered Institute of Housing Cymru, Country Land

and Business Association, Community Housing Cymru, The Royal Town Planning Institute (Cymru);

- *social / health organisations* – Barnardos Cymru, Save the Children Wales, Help the Aged and Age Concern in Wales, Relate Cymru, Mind Cymru, Royal Agricultural Benevolent Institution.

Research outputs

The information presented in this report expands on a briefing note on the rural impacts of the recession in Wales previously submitted to the Welsh Assembly Government in July 2009. This report brings together statistical evidence and key themes from the interviews with organisations to provide a broader overview of the economic, employment, welfare, health and social situations in rural Wales in 2009.

Findings

The data analysed for this report indicate that the recession has impacted in similar ways in rural and non-rural parts of Wales on several key indicators.

The rural labour market

Rural Wales has a relatively high economic activity rate and low level of unemployment. In 2008, the rate of economic activity was 76.8% compared with 75.7% for the rest of Wales. In relation to unemployment, in 2008 5.7% of working age people in rural Wales were unemployed, which was just below the Wales average of 6.6%.

Between July 2008 and July 2009, the proportion of out of work rural residents claiming Job Seekers Allowance (JSA), the UK's main unemployment benefit, increased from 1.9% to 3.2%. Pembrokeshire showed the highest rate of increase in the number of out of work claimants and JSA claimants, which at 1.9% was in line with the figure for

Wales, and for rest of the UK. This was closely followed by Monmouthshire (1.6%), Denbighshire (1.6%) and Conwy (1.5%). However, across the whole of Wales, rural authorities displayed the lowest rise in claimant rates; below the figure for the Valley and Urban Authorities (at 2.6% and 2.1% respectively).

Analysis of JSA claimants in rural Wales by occupation shows that workers in every sector have been hit by the downturn in the economy, but elementary occupations have been affected the most in the last two years, with a 0.36% percentage point increase in claimant unemployment count. Alongside this, the equivalent rate for workers in sales and customer services and among process, plant and machine operatives has also risen by 0.24 and 0.22 percentage points respectively, while the rate for professional occupations has risen by only 0.05 percentage points in the same period. A similar pattern of high claimant unemployment in unskilled and low paid occupations was evident across the whole of Wales and the rest of the UK.

Wales has a high proportion of employment in the public sector. Figures for 2008 show that in rural Wales levels of employment in public administration, education and health were similar to those for the rest of Wales. The public sector has, to date, been largely shielded from rising levels of unemployment. However, with public sector cuts anticipated during the next few years it is likely that this situation will change. Rural Wales had higher levels of employment in distribution, hotels and restaurants, which accounted for just over a fifth (20.5%) of all rural jobs. Figures for the construction (9.7%) and agriculture / fishing (5.5%) industries were also higher than the equivalent figures for the rest of Wales (at 9.0% and 2.3% respectively).

The ratio of vacancies to JSA claimants is fairly even across Wales, and across

the UK. However, an analysis of available data on changes in the number of vacancies per JSA claimant in Wales between May 2006 and July 2009 shows that by January 2009, rural Wales had the lowest number of vacancies per claimant. More recent figures for July 2009 showed signs of improvement, however, the ratio of vacancies to claimants in Anglesey (0.1) remained under the ratio for Wales (0.2) and similar to the ratio for valley authorities. The remaining rural authorities were equal to or above the ratio for Wales.

The interviews revealed that unemployed people in rural areas are experiencing difficulty in accessing information and advice about Jobcentre Plus. In addition, it was claimed that there was less provision of further education and training in rural areas than elsewhere in Wales.

Young people and those 'not in education, employment or training' (termed NEETs) are being particularly challenged in the current recession. As a result, advice and counselling services are now facing increased demands for their services from this age group, and it appears likely that this trend will continue for the foreseeable future.

At the other end of the age spectrum, welfare advice organisations reported that older people were at risk of being permanently disadvantaged by the current recession, with a disproportionate rise in redundancies among older workers approaching retirement.

There is a current slowdown in migrant workers entering the country, which is due to a more restricted supply of employment in Wales and the fall in the value of sterling against many currencies.

The rural housing market

Interviewees reported that the construction industry had been hard hit by the recession and was experiencing a substantial decline in activity. A variety of impacts on the building industry were reported: speculative building and construction had almost ceased; the market for development land had collapsed; and there had been reports of property companies pulling out of land deals. The construction industry is an important employer in many rural areas, with 9.7% of the rural population currently dependent on this sector for work (Nomis, 2008). The impact of current changes will therefore be widely felt.

House prices have been decreasing throughout Wales since February 2008, with the highest falls observed in the valleys and rural authorities. The latter showed a decrease of 13.1% compared to 11.4% in urban authorities. The largest fall in rural house prices (as a proportion of their 2008 average) during this period was observed in Denbighshire, where the percentage change fell by more than that for the whole of Wales.

Interviews revealed that recent changes in the rural housing market have had little impact on the affordability of housing in rural areas. Despite falling prices, houses are becoming less affordable due to the current difficulties in securing required mortgages and it is now more difficult for new entrants and those on low income to enter home ownership. Current market conditions are exacerbating the difficulties faced by young people and low income households in finding a property they can afford.

Between January 2008 and March 2009, there was an overall decrease in the number of households classified as homeless by local authorities. However, the decrease was less pronounced in rural Wales. Alongside this, Shelter Cymru reported a significant rise in

problems related to mortgage arrears, rent levels, buildings falling into disrepair, and landlord repossession as a result of the current recession.

Welfare and advice

Welfare and advice organisations reported an increase in demand for housing services, debt advice and benefit enquiries as a result of the recession. The average number of enquiries to Citizens Advice Cymru in rural areas had almost doubled since the beginning of the recession. Overall, the average number of enquires in rural areas was higher than in urban areas, but in line with the average for Wales.

Key difficulties experienced by rural clients included problems with mortgage arrears and possession actions; rent arrears; debts associated with a large number of creditors and secured loans on properties; relationship breakdown issues; people losing their homes due other social issues; reduced hours; redundancy; and short-term or casual work coming to an end.

Age Concern reported a significant rise in enquiries about pension funds losing value; savings providing reduced levels of income; and difficulties experienced by older people in meeting above inflation rises in food and fuel costs. The impact of these changes is even more pronounced in rural areas due to the unique challenges faced by rural residents, particularly older people, on a day-to-day basis (i.e. poor accessibility to public transport, problems of isolation).

Interviewees indicated that the loss of employment and the threat of losing a home placed enormous strain on an individual's health and on family relationships, but that little robust data were currently available on these types of impact of the recession. It was also stated that there were significant barriers to help-seeking in rural areas, both within the farming community and

among the younger and older age cohorts of the rural population.

The research identified evidence of significant social, welfare and health problems among farmers and their families in rural Wales, particularly in areas such as Carmarthenshire, Powys and Gwynedd. However, despite evidence of an increase in enquiries to RAB advice and support services, there remains a general reluctance to seek help and guidance to resolve ongoing difficulties. In rural areas, many problems will therefore tend to be masked by close community networks.

The rural business environment

The rural economy has a greater dependence on small businesses than other areas. It was clear from interviews that in several key sectors, including retail, distribution and tourism, these businesses were facing significant challenges from the downturn in the economy. Cash-flow problems, indebtedness of mortgages and home repossessions were among the key challenges facing small businesses in rural Wales.

Agriculture appears to have fared better than other industries during the current recession. The farming sector has recently experienced problems caused by diseases such as BSE, Foot and Mouth, Tuberculosis and Blue Tongue. The power of the major retailers over last few years has also forced down the price of UK food and has resulted in farmers receiving reduced payments. More recently, however, Sterling has weakened significantly against the Euro, making products more competitive within the European market. This is particularly the case with beef and lamb exports.

The economic viability of the dairy sector has been particularly challenged in the current economic climate, as a result of a significant fall in world commodity prices and increases in the price of feed and fertiliser. The collapse

of the Dairy Farmers of Britain co-operative has caused further hardship to dairy farmers across Wales. However, it was emphasised that the agricultural industry was more strongly placed when seeking finance, with many banks still viewing agriculture as an area for continued activity.

Comparison of visitor figures for the first half of 2009 with previous years suggested that the tourism industry in Wales was fairing well. It is not yet clear how the recession will play out in the tourism sector during the summer 2009 and beyond. Further research and information will be made available by Visit Wales in the final quarter of 2009, which should provide a more accurate picture of the situation in Wales.

The economic future of much of rural Wales is reliant on the long-term prosperity of the tourism industry and on the industry meeting and exceeding the needs of the market and ensuring that the quality of the Welsh tourism product is maintained. However, the seasonal nature of the tourism industry is a key issue for more remote areas, such as the Llyn Peninsula and Pembrokeshire, which are too distant from urban areas to benefit from any increase in day trips. The impact of the recession on these areas is, therefore, likely to be much more pronounced.

Impact on rural communities

Access to services is already problematic in many parts of rural Wales and the situation is likely to get worse if cuts are made to public sector funding. These cuts are likely to impact hardest on those on low incomes, older residents, and families that rely most on local services. Support services provided through third-sector advice and welfare organisations, which are dependent on public funding, are also likely to be hit by any future public sector cuts.