Arsyllfa Wledig Cymru
Wales Rural Observatory

Rural Labour Markets:
exploring the mismatches

Research Report 7

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November 2005

Acknowledgement

The Wales Rural Observatory would like to thank all the business owners who took part in the programme of empirical research, on which the findings of this report are based.

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EXECUTIVE SUMMARY

Background

As a constituent project of the Phase 2 research programme carried out by the Wales Rural Observatory on behalf of the Welsh Assembly Government, the aims of this research project were to explore labour markets in rural Wales, and to build an evidence base for future developments in this important area of research and policy. In addressing these aims, the research project drew on a range of academic and policy literatures, and on survey data garnered during Phase 1 of the Wales Rural Observatory [WRO] research programme. This approach, embedded in and drawing on existing WRO research studies, enabled insights into issues surrounding the sustainability of the Wales rural economy. Drawing on these studies and the available objective data, particular attention was paid to the development of four major themes:

- staffing composition
- recruitment issues;
- training and skills issues;
- external business support

Research Methods

In this report, rural Wales is defined as those areas covered by the following local authorities: Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Monmouthshire, Pembrokeshire, Powys and Ynys Mon (Anglesey). The research project took a stratified methodological approach, exploring the complexities of the rural Wales labour market. Firstly, and at an overarching level, a review of relevant academic and policy literatures was conducted. This review pointed to key issues concerning rural labour markets in the United Kingdom, which then informed research at the second level. At this second level, data from two WRO reports, the *Rural Business Survey* (WRO 2004a) and the *Rural Household Survey* (WRO 2004b); the National On-line Manpower Information System [NOMIS]; and from a report on the *Housing System in Rural Wales* (Milbourne et al, forthcoming), were utilised to explore a range of key themes. These themes included: the local embeddedness of rural businesses; the reach and influence of informal networks; the effects of rural lifestyles on employers and their business strategies; compatibility between employers and employees; the degrees of innovation and entrepreneurialism exhibited; and obstacles and constraints facing rural businesses in Wales. At the third level, two local authority areas were selected for analysis: Denbighshire and Pembrokeshire. Using NOMIS data this analysis explored the characteristics of labour markets in these two rural authority areas. Research at the fourth, and deepest, micro level concentrated on 40 individual businesses located in Denbighshire and Pembrokeshire, and was conducted through focused interviews with the business owners.

Analysis across and into these strata went beyond the generalised concepts portrayed in the current literature, to build a more robust conceptual model of the workings and practices of rural labour markets. This specified approach, then, enabled findings to be identified and conclusions to be drawn at each level. Taken together, these research findings enable insights into the complexities of labour markets, into the sustainability of the Wales rural economy, and provide an evidence base for future research and policy.

Key Findings

(a) The low skills equilibrium, functional flexibility and the spiral of decline

Although the literature on rural labour markets tends to be typified by generalised and euphemistic terms such as the 'low skills equilibrium' and 'functional flexibility', it does identify a set of conditions that have the potential to contribute to the persistence of a spiral of decline in rural Wales labour markets. These conditions are modelled in an outline diagram on p.18 of the main report. Moreover, the proceeding analysis, through examining the available statistical and secondary sources of data on rural Wales (including earlier WRO surveys), and then through in-depth qualitative research with 40 rural firms in the local authorities of Denbighshire and Pembrokeshire, provides more specific empirical verification of these trends. In addition, as discussed above, this analysis enables the construction of the more robust conceptual model of the workings and practices of rural labour markets in Wales, which is at p.75.

Put broadly, it is postulated that in response to employers' increasing demands for low, though flexible, skills (functional flexibility) and a decline in skilled job opportunities, the local labour force tends to develop fewer skills. The existence of this set of conditions leads to the persistence of the spiral of decline, and the generation of low expectations among both employers and employees.

(b) The East-West Gradient

From the statistical and secondary survey evidence, several continuous trends come to light. There is a general East-West gradient in the levels of economic activity, whether this is measured through registered unemployed, or more precise economically inactive figures. In Pembrokeshire, for instance, nearly 20% of working age males were economically inactive (an absolute total of 7000), with 5000 of these registered as 'not wanting a job' and 2000 as 'wanting a job'. Even in Denbighshire (which generally scores higher in economic activity) there were 5000 males registered as economically inactive (18.4% of working age males), with 4000 of these 'not wanting a job'. If we add in the increasing number of retired households this suggests a considerable loss of labour resource and, compared to many other regions of the UK, a growing and persistent 'rump' of low economic activity.

Other data point towards a significant east-west gradient. For example the distribution of annual income at ward level indicates that the majority of wards in rural Wales had annual household incomes below the mean of Wales as a whole. This was more pronounced in the West, the north-west and in mid-Wales. The first business survey pointed to three interrelated rural problems. First, accessibility of customers and suppliers was seen as a problem due to poor transport links (36%) of businesses. Second, 36% of businesses cited an insufficient or unsuitable customer base. Third, there were significant problems concerning the recruitment and retention of labour. Overall the secondary data and analysis in the report supports the conclusions of the available literature and the model of rural labour market conditions produced at figure 2.1 on p.18.

Taken together the existence of widening differences in these conditions on an East-West basis suggests that these sets of dynamic conditions - the existence of a cycle of low-value adding firms, low expectations of employers with regard to training and skills, low wages and a low-skills base- was operating in a deeper and more profound way in the Western rural areas. Hence the same process is occurring in all rural areas, but this is much more persistent and profound the further west one travels in rural Wales. The East-West gradient postulated here is shown clearly by a series of maps, compiled from data at both local authority and ward level (p.26 – p.35).

(c) The shift away from agriculture

The literature identifies a shift in rural employment away from agriculturally based occupations towards a more diversified service and manufacturing base. This shift in emphasis is verified by the secondary survey data, and reflected in the sample of 40 rural businesses interviewed at the micro level in Denbighshire and Pembrokeshire. The original survey excluded farms, but interspersed with a range of business types, including retail, transport, accommodation and small manufacturing firms there were businesses with agricultural connections.

(d) Staffing skills acquisition

Management strategies tend to reflect the ethos of 'functional flexibility', with many employers preferring part-time staff and informal networks of family and friends to complete their staff rosters. Significant mismatches are identified between employers and employees. The principal factor contributing to these mismatches are the lack of appropriate academic qualifications, and professional skills and training for available positions that characterised many potential employees. Other contributing factors are associated with rural living: the dependence of potential employees on public transport; a mistrust of public transport; and a general shortage of applicants.

(e) Recruitment

Recruitment through Job Centres is, in general, found to be problematic. It was perceived that Job Centre applicants are often put forward to meet targets, and that the applicants attend to meet the requirements for the continuation of benefits. Many employers state that they prefer to recruit by word-of-mouth and other informal networks.

(f) Training

Although employers do not, realistically, expect applicants to be fully trained, many are disappointed at the quality of applicants: a factor that is discussed above. Employers point to the high financial cost of training new and existing employees. These factors combine to reinforce the use of informal networks and functional flexibility in the workforce.

(g) External business support

The problems experienced by the business owners surveyed are by no means purely 'rural' in their orientation. Nevertheless, the rural conditions often appear to extend the impact of those more generic recruitment problems that affect businesses regardless of their location. Good examples of such challenges are the impacts of European working time directives, maternity leave and the increasing need for paying out for Criminal Records Bureau checks on potential employees. These issues, together with the costs of fuel, all affect businesses throughout the UK – albeit to a varying degree depending on the individual business sector and location. When combined, however, with specifically rural issues such as accessibility, gaps in labour supply and reduced footfall, the need for tailoring of business support becomes self evident.

Conclusions

There are more structural and contextual factors that need to be considered if the processes identified are to be ameliorated. First, the study has specifically focused upon non-agricultural businesses; but it is clear that a large proportion of them are still, in various ways, dependent upon their environmental context, either as a resource for manufacturing, or as a service, such as many retailing and tourist accommodation businesses. The existence of low-levels of value-adding both in primary, manufacturing and service-based industries is a key demand-side constraint. And it is probable that, however informal, trust-based or flexible rural labour markets become, this will continue to impede both business growth and, in turn, employment and economic activity. Sectoral approaches (such as through developing more attractive tourist opportunities, or developing local 'food webs') may be one useful approach. However, there is a need, especially in the context of the new spatial planning approach (Welsh Assembly Government, 2004), to assess the endogenous potential of rural areas more systematically. One approach is attracting inward tourist developments, but more fundamentally it will be necessary to consider the potentialities of the rural eco-economy. That is the variable ways in which many of the aspirations and visions contained in the sub-area statements of the new spatial plan can be realised through both harnessing environmental added-value and creating more environmental goods and services firms.

To begin to achieve this vision the systemic problems faced by small businesses and those who are economically in-active will need addressing. This will require that aspects of the potential eco-economy are addressed as part of our analysis of rural labour markets. So far neither the academic nor the policy literature has integrated the eco-economy into the question of how the rural 'spiral of decline' could be potentially reversed. This reflects a long-running UK policy disability to creatively link environmental value with economic added value: that is, to create and innovate sustainable economic development.

The onset of a spatial planning approach in Wales, which could open the door for more innovative eco-economic thinking, could provide a basis for both stemming the traditional and economically thwarting divide between environment and employment on the one hand, and reversing, as we have witnessed here, the persistence of complex business and labour mismatches, on the other. The third strand of the rural labour markets and rural businesses programme will address these issues in more detail.

Section 1: Introduction

1.1 Introduction to Research

This research project provides a new evidence base on the complexities of rural labour markets in Wales. The report investigates the type of formal and informal labour market strategies that employers are adopting in a bid to either overcome perceived weaknesses, or to capitalise on identified strengths in the local labour force. In particular, attention is paid to:

- the nature of, and participation in, formal and informal labour markets by rural businesses;
- the role of training and recruitment in improving the quality of local labour supply, and;
- the interactions that take place between (potential) employees, employers and business support providers in the context of improving the sustainability of rural businesses and the rural economy

The data on which the conclusions to this research are based are part of a broader longitudinal study of rural businesses in Wales. By employing an approach that utilises a series of overlapping techniques of data collection, it has been possible to ground the findings relating to rural labour markets in the context of a broader understanding of the sustainability of the rural economy as a whole.

1.2 Structure of Report

The report is structured as follows:

- Section 2 reviews the contemporary debates and key issues surrounding rural labour markets in the United Kingdom.

- Section 3 then relates the preceding review of existing literature to the specific case of rural Wales. In doing so, attention is given to both the position of the employee and the role of the employer.

  The data are organised around and extend a number of key themes emerging from the Rural Business Survey (WRO 2004a)[1], which enables an understanding of the role of businesses. These key themes are:

  - Evidence of business embeddedness and informal networks
  - The nature of 'lifestyle' business
  - Employee – Employer relationships and compatibility
  - Rural Business innovation / entrepreneurialism
  - Obstacles and constraints to rural businesses

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[1] The Rural Business Survey is a key component of the 'rural economy and employment' work programme of the Wales Rural Observatory. Undertaken during 'Phase 1' (January – October 2004), it provides a solid benchmark for all future work undertaken by the Observatory.

Data from the Rural Household Survey Database (WRO 2004b)[2] and NOMIS[3] provide information on rural labour markets in the context of the characteristics and status of the 'employee'.

- Section 4 provides a detailed discussion of the methodological techniques used during both the selection of case studies and the interviewing of respondents.

- Sections 5 analyses the data emerging from the empirical research and apply these findings to the existing knowledge of rural labour markets discussed in the literature review.

- Section 6 offers conclusions drawn from the key issues and trends emerging from the research findings. The implications for achieving socio-economic sustainability in rural Wales are discussed, together with avenues of further focused and policy-related research to be undertaken by the Wales Rural Observatory.

[2] The Rural Household Survey consisted of an extensive survey of 4,000 residents in rural Wales. Undertaken by the NOP on behalf of the WRO it provides a range of baseline data on living and working in rural Wales.

[3] NOMIS – National Online Manpower Information System – a web-based database of labour market statistics run on behalf of the Office of National Statistics by the University of Durham.

Section 2: A Review of Rural Labour Market Dynamics

2.1 Introduction to Rural Labour Markets

2.1.1 Introduction

> "… policies that do not, at least in aggregate, simultaneously meet the needs of local employers and the needs of local labour market groups, that is, the demand and supply sides of the market, stand a small chance of success however good their intentions" (Campbell 1992: 195)

In essence, a 'labour market' can be defined as the meeting point of two key components - 'buyers' and 'sellers' of labour (Green 2003). As Green (2003) suggests the goal of a labour market policy is to facilitate the 'matching of supply and demand'. In practice, however, this task becomes complicated by a whole range of factors – not least, the context specific nature of labour market exchange. Indeed, as Green (2003:9) explains:

> "…the labour market is composed of a multiplicity of sub-markets demarcated by industry, occupation and geographical area; hence, to some degree labour markets are 'balkanised'".

A direct effect of this apparent 'balkanisation' is the need for delivering labour market support in a manner that facilitates, rather than constrains, local geographies. Arguably, it is only by acknowledging the high degree of diversity that exists between labour markets – not least those situated within a rural context – that their respective needs can be met.

In recent years, a series of structural changes have re-emphasised the role played by non-agricultural businesses in sustaining both rural society and the rural economy. Whilst on the one hand there has been a gradual 'decentralisation of population and employment from urban to rural areas' (Green 2003:6-7), parallel to this, there has also been a noticeable shift away from a focus on primary sectors such as agriculture, fisheries and minerals. Attention has instead been turned towards the potential importance of 'rural enterprise' in contributing to 'vibrant and sustainable rural economies' (Raley and Moxey 2000:2). Indeed, as North and Smallbone (2000a:90) argue:

> "SMEs are increasingly seen as being central to the future economic development of rural areas. With the continuing decline of employment in agriculture and other traditional rural industries, the identification and encouragement of new sources of jobs for those living in rural communities has become a key priority in rural development, which has become more urgent as a result of population growth in many rural areas."

In order to synchronise the matching of labour supply and demand within the context of such profound socio-economic shifts, an integrated approach is required. Such an approach must be capable of viewing the diversity of individual rural labour markets within their respective broader regional, national and supra national contexts.

2.1.2 Adopting an Integrated Approach

By adopting an integrated approach to dealing with the complexities of rural labour markets, recognition is automatically given to the fact 'that rural pressures, actions and solutions are embedded within a wider network of sectors, actors and spaces', and thus; that there is often a need 'to act across what may be arbitrary sectoral and functional boundaries' (WRO 2004b: 53). It is for this very reason that any review of existing policies and knowledge surrounding rural labour market complexities, needs to take as its starting point, an 'overlapping' approach. For example, as is noted by Green (2003:1), an understanding of rural labour markets requires an appreciation of issues including:

- social exclusion
- rural economies
- the role of SMEs in rural areas
- demography

Additions that can be made to this list include the role of:

- social capital and networking
- the eco-economy
- rural embeddedness
- housing
- transport
- education

An important component of the diversity of rural labour markets is that they are all characterised by differences in employment, unemployment and inactivity rates, and industrial and occupational structures (Green 2003:14-15). At the same time, within any one labour market, variations can be found in the degree of emphasis placed by individual firms on formal and informal recruitment/ employment methods, and flexible and inflexible working practice. These issues, taken together with lifestyle choices such as the desirability of business growth, influence the dynamics of a labour market. Take, for instance, the case of 'flexible' employment. In a recent study of mid- Wales labour markets, Huggins (2001: 21-2) observes:

> "Although 'flexible jobs' have kept the unemployment figures in Mid Wales relatively low, they have not often led to permanent full-time work, with the effect being that family incomes have suffered. Other problems associated with flexible work include a lack of upward job mobility, particularly among those who have taken jobs that are below their previous skills levels."

By contrast, the particular case of small family firms produces a rather different set of demand-supply challenges. Although, in this situation business development goals 'tend to be linked to the family life-cycle (for example, business expansion to employ an additional family member), nevertheless:

> "Family firms, through the willingness of family members to accept a lower than commercial return on their capital and labour, and as a flexible workforce, can be endowed with a specific form of competitive advantage." (Raley & Moxey 2000: 4)

However, Raley and Moxey (2000:4) further argue that:

> "… family ties may also hamper the commercial development of the business if family considerations influence business decisions".

2.1.3 Institutional Support

The diverse factors that mediate the exchange of labour within any one rural locality include the numerous associated mechanisms of institutional support. Whilst Haughton (1992:29) identifies off-the-job training as 'undoubtedly the most important dimension', other sources of support include job centres, local authorities, development agencies, advice centres for the unemployed, chambers of commerce, small firm support agencies, local sectoral organisations and community groups. Given the recent shift towards linking business support initiatives with social exclusion and sustainable development agendas (Lowe and Talbot 2000) there is no reason to suggest that this collection of institutions will not continue to expand in the future. Although each may adopt a slightly different approach to supporting the needs of either the (potential) employee or employer, ultimately they all work towards the same goal – the matching of supply and demand. Notwithstanding this similarity of purpose, Haughton (1992:29) points to some concerns:

> "Increasingly concern has arisen over how the different elements inter-relate, how their activities complement each other, where they overlap, and how agencies network clients".

2.1.4 Summary: Addressing the Knowledge Gap

The foregoing discussion indicates that:

> "Rather than being a single market, it consists of a complex set of inter-related and overlapping sub-markets, where each sub-market differentiates employment by occupation, gender, ethnic group, age and other personal characteristics and by locality." (Hasluck and Duffy 2004: 4)

Given these internal divisions and variations within any one labour market, it is also the case that the boundaries between labour markets will not necessarily remain the same for all groups of actors. Indeed, as Hasluck and Duffy (2004: 4) remark:

> "[these] boundaries are not uniquely drawn either for all time or all people".

Clearly, such a situation raises a whole range of questions for the research programme when it comes to understanding the dynamics of labour markets within rural Wales. Perhaps the most obvious starting point in terms of research design is the need to focus simultaneously on both labour markets as a whole, and on their individual components. In pursuit of this goal, the remainder of this section provides an overview of current thinking on both the processes and practices at work in formal and informal rural labour markets, and their wider socio-economic impacts on rural society. Important factors considered here are the role played by support institutions and the impacts of public policy on rural labour markets.

2.2 Understanding local labour market formation

One of the current weaknesses in rural labour market research is the limited degree of knowledge that exists on the more informal elements of labour market flow and practice (see Green 2003). It is the local and often informal nature of many of the interactions within labour markets (for example, strategies of job search and/ or employee recruitment) that play a key role in determining the individuality of local labour market configurations, 'and the dynamics of labour market segmentation' (Haughton 1992). Moreover, just as informal strategies act to reaffirm the context-specific nature of local labour markets, so too do the different constructions of what constitutes a labour market itself:

> "… the different constructions of local labour market used by individuals, employers and various labour market institutions constitute a primary focus of research inquiry in their own right." (Haughton 1992: 39)

Understanding the characteristics of rural employment, and the opportunities created by it, tends to be contingent on both knowledge gaps in determining levels of informality, and subjective perceptions of labour market boundaries. For example, following the discovery of notable amounts of 'black economy' and embedded voluntary activity within mid-Wales, Huggins (2001:31) suggests that:

> "…although both black economy and voluntary workers are officially deemed to be 'inactive', they do in fact make a considerable, yet invisible contribution to the mid Wales economy."

Thus, even though these aspects of the rural labour market may arguably be key to the broader socio-economic sustainability of rural communities they are often under-represented in standard programmes of research, principally because they are difficult to measure objectively.

Underwriting the informal sectors of employment is an equally 'casual' set of methods for recruitment. Significant in the context of rural labour markets, though, is the trend for informal recruitment practices to be applied equally to formal and informal posts of employment. From the perspective of the (potential) employee, particularly, for example, the case of young people:

> "A restricted view of job opportunities may be one of the factors limiting job choice for young people when they enter the labour market for the first time; their personal experience of work is limited and their labour market knowledge may well be conditioned by that of their parents, teachers and friends. Similarly there may be geographical limitations to the amount of labour market information that can be acquired." (Hasluck and Duffy 1992:5)

Further, Hasluck and Duffy (1992:5) suggest that:

> "The most common source of information about jobs and employers are relatives and friends and similar information sources".

When it comes to knowing where to search for appropriate employees, this use of 'common' or network sources of information can also just as accurately be attributed to the knowledge bank of employers. What also comes into play here, though, is the perceived acceptability of a potential employee's background. Often, such information is most readily available to those employers who are themselves already embedded in their rural locality. Turning again to Hasluck and Duffy (1992:5):

> "… there are some labour market barriers which are specifically local in construction, for instance discrimination by address, be this employers avoiding recruiting from certain 'problem' neighbourhoods or service providers redlining some areas…"

Given that, as Raley and Moxey (2000) argue, recruitment of appropriately skilled staff may well prove to be a difficulty in rural labour markets, the benefits of local knowledge become clear. Also apparent here are the rewards that can accrue equally to both employees and employers, if they are already embedded within their local community networks. Interestingly, in the case of small rural firms, the recruitment of local personnel also has the potential to complete a virtuous circle of growth in a manner that can overcome the traditional negatives associated with rural location. For instance, as Lowe and Talbot (2000) argue, by recruiting locally, rural businesses are able to utilise local knowledge and thus, (re-) enhance their embeddedness within the community:

> "Social networks that promote mutual trust and facilitate co-operation among business people and managers are important to the efficient functioning of markets (Porter 1990; Shaw 1997; Woolcock 1998). Small firms tend to be much more socially embedded than larger firms. Many employ local resources to meet local needs. This can foster both community identification with business performance and business attachment to the local area (Segal Quince Wicksteed 1998)." (Lowe and Talbot 2000: 480)

2.3 Planning for a Skills Economy and the 'low skills equilibrium'

Raley and Moxey (2000) identify 'greater functional flexibility (lower demarcation) in the use of workers' as an advantageous characteristic of rural workforces. Clearly though, whilst there are obvious benefits that can be associated with diverse skills, in the case of rural areas this feature can just as easily be connected with 'casualised employment and low wages' (Green 2003). This aspect of skills diversity has the potential to stifle opportunities for a virtuous spiral of economic growth; it reveals itself in rural areas through the growth in demand for low-skilled employees:

> "…rural areas may be particularly at risk from the emergence of a 'low-skill equilibrium'… employers, in general, compete in low-value added markets, and consequently demand relatively low skill levels from their employees which, ultimately, is reflected in the supply of skills" (Green 2003:7)

The difficulty here is that as fewer high skilled jobs become available in the rural labour markets, so too does the potential supply of skilled workforce decline. As Green (2003:8) suggests:

> "Many of the highly qualified choose to pursue their careers in large urban areas, where opportunities for promotion tend to be greater."

Furthermore, Green argues, in the absence of high skilled job opportunities, rural areas are likely to be even less attractive to 'dual career' households. There are, then, two perceived effects within rural economies with the potential to interact negatively. Firstly, there is a downward spiral associated with the 'low-skills equilibrium'. Secondly, there is the draining effect in rural areas where demand is low.

Another deficiency associated with the phenomenon of 'low-skills equilibrium' is the situation whereby employers become either unable, or simply unwilling to justify the cost of enhancing the training provision of their current employees. Whilst in the short term it may be possible to argue that no additional training provision is required in order for a company to continue functioning efficiently, it is unlikely that this perspective will remain viable in the longer term. For example, Huggins (2001:24), in a study of the relationship between the skills economy and company productivity in mid-Wales, argues that factors such as extensive part-time employment, low capital investment and a lack of employer-led training were all working towards sustaining a negative spiral of decline. The consequent low productivity of rural firms was in turn acting as a disincentive to future innovation, entrepreneurialism and technological upgrading. Taken together the negative effects discussed here tend towards the development of a low skills, low training, low wage economy based on functional flexibility.

To counteract these negative economic tendencies, Huggins endorses the importance of installing a much more forward thinking 'skills economy approach':

> "A skills economy approach incorporates the means by which the expectations of employers, employees and those outside the workforce influence the existing and potential skills base of a region. Such an approach differs from traditional labour market studies, being focused more on long-term aspects and based on skills deficiencies and gaps, rather than merely shortages." (Huggins 2001: 19)

For a skills economy approach to be viable, however, both sides of the labour market must be prepared to make necessary changes. For example, while encouraging greater investment in skills training, it must also be recognised that the fault for current trends of low take-up of training does not necessarily lie solely with employers. Indeed, it is often the case that those employees most in need of acquiring a broader portfolio of skills are the least receptive to the challenge.

Similarly, even in the instance of those individuals who may already be in employment:

> "Those with no formal qualifications are less likely to want to participate in training, compared with those who are better qualified" (Huggins 2001: 29)

Resonating with the long-term perspective implied by a skills economy approach, Huggins (2001) asserts the role of the education system in labour market flow to address and forestall the problems associated with low-skills equilibria:

> "… it is clear that most basic and generic skills development should be the responsibility of the education system at school level… …a major UK policy requirement for the future should consist of the development of these skills forming parts of the standard curriculum, alongside traditional academic qualifications, and be assessed to the same level applied to achievement in traditional subjects". (Huggins 2001: 33)

Huggins's comments on the role of education in labour markets are similar to those of Green (2003:5), who, in addressing the problems of 'mismatch' between supply and demand, points to the importance of ensuring that an effective balance is maintained within the curriculum between the development of 'academic' and 'vocational' educational skills. Further, Green asserts the need for 'greater emphasis to be given to the latter of these two skill sets'.

Another, more positive, stimulus for overcoming mismatches between supply and demand is identified by North and Smallbone (2000a) who point to the 'mutually reinforcing links' between opportunities for job creation and the level of innovative activity in Small to Medium Enterprises [SME]. North and Smallbone argue, however, that economic sustainability remains dependent on both innovative employers and on innovation-led policy and business strategies:

> "Given the clear relationship that the study has shown between the level of innovative activity in SMEs and their propensity to grow and create employment, the future strength of remote rural economies may partly depend upon being able to stimulate small business activity in these more innovative sectors. At the same time, however, because of the difficulties of attracting firms in these sectors to remote rural locations, it also justifies an innovation led strategy of business support and economic development applied to all sectors within remote rural areas and lagging regions in general." (North and Smallbone 2000b: 155)

In summary, in order that the flows of labour supply and demand remain conducive to broader economic growth, it appears essential that sufficient recognition is given to the role – both short and long term – of skills development. The real problem, though, is that it is not simply a case of rural labour markets experiencing either a deficit, surplus or mismatch of key skills amongst employees, but rather a combination of all three.

2.4 Problems of Rural Recruitment

As we have already observed, the ability of employers to tap into local resources of embedded knowledge can play an important role in influencing the recruitment strategy of businesses. However, the specific rural context of the labour market means that there are often numerous other recruitment difficulties that have to be addressed. For instance, other 'supply side barriers' can include access to (public or private) transport and/ or childcare services (Campbell 1992). It is likely that job opportunities for highly skilled professionals may offset any necessary sacrifices associated with commuting, but this will not so often be the case when it comes to attracting candidates for part-time, low wage and/ or low skill employment positions. Compounding this situation from the perspective of the employee, is the often negative attitude of employers towards rural commuting. As Green (2003:10) argues, within rural labour markets 'spatial mismatch problems' are likely to be particularly severe for those who have poor access to transport'.

There is an important point here in that it is these types of additional supply side barriers that, in turn, impact negatively upon the wealth of the rural skills economy. Potentially, they confine a large percentage of the workforce to small residual labour markets: at the same time, forcing those individuals who are not prepared to settle for poor or limited job prospects to consider relocating outside of rural Wales. Such a scenario benefits neither the rural employee nor employer.

For example, Green (2003:10) argues that:

> "While it may be relatively easy in many rural areas to find and enter work, there may be relatively poor promotion/ career prospects."

From an employer's perspective, Raley and Moxey (2000:83) found that:

> "Problems of a restricted labour market affect 12 % of growth-oriented firms which complained of a lack of suitable labour".

In the short-term these problems between supply and demand will lead to a detrimental situation of both employee and employer dissatisfaction. But, on a long-term perspective, the full impact on the broader rural economy becomes starkly apparent; Campbell (1992:187-8) argues that, as the local skills base becomes degraded, so too will local income levels fall:

> "… potential inward investors may be deterred; existing local employers may be constrained in their expansion plans or, worse they may even be encouraged to move out of the area; non-local labour may be recruited; the gap between social groups and geographical areas within a locality will widen; and public services may be constrained as unemployment-related social problems like crime, social isolation, ill health and poverty rise." (Campbell 1992:187-8)

Indeed, it is the broader knock-on effects caused by weaknesses and inefficiencies in labour market flow and practice that make the need for promoting a self-reinforcing spiral of growth between employees, employers and support service providers, essential. For this to be facilitated the obvious starting point is a sound working knowledge of how all the factors discussed thus far come to influence (and/ or constrain) the decision making patterns of different actors within their own specific labour market context: in this case the labour markets of rural Wales.

2.5 Summary

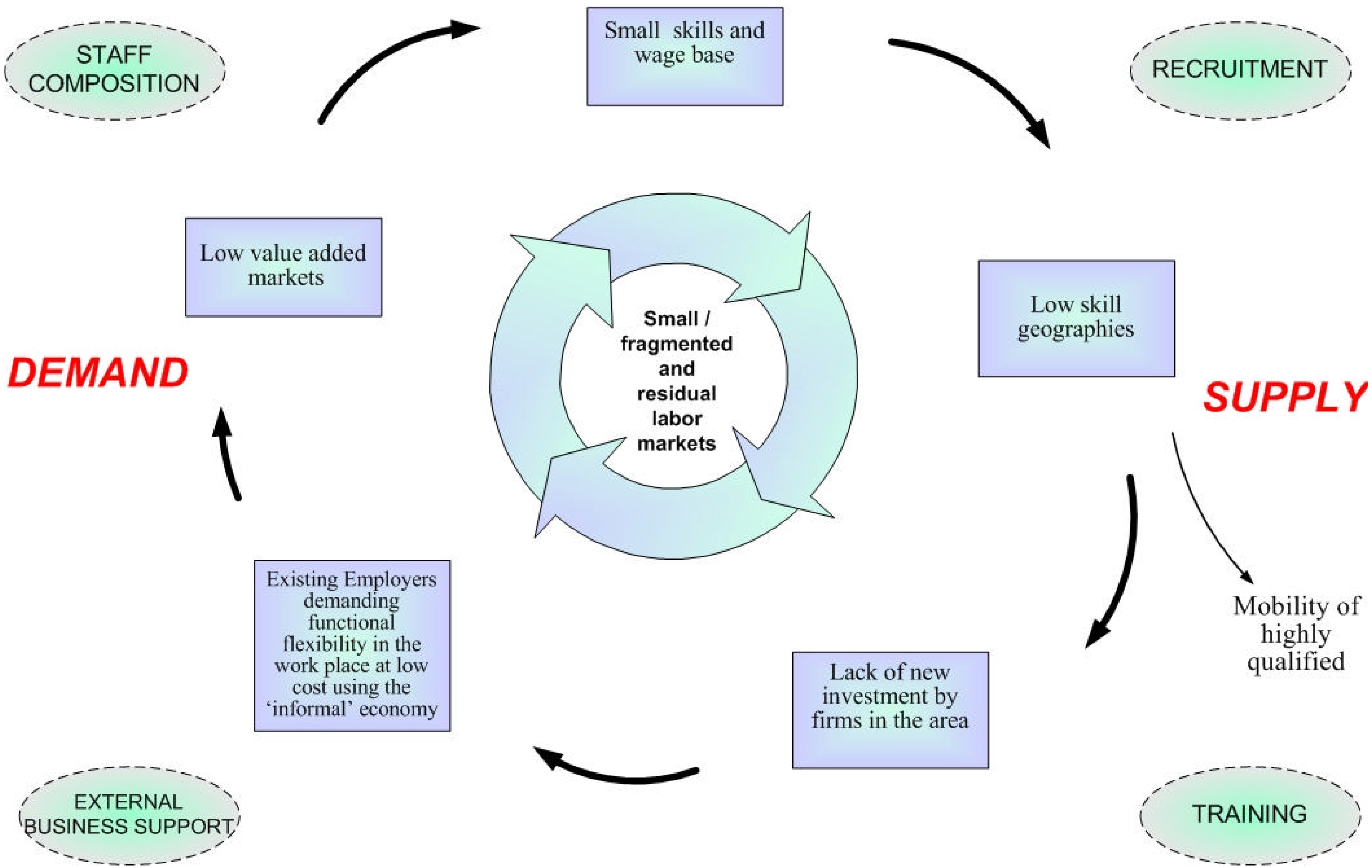
What becomes clear from the above discussion is the need for simultaneous acknowledgement of the role played by all potential sets of actors in structuring the rural labour market. Thus, whilst the focus of this research remains the impact of labour market interactions on business sustainability, it is important that the perceptions and experiences of business owners continue to be contextualised within the broader socio-economic patterns of labour force change.

The preceding literature review suggests that it is possible to distinguish between those problems that are of an employee nature (supply side), and those that are more closely connected to either the employer or external business support providers (demand side). The real challenge lies, however, in understanding the manner in which these problems interact in such a way as to become self-perpetuating, and ultimately, to develop an evidence-informed policy base for combating this potential spiral of decline.

Figure 2.1 on the following page summarises much of the consensus in the academic literature, which suggests relationships between (demand-led) low value-added businesses, low skills and wages, and 'functional flexibility' of employees.

Figure 2.1

The Spiral of decline and the 'low skills equation' in rural Wales



Section 3: Wales and the Case Specific Nature of Rural Labour Markets

3.1 Introduction: an outline of the employment economy of rural Wales

This introduction sets the context for the study of rural labour markets in Wales by outlining the wider characteristics of the rural Wales employment economy. First, there is a discussion of the occupational structure. Second, the characteristics of the labour supply are discussed. Third, there is a broad view of household incomes by local authority. Fourth, some observations are made concerning the health of the business sector in rural Wales. This analysis draws principally on a report for the Social Justice and Regeneration Division of the Welsh Assembly Government (Milbourne et al, 2005).

Data for occupational structure in rural Wales are presented in Table 3.1.1 on the following page. These data provide a snapshot that points to an economy in general transition from a dependence on agriculture, and primary industries such as mining and quarrying, towards the service industry. For example, agriculture accounted for only 5.8% of employment. The service sector now dominates the occupational structure and it accounted for 68.8% of employment including public and private sectors, which compared with an all-Wales figure of 65%. Manufacturing was the second most significant employment sector at 12.3%, with construction third at 7.9% of employment. Within the service sector the most important employers proportionally were retail (16.7%) and health and social services (13.7%). Taken together, the public sector occupations, health and social services, public administration and education, accounted for 28.9% of all employment. Occupational sector share across rural Wales was close to the national figures, with the exceptions of agriculture (where rural Wales was higher) and manufacturing (where rural Wales was lower). Spatially, there was significant differentiation. For example, agriculture was higher in Powys (10.7%) than Conwy (3.2%); manufacturing recorded higher in the eastern areas of Monmouthshire (15.6%), Powys (14.4%) and Denbighshire (14.0%) than Gwynedd (9.5%) and Ceredigion (7.8%); and Ceredigion had the highest proportion in the education sector (12.4%). The proportions of public sector (health and social services, public administration and education) occupational share, measured across the local authorities, were in a relatively narrow range: with Carmarthenshire (31.6%), Ceredigion (30.4%) and Anglesey (30.2%) at the higher end; Conwy (29.3%), Denbighshire (29.9%) and Gwynedd (29.6%) in mid-range; and Monmouthshire (26.7%), Pembrokeshire (27.1%) and Powys (25.7%) having the lowest proportions of public sector employees.

Table 3.1.1: Percentage of population in occupation types in 2001 by usual residence in a unitary authority

Unitary Authority	Category	Agri	Fishing	Mining	Manuf	Utilities	Const	Retail	Hotels & Catering	Logist	Finance	Real Estate	Public Admin	Educ	Health & Social Services	Other
Carmarthenshire	**Rural**	5.4	0.0	0.5	13.6	0.7	7.5	17.3	4.8	5.3	2.3	6.5	8.4	8.5	14.7	4.4
Ceredigion		8.5	0.1	0.4	7.8	0.5	7.9	16.8	7.9	4.3	1.5	8.0	6.2	12.4	11.8	6.0
Conwy		3.2	0.0	0.4	9.8	0.8	8.0	18.5	9.5	4.9	2.3	8.1	5.6	7.9	15.8	5.0
Denbighshire		3.5	0.1	0.2	14.0	0.9	7.8	16.4	6.5	4.8	2.2	8.2	5.2	7.6	17.1	5.5
Gwynedd		4.7	0.1	0.6	9.5	1.6	8.5	16.0	9.3	4.9	1.6	6.8	6.0	10.1	13.5	6.8
Isle of Anglesey		4.0	0.2	0.5	13.7	2.7	8.4	14.9	5.9	6.3	1.7	7.2	7.6	9.4	13.2	4.4
Monmouthshire		3.9	0.0	0.2	15.6	0.4	6.1	16.9	5.2	6.6	3.2	10.6	5.6	8.5	12.6	4.5
Pembrokeshire		6.6	0.2	0.4	10.8	0.7	8.9	17.4	7.5	6.0	1.6	7.0	7.2	7.9	12.0	5.7
Powys		10.7	0.0	0.4	14.4	0.7	8.0	15.7	5.7	4.3	1.5	8.3	5.9	7.9	11.9	4.6
Other [4]		1.5	0.0	0.3	21.7	1.2	6.4	16.2	4.7	5.6	4.0	9.2	6.1	7.2	11.5	4.3
Rural		5.8	0.1	0.4	12.3	0.9	7.9	16.7	6.8	5.2	2.0	7.8	6.5	8.7	13.7	5.2
Urban		0.5	0.0	0.1	12.9	1.2	5.7	16.8	5.5	6.4	5.1	10.3	7.6	9.0	13.4	5.5
Valley		0.6	0.0	0.4	24.5	0.9	7.6	15.5	4.0	5.0	3.0	7.6	6.9	7.2	12.7	4.2
Wales		2.4	0.0	0.3	17.4	1.0	7.1	16.3	5.4	5.5	3.3	8.5	6.8	8.1	13.0	4.8

Sources: The role of the housing system in rural Wales: Final research report to the social justice and regeneration division of the Welsh Assembly Government. (Milbourne et al, 2005) Census of Population 2001

[4] Other authorities: Flintshire, Vale of Glamorgan, Wrexham.
Urban: Cardiff, Newport, Swansea.
Valleys: Blaenau Gwent, Bridgend, Caerphilly, Merthyr Tydfil, Neath Port Talbot, Rhondda Cynon Taff, Torfaen.

Table 3.1.2: Percentage socio-economic classifications in 2001 by place of work in a unitary authority

Unitary Authority	Category	Large emp	High prof	Lower man/prof	Intermed	Small employ	Lower supervisory	Semi-routine	Routine	Never worked	Long unemp	Student	NC [5]
Carmarthenshire	**Rural**	2	3	15	8	10	7	12	9	3	1	6	24
Ceredigion		1	5	14	6	13	5	9	7	2	1	16	20
Conwy		2	3	16	7	10	7	13	9	2	1	6	24
Denbighshire		2	3	16	8	9	8	13	10	2	1	5	23
Gwynedd		1	3	15	6	11	7	12	9	2	2	9	22
Isle of Anglesey		2	4	15	7	9	8	13	10	3	2	5	24
Monmouthshire		4	6	20	8	9	7	10	8	2	1	6	20
Pembrokeshire		1	3	15	7	12	8	12	9	3	1	5	24
Powys		2	4	16	7	16	7	12	9	2	1	5	20
Other		3	4	18	9	6	9	13	10	2	1	6	19
Rural		2	4	16	7	11	7	12	9	2	1	7	22
Urban		3	5	18	9	5	7	11	8	3	1	11	19
Valley		2	3	14	8	5	9	13	12	3	1	6	25
Wales		2	4	16	8	7	8	12	10	3	1	7	22

Sources: **The role of the housing system in rural Wales: Final research report to the social justice and regeneration division of the Welsh Assembly Government. (Milbourne et al, 2005)**

Census of Population 2001

[5] NC – National Statistics Socio-economic classification: 'Not Classified'.

Data for Socio-economic classifications in Table 3.1.2 indicate that the proportions for rural Wales were similar to those of Wales as a whole; except for the category of small employers, where rural Wales had 11% of economically active people classified as small employers compared to 7% for all Wales, and 7% for the UK as a whole. Within rural Wales, Powys (16%), Ceredigion (13%), Pembrokeshire (12%) and Gwynedd (11%) had the highest proportions of small employers. People employed in lower supervisory (5%-8%), semi-routine (9%-13%) and routine occupations (7%-10%) tended to be distributed relatively evenly across rural Wales, as were those who had never worked (2%-3%) or were long-term unemployed (1%-2%). Percentages in these categories for both Wales and the UK as a whole were within these ranges. However, Milbourne et al (2005) point to higher percentages for these categories in west Wales, particularly in some areas of Gwynedd, Anglesey and Pembrokeshire. In addition, two other notable features of the rural Wales employment economy should be noted. Firstly, there were, in general, high proportions of part-time work (19%); multiple-job holding (11%); and self-employment (18%) compared with a UK figure of 14% (WRO, 2005). Secondly, and more particularly, Milbourne et al point to a concentration (30%) of large employers, higher professionals, and lower professionals and managers in Monmouthshire. This last figure compares to 22% for all Wales and 27% for the UK as a whole.

The shift towards a service-dominated economy presents both opportunity and threat to rural Wales, with some problems evident in the skills capability of the workforce. Many jobs within the service sector, particularly in areas such as finance, IT, communications, public administration, education, and health and social work, call for high standards of educational and professional qualifications, but the workforce of rural Wales tends to be characterised by relatively low academic attainment. Survey data from 'A Report on Living and Working in Rural Wales' (WRO, 2004) indicate that 17% of those surveyed in rural Wales had no academic qualifications and the highest qualification of 32% was GCSE, GCE or a School Leaving Certificate. NOMIS data indicate that for all-Wales 17.8% had no academic qualifications. Consequently, many of the economically active population of rural Wales experienced difficulties in finding employment, particularly those in the 16-24 age group. There is, then, the potential for mismatches between supply and demand in the labour market. The percentage levels of qualifications held by the population for all-Wales, by ward and based on NOMIS data, are presented spatially at Maps 1-6 at the end of Section 3. [6]

In contrast to the educational demands of the high-end of the service sector, other service sector work such as distribution, hotels and restaurants tends towards low pay, part-time working and seasonal work; characteristics also evident in the tourism-related sector. Taken together with survey evidence of family businesses embedded in the local economy, the widespread use of local, informal networks for recruitment, supply of materials and sales, and the potential for labour-market mismatches discussed above, there is the risk of the development of 'low skills equilibrium'. In response to employers' increasing demands for low, though flexible, skills and a decline in skilled job opportunities, the local labour force tends to develop fewer skills (Green, 2003).

[6] NOMIS – National Online Manpower Information System – a web-based database of labour market statistics run on behalf of the Office of National Statistics by the University of Durham.

For census and economic survey purposes the working-age population is categorised as either economically active or economically inactive. [7] Data from a survey based on the 2001 Census (Milbourne et al, 2005) suggest that 67% of households in rural Wales were economically active, compared to 66% for the whole of Wales. Within rural Wales economic activity was highest in Powys and Monmouthshire at 71% and 72% respectively and lowest in Carmarthenshire at 63%. Ward level data indicate low percentages of economic activity on the coast of north Wales; in Anglesey; in the west of Gwynedd; and on the coast of Pembrokeshire. Examples of low economic activity at ward level include, Llanbadarn Fawr-Sulien in Ceredigion (36%); Menai in Gwynedd (37%); Abergele Pensarn in Conwy (46%); Llanbedrgoch in Anglesey (50%); and Pembroke Dock: Llanion (51%). This spatial pattern of economic activity is shown at Maps 7, 8 and 9.

Registered unemployed people are categorised as economically active and unemployment data reflect the spatial pattern observed for economic activity, with western areas of rural Wales displaying a tendency towards both low rates of economic activity and high rates of unemployment. At unitary authority level, there was little variation from the national Wales unemployment mean of 4% - with rural Wales at 5%; Gwynedd and Anglesey the highest at 6%; and Monmouthshire and Powys the lowest at 3%. The differences between west and east within rural Wales were more clearly shown at ward level; some wards in the west of rural Wales had 9% - 17% of households unemployed.

In the rural Wales household survey, 33% of households were economically inactive (WRO, 2005). [8] The 2001 census includes all people over 16 and under 75 in the economic activity and inactivity data. It followed that, by census data, retirement was the dominant reason for economic inactivity, and at 21% for rural Wales as a whole, percentages were consistent with the national Wales average of 19% for retired households. The highest rates of retired households were in Conwy and Anglesey at 23% and 22% respectively, and the lowest rate was in Monmouthshire at 19%. The high proportions of retired households in the coastal areas of Gwynedd, Anglesey, Pembrokeshire, and also in south-west Ceredigion, reflected the low rates of economic activity observed above in these areas.

Permanent sickness was another major contributor to economic inactivity, with 7% of such households across rural Wales. Particular concentrations of households with permanent sickness were noted in Anglesey, parts of Gwynedd (particularly the Lleyn peninsula), south-west Wales and the north Wales coast. The proportion of student households within rural Wales mirrored the national Wales figure at 1%. Unsurprisingly, Ceredigion (5%) and Gwynedd (2%) had the highest levels of student households in rural Wales (Milbourne et al, 2005).

The decennial frequency of the Census enables a view of change over time and a comparison of data for the periods 1981-1991 and 1991-2001 indicates that in rural Wales there has been an increase in economically inactive households. Retirement before age 65 was the principal factor, with an across the board increase in retired households. There were, of course, variations within the overall picture. For example, economic inactivity levels increased over 20 years in west Wales but decreased marginally in northeast Wales and Powys. Across rural Wales, in the 1980s there was an increase in the proportion of permanently sick households, followed by a decrease in the 1990s. Finally, unemployment levels decreased across rural Wales during both periods, but with a marginally lower rate of decrease in the 1990s (-3%) than that for Wales (-4%) as a whole (Milbourne et al, 2005).

[7] Census working age: 16 – 74. NOMIS working age: 16-64 for males and 16-59 for females.
[8] See definition of economically inactive at Annex 1.

As indicated above, the census includes all people in households over 16 and under 75 in the economic activity and inactivity data, and, includes both retirees and those with long-term illness as economically inactive. NOMIS Labour Market Statistics, which define working age as 16-64 for males and 16-59 for females, and are based on individuals, provide a sharper focus on the economic activity and inactivity of those in, what may be termed, the 'normal' working age range. For the period March 2003 – February 2004, rates of economic activity in rural Wales were highest in Monmouthshire (79.4%) and Powys (79.3%); and in descending order, Denbighshire (78.1%), Gwynedd (76.1%), Conwy (74.9%), Pembrokeshire (74.4%), Anglesey (74.3%), Ceredigion (72.9%) and Carmarthenshire (69.4%). These data compare with an all-Wales rate of economic activity of 74.2% and a GB rate of 78.2%. NOMIS data, then, reflect broadly the Census-based survey data and spatial patterns of economic activity and inactivity discussed above: there was a tendency towards lower rates of economic activity in the west of rural Wales.

Household income is, of course, an important determinant of the economy and, here, the mean annual household income for all of rural Wales (£24,065) was below that of Wales as a whole (£25,102), 'urban' authorities (£27,012), and 'other' authorities (£27,902), but marginally higher than the 'valleys' authorities (23,631). A salient feature of the income data was Monmouthshire's mean annual household income of £30,510, which was the highest recorded of any Welsh local authority area. Monmouthshire's annual income data reflect the proportion of potentially high-income occupations in the area, which was observed above. Mean annual household incomes for the other rural Welsh local authorities ranged from Denbighshire (£24,268) to Gwynedd (£22,345). It should be noted that Monmouthshire's high mean annual income tended to skew the rural figures: four rural areas – Carmarthenshire, Anglesey, Pembrokeshire and Gwynedd – had lower mean household incomes than the mean for 'valleys' authorities (Milbourne et al, 2005).

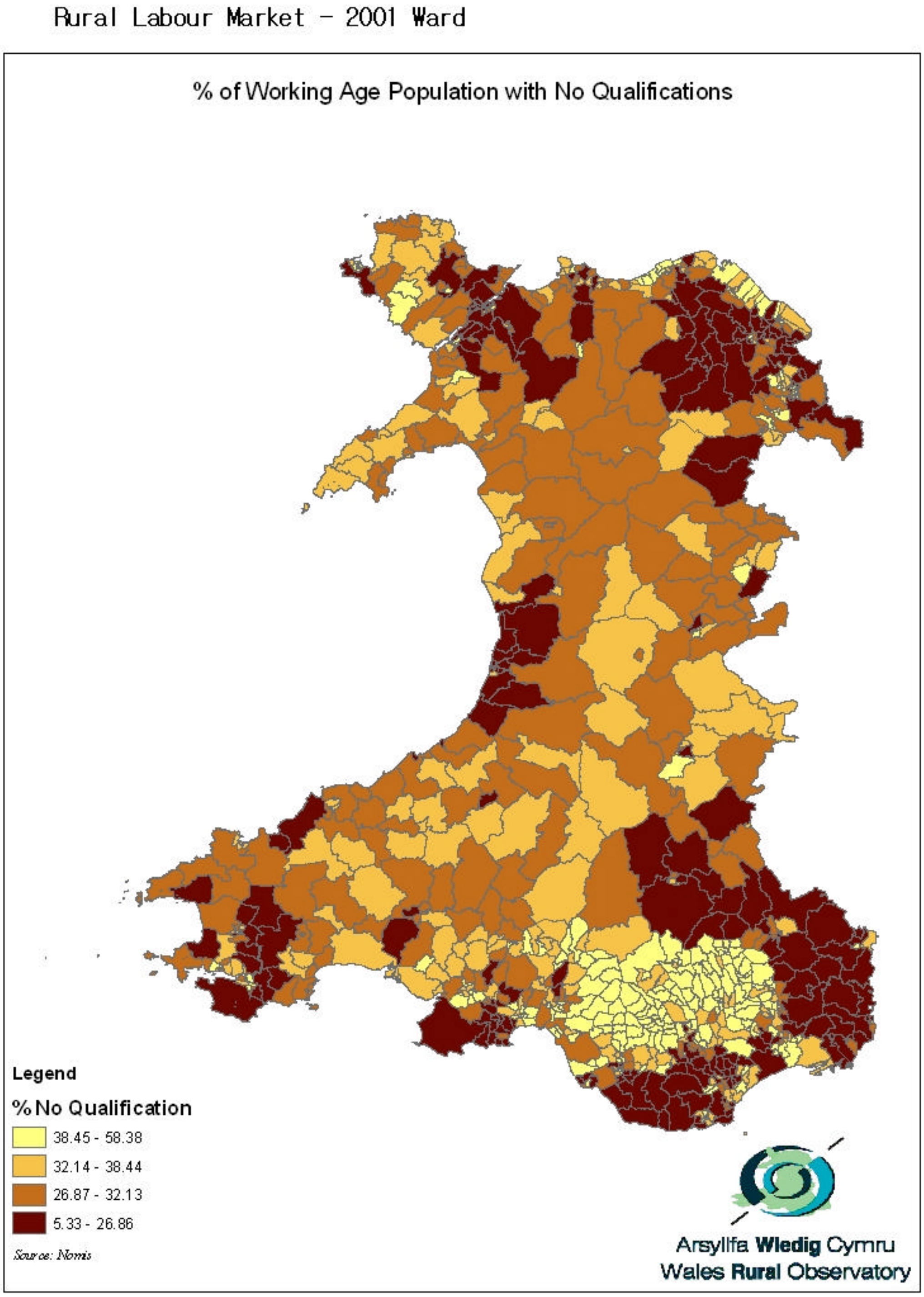
Indeed, ward level data show that the majority of wards in rural Wales had annual household incomes below the mean for Wales as a whole. There were wards with particularly low annual incomes in the west, northwest and in mid-Wales. By contrast, there were pockets of high-income wards in northeast Wales, around Pembroke, the Gower and along the English border, with a significant majority of Monmouthshire's wards in the highest annual income bracket (Milbourne et al, 2005). The spatial pattern of income levels for all-Wales is shown at Map 10.

To a great extent the health of the rural Wales economy will depend on businesses, business innovation and entrepreneurship. NOMIS data indicate, however, that the annual rate of VAT registrations in 2003 for Wales (8.7%) was lower than the rate for Great Britain (10.6%) as a whole, although the rate of VAT deregistrations for Wales (8.8%) was also lower than Great Britain (9.7%) as a whole. A significant finding from the Wales Rural Observatory Business Survey was that 48.7% of respondents considered technological capacity to be important/ very important for business performance, but only 7.6% allocated an annual 'major spend' on ICT, and only 5% of respondents allocated a 'major spend' on research and development. Similarly, although information and knowledge were identified as important/very important for business performance by 74.3%, reported activity was relatively low. Survey data indicate that 28.8% had increased their product range; 19.9% had created a website or moved into internet based marketing; 19.9% had increased computerisation in the work place; 16.4% had either increased investment in the business or improved their business premises; and 9.4% had done research into the use of new equipment. Levels of activity in these areas tended to increase with the size of the business.

Businesses in rural Wales tended towards optimism. For example, Wales Rural Observatory Business Survey data indicate that although 53% predicted no change in their employee base for the next 5 years, 41% expected an increase and only 6% a decrease. Similarly, 69% predicted an increase in annual turnover in the next 5 years, 21% expected no change, and only 10% predicted a decrease. Broadly, this ordering was replicated in other measures of business growth such as profit, size of market and range of products.

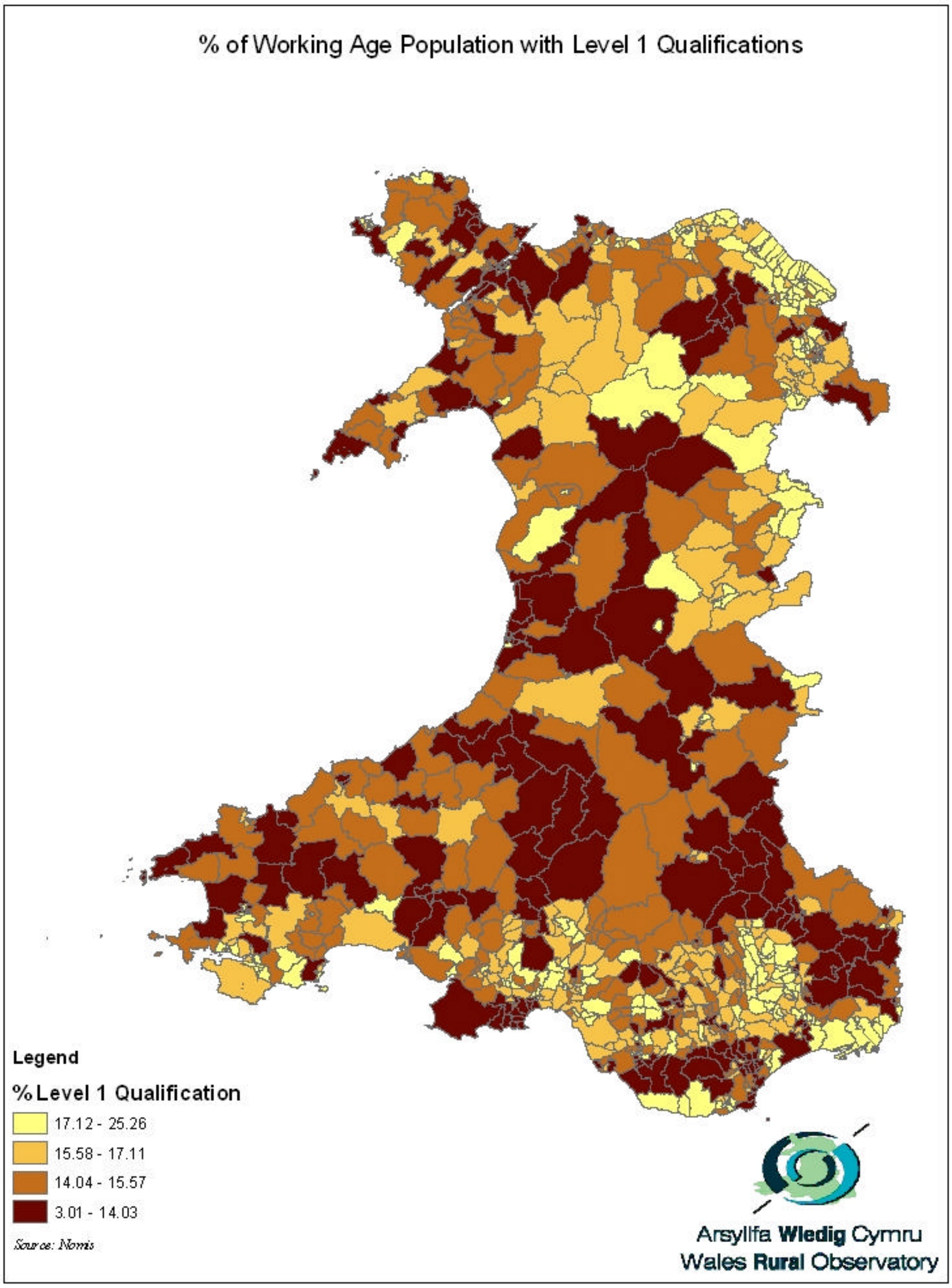
This introduction has provided an outline of the labour market economy of rural Wales. It shows that the employment economy of rural Wales is in a state of transition, moving away from domination by agriculture and other primary industries towards a more fragmented economy characterised by service industries, the public sector and tourism. This situation presents both problems and opportunities for both businesses and labour. There is a complex range of factors acting on the Wales rural economy, particularly the mismatches in the labour market and the potential low skills equilibrium identified in this report (see Figure 2.1). A subtler factor is the evidence of an increasing east-west gradient of economic health, with the advantage in the east. This east-west gradient is most evident from data showing rates for those who had never worked and the long-term unemployed, and especially in the data for rates of economic activity and economic inactivity for those of working age. The remainder of this report further explores these important and interesting aspects of rural life in Wales. First, the report discusses insights from two surveys carried out by the Wales Rural Observatory (WRO): the Business Survey and the Household Survey.

Map 1


Rural Labour Market - 2001 Ward
% of Working Age Population with No Qualifications
Legend
% No Qualification
38.45 - 58.38
32.14 - 38.44
26.87 - 32.13
5.33 - 26.86
Source: Nomis
Arsyllfa Wledig Cymru
Wales Rural Observatory

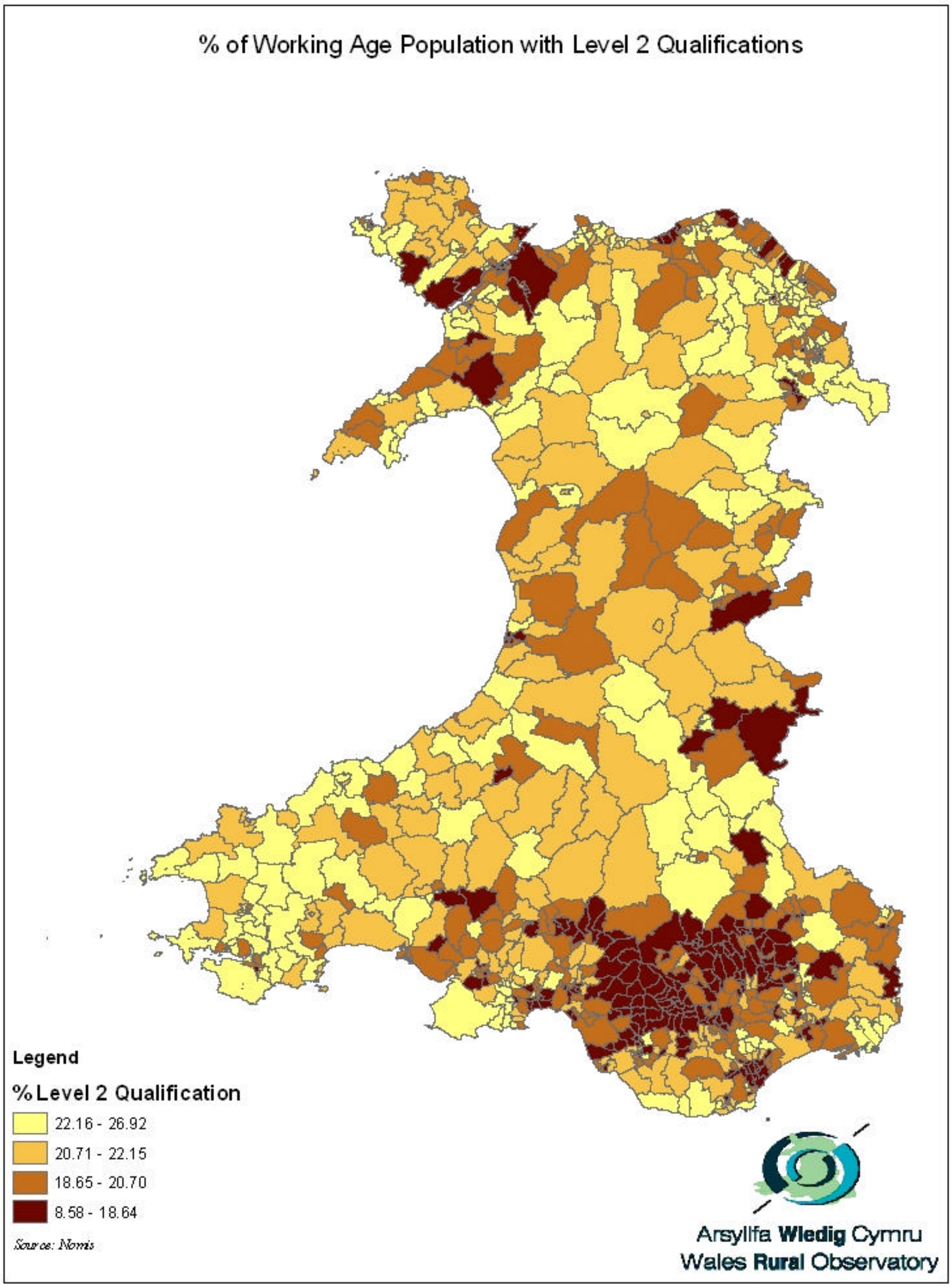
Map 2

Rural Labour Market - 2001 Ward

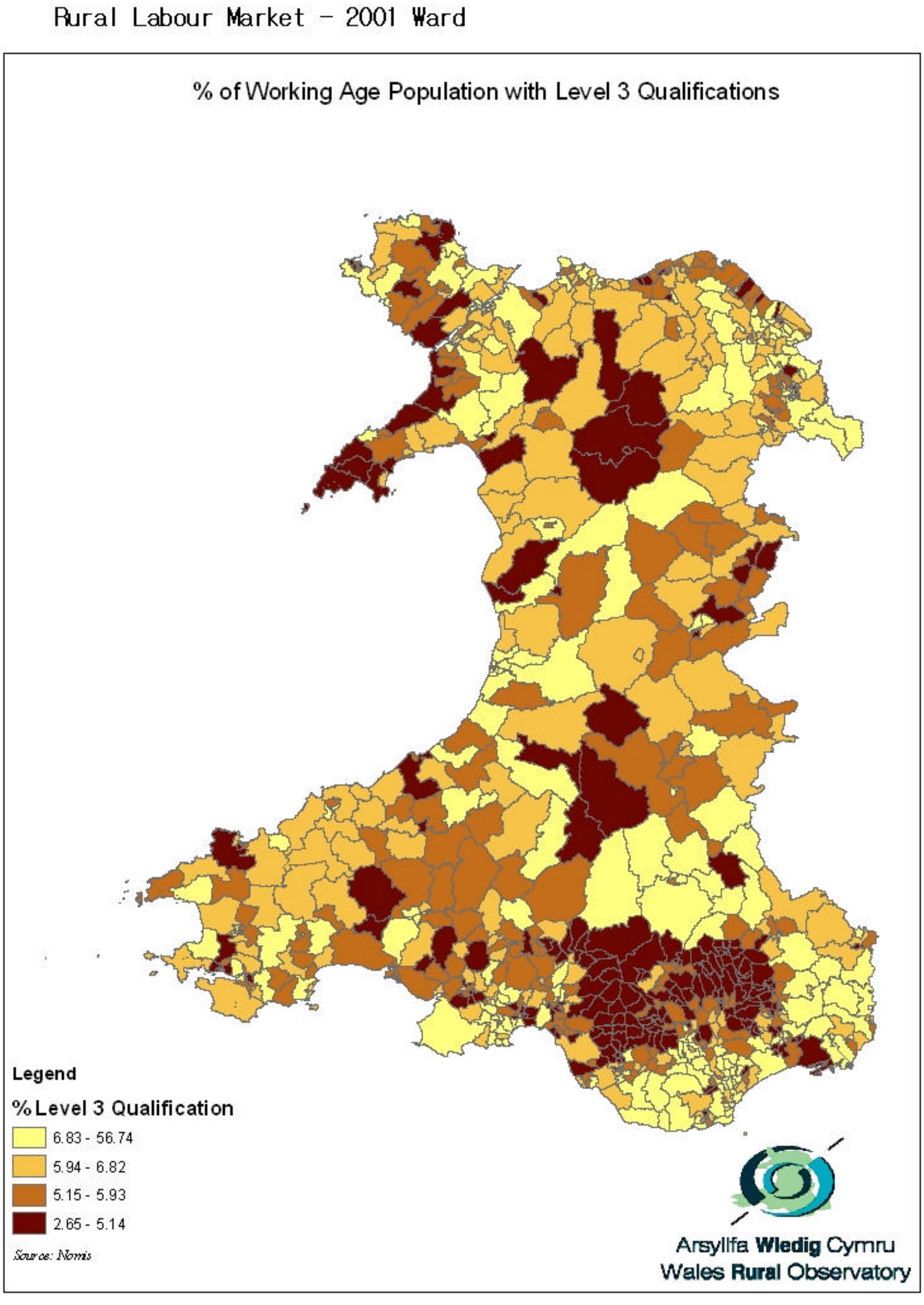


Map 3

Rural Labour Market - 2001 Ward



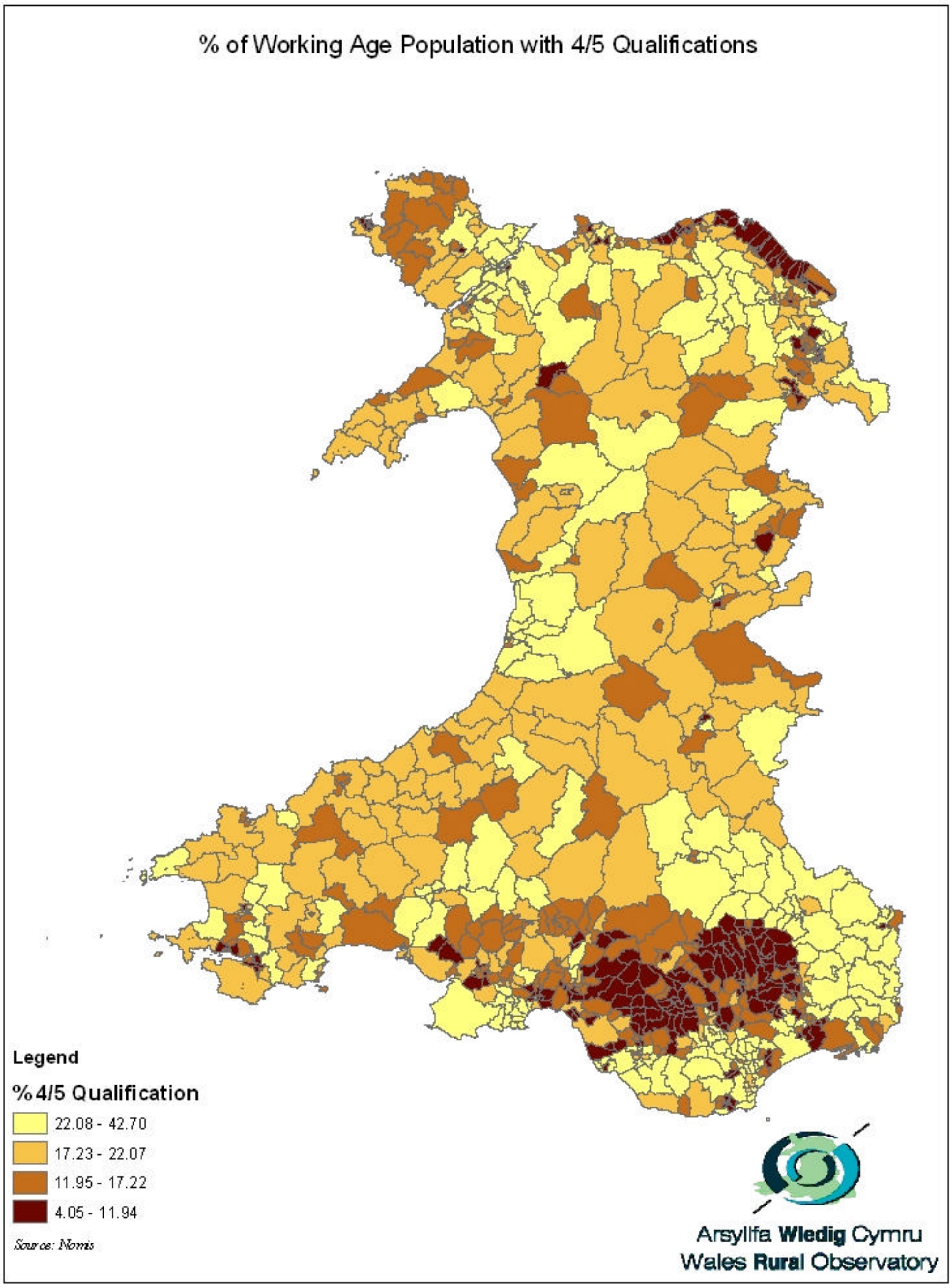
Map 4



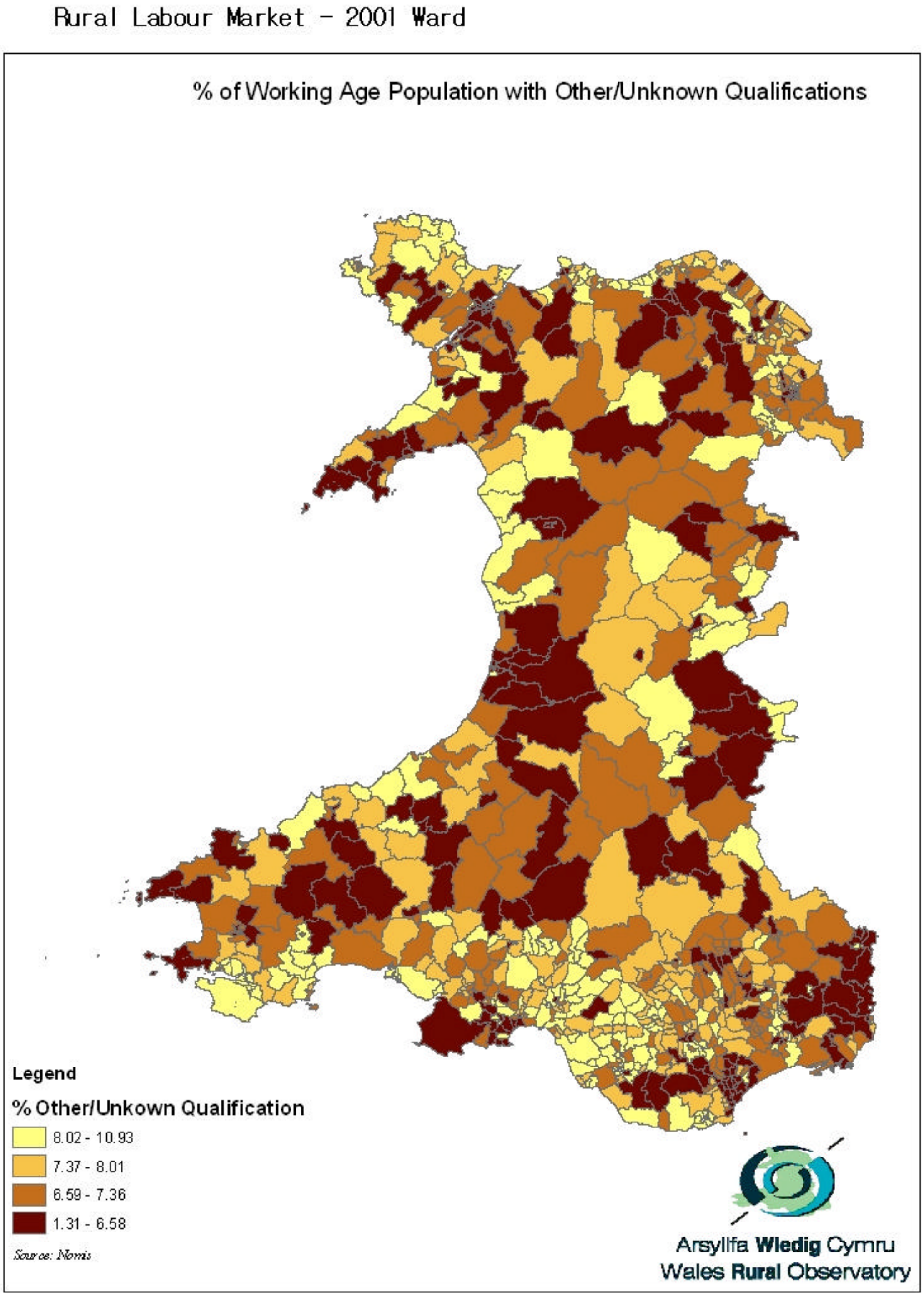
Rural Labour Market - 2001 Ward
% of Working Age Population with Level 3 Qualifications
Legend
% Level 3 Qualification
6.83 - 56.74
5.94 - 6.82
5.15 - 5.93
2.65 - 5.14
Source: Nomis
Arsyllfa Wledig Cymru
Wales Rural Observatory

Map 5

Rural Labour Market - 2001 Ward



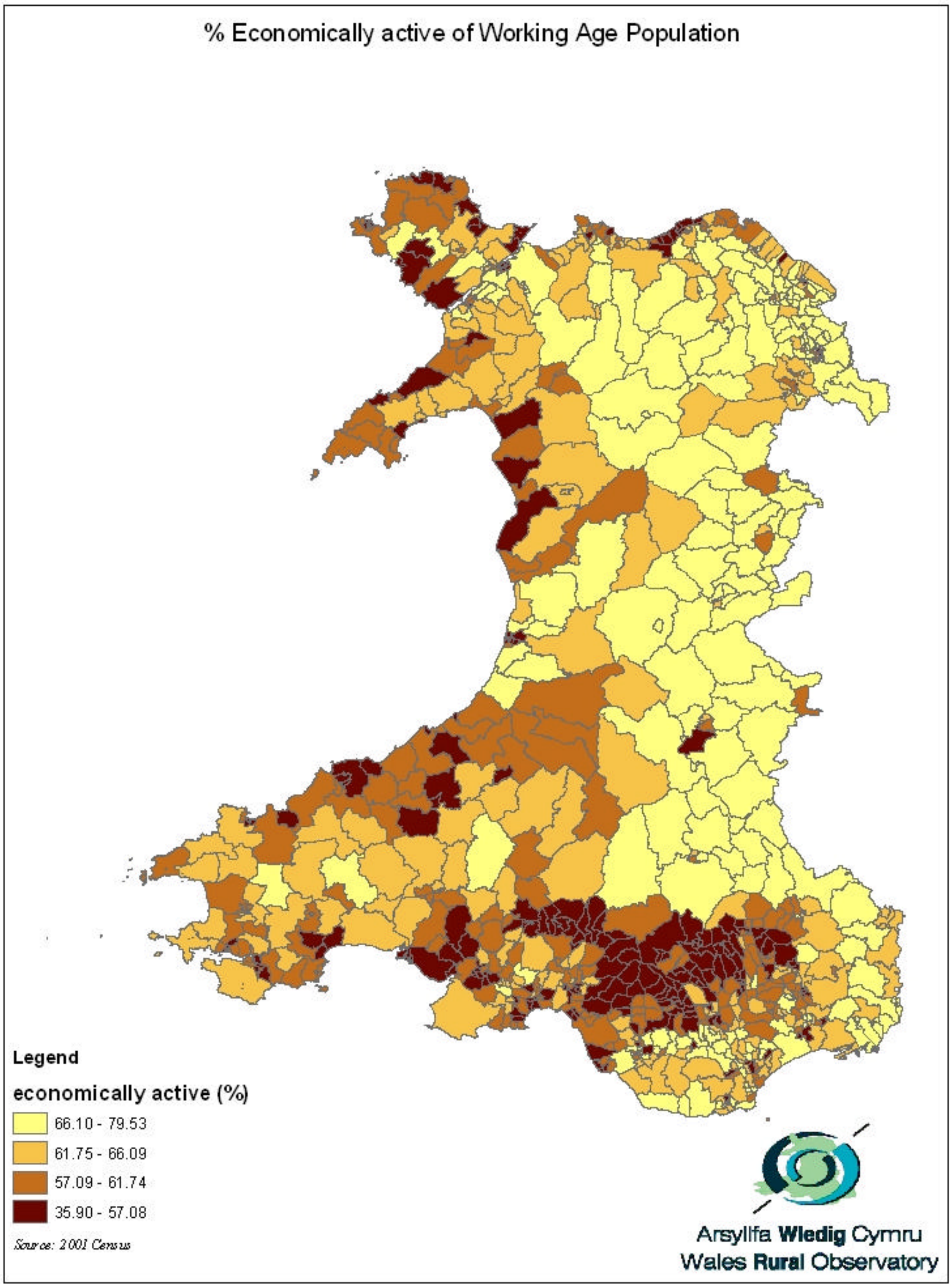
Map 6



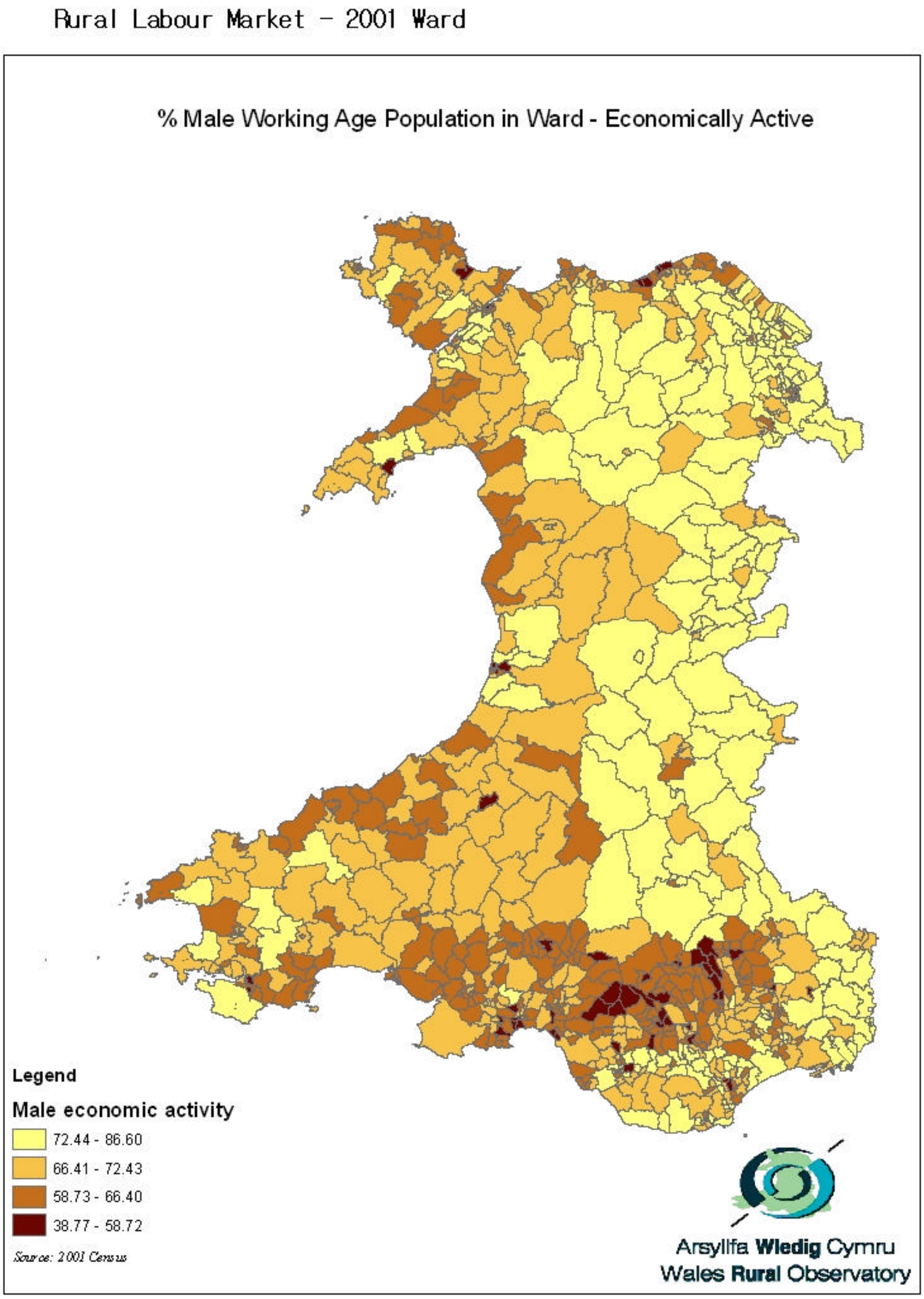
Rural Labour Market - 2001 Ward
% of Working Age Population with Other/Unknown Qualifications
Legend
% Other/Unkown Qualification
8.02 - 10.93
7.37 - 8.01
6.59 - 7.36
1.31 - 6.58
Source: Nomis
Arsyllfa Wledig Cymru
Wales Rural Observatory

Map 7

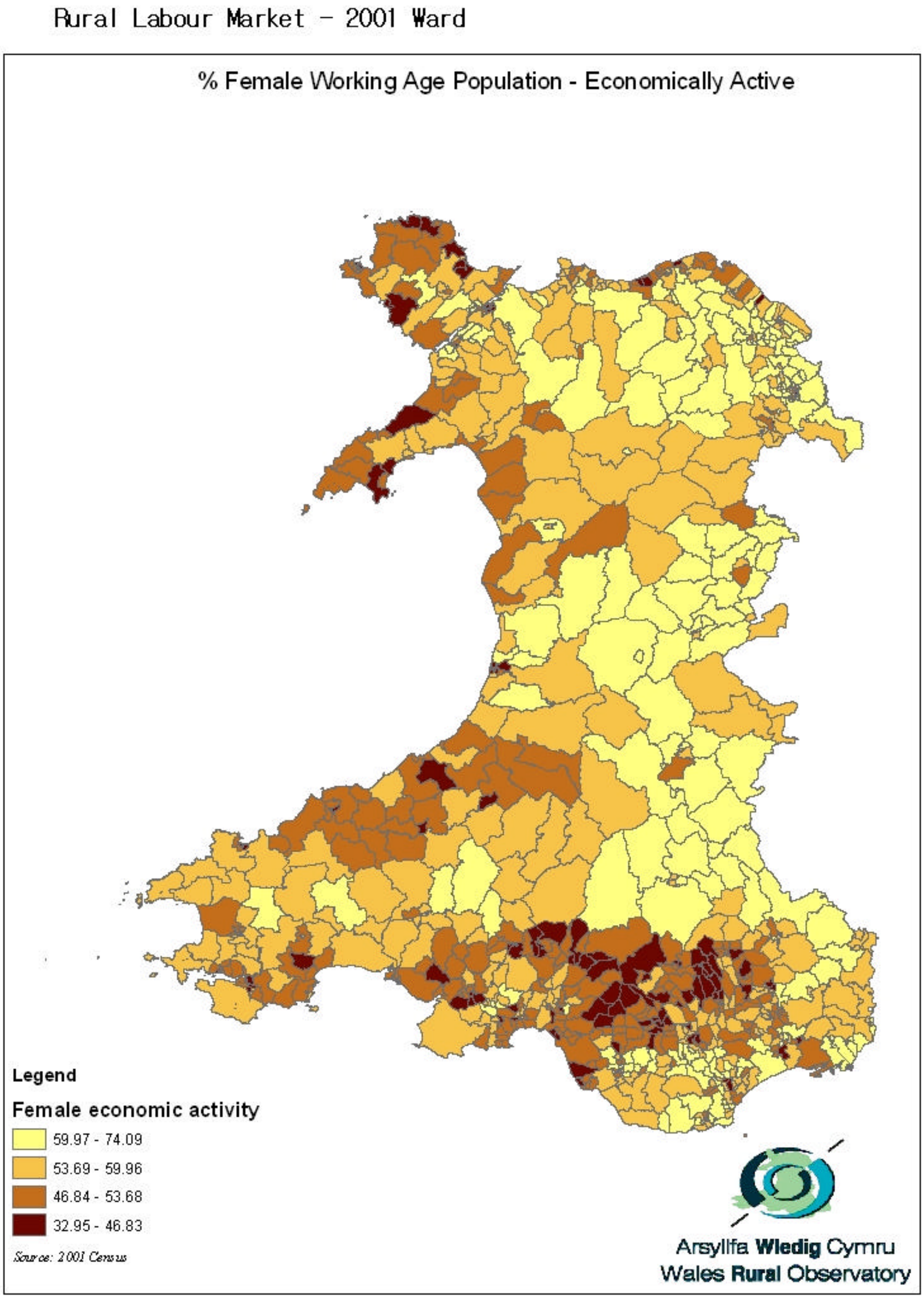
Rural Labour Market - 2001 Ward



Map 8

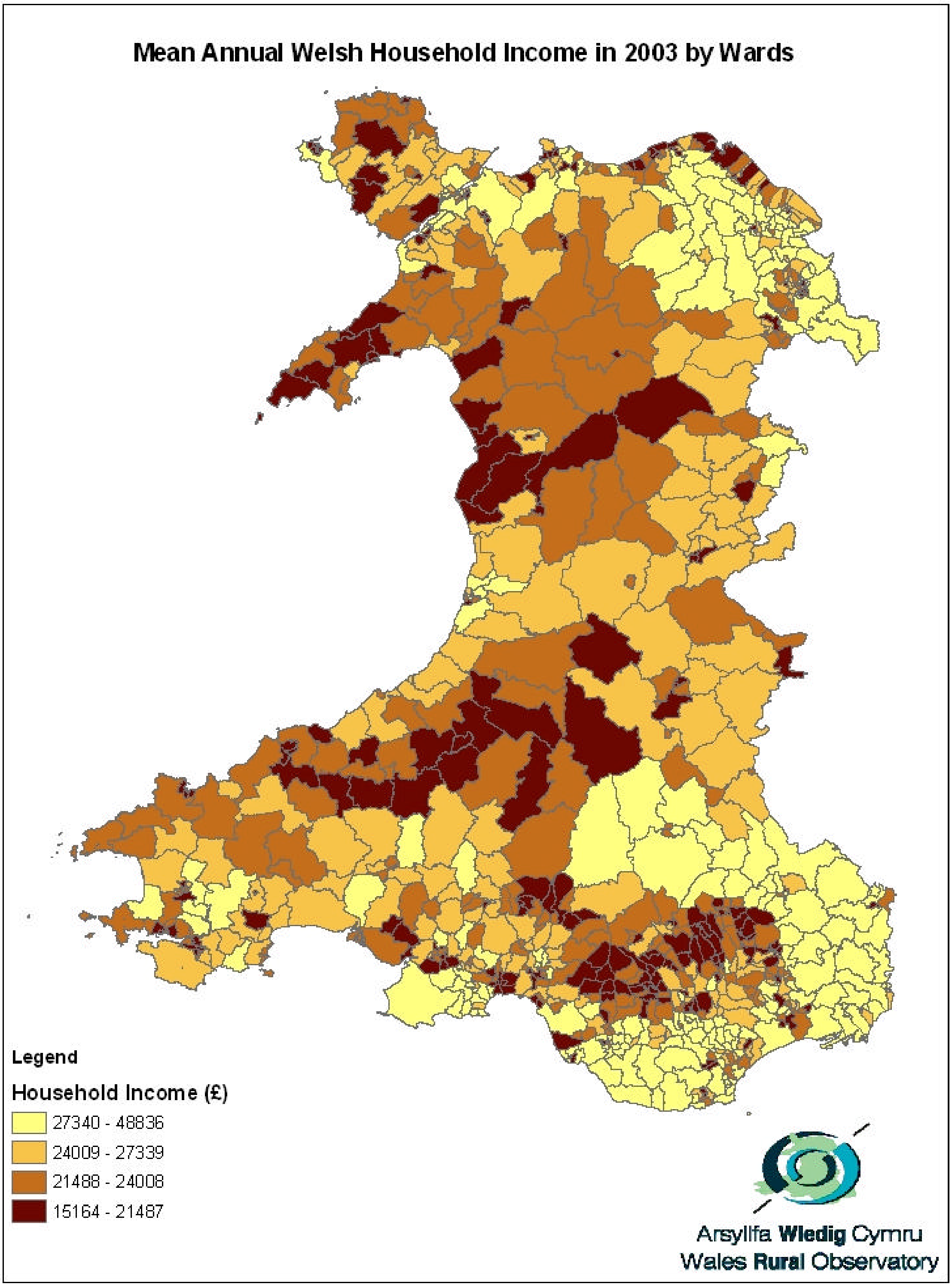

Rural Labour Market - 2001 Ward
% Male Working Age Population in Ward - Economically Active
Legend
Male economic activity
72.44 - 86.60
66.41 - 72.43
58.73 - 66.40
38.77 - 58.72
Source: 2001 Census
Arsyllfa Wledig Cymru
Wales Rural Observatory

Map 9


Rural Labour Market - 2001 Ward
% Female Working Age Population - Economically Active
Legend
Female economic activity
59.97 - 74.09
53.69 - 59.96
46.84 - 53.68
32.95 - 46.83
Source: 2001 Census
Arsyllfa Wledig Cymru
Wales Rural Observatory

Map 10

Rural Labour Market - 2003 Ward



3.2 Insights from the Wales Rural Observatory Business Survey

The Rural Business Survey (WRO, 2004) is one of the core documents for the work of the Wales Rural Observatory. It presents the findings from the analysis of a commercial survey of 1008 businesses in rural Wales, and provides data on business profiles, owner profiles, locations, business strategies, the characteristics of employees, customers and suppliers, advertising media employed, recruitment strategies and methods, and the sustainability of businesses in rural Wales. In the report these statistical analyses are in two categories. First there is an analysis across the complete data set. Second there is a sub-group analysis: by location, by size of business, and by type of business.

The survey suggests that there is a range of different types of business in rural Wales, with 11 broad categories identified in the report. It should be noted that farms were excluded from the analysis.

Table 3.2.1 Wales Rural Observatory Business Survey Business Categories

Category	Percentage of total sample
Agricultural services	4.6%
Construction	10.1%
Accommodation, food and drink	18.1%
Manufacture	7.7%
Retail	31.8%
Real estate	2.3%
Wholesale	6.7%
Health and beauty	9.2%
Transport	3.0%
Charitable and social work	3.2%
Services	3.0%

There follows an outline of the findings of the Rural Business Survey. These findings were key to the design of the interviews for this labour market research.

3.2.1 Compatibility of the employee base

12.4% of respondents to the WRO business survey stated that a lack of (suitable) staff was a particular problem of being located in rural Wales. Indeed, the results of the survey seem to indicate a mismatch between the availability and/or suitability of potential employees, compared to the vacancies that were available in rural businesses. For instance, although more than five times as many employees (61.8%) were said to have been recruited from 'rural Wales' than were recruited from elsewhere, access/ proximity to qualified/ skilled workforce was, nevertheless, ranked as good/ very good by only 30.4% of respondents – with a further 23.7% rating this as bad/ very bad. The obstacles associated with rural living further compounded these difficulties. For example, of the 56.4% of respondents who indicated that problems had been experienced recruiting employees, for the majority this could be related to a lack of applicants (62.3%) and applicants lacking the appropriate work experience (65.7%). However, a significant minority

(31.5%) had also experienced problems due to ‘applicants not driving/ relying on public transport’.

Another factor regularly cited with regard to recruitment problems, was that ‘applicants lacked the appropriate academic/ professional training’ (a concern for 47.7% of respondents). Given that 81.4% of business owners regarded the skills/ knowledge level of the management and workforce as important/ very important in influencing overall business performance, the potential problems associated with this source of recruitment failure were clear. They were also further compounded by the fact that more than one third of businesses (37.9%) cited ‘insufficient time/ time lost during training’ as a barrier to the training of employees, with a similar proportion (31.9%) perceiving ‘cost’ to be a specific concern.

3.2.2 Evidence of embeddedness and informal networks

The data generated by the rural business survey indicate that the factors of embeddedness and informal networking formed a core element of business strategy. This was reflected by evidence that notions of trust, face-to-face interaction and lifestyle issues were all bound up with the perceived merits of being located in rural Wales. In summary, it was found that:

- 90% of respondents had never considered relocating outside of rural Wales
- 65% emphasised the importance to business performance of social contact with friends, family and/ or business associates and lifestyle
- 80% perceived their business as a ‘family business’
- 42% had 76% -100% of their customers located within 30km
- 75% relied on ‘word-of-mouth’ for marketing and advertising
- 55% made personal visits to maintain networks and customer contacts

3.2.3 Growth potential/ lifestyle businesses

Business growth was an aspiration for the majority of owners in rural Wales. 70% wanted to grow their business in terms of employees, turnover and market share, with larger businesses more likely to predict these increases. Businesses’ original decisions to locate in rural Wales tended to be influenced by the ‘softer’ issues of lifestyle choice/ family commitments (87.8%), quality of the environment (84.8%), and a respondent’s existing residence in rural Wales (81.3%). Nevertheless, 40.5% of respondents cited good levels of (rural) trade as a particular advantage of being based in rural Wales and, 87.8% of respondents believed that their business would remain sustainable in its present form over the next five years.

3.2.4 Business challenges and the role of support systems

Based on the results of the survey, it is not possible to reach clear conclusions on either the quality or take-up of business support in rural Wales. Furthermore, 7.7% of respondents stated that the problem of regulations and/ or lack of business support had caused them to consider relocating their business outside of rural Wales. Given the range of challenges identified by business owners as a consequence of their location in rural Wales (for example, the difficulties discussed above associated with the employee base), together with weaknesses arising from problems of accessibility with customers and suppliers; poor transport links (regarded as a disadvantage of being based in rural Wales by 36.1% of respondents); and an insufficient/ unsuitable customer base (regarded as a disadvantage of being based in rural Wales by 35.6% of respondents), the importance of facilitating an improved level of business support was clear.

3.2.5 Application of technology, research and development

Although the factors of business size and type both appeared to play a role in the use of 'technology' within rural businesses, overall the survey results indicate that it was an element of business yet to be fully utilised by the majority of business owners. For example, although 48.7% of respondents considered technological capacity to be an important/ very important influence on business performance, only 7.6% of respondents attributed 'major spend' of their annual turnover to ICT, whilst 20.6% did not even perceive technological capacity to be relevant to their business. In addition, only 5% of respondents allocated 'major spend' of their annual turnover to research and development.

3.2.6 Innovation/ entrepreneurialism amongst rural business owners

A total of 74.3% of respondents identified information and knowledge as an important/ very important influence on business performance. Moreover, only 5.6% of respondents stated that 'no' innovative activities had been undertaken in the last 5 years. Although there was wide variation in individual respondent's perceptions of what counted as an innovative activity, four themes emerged: increasing the range/ quality of products (28.8%); creation of a website/ internet based marketing and/ or greater computerisation in the work place (19.9%); investment in the business/ business premises (16.4%); and research and development/ use of new equipment (9.4%).

3.2.7 Summary

The WRO business survey, then, points to a number of benefits and strengths associated with owning and running a business in rural Wales. Among the positive indications were that 41.5% of the business owners responding to the 2004 survey predicted an increase in their number of employees over the next 5 years. There were, however, indications of a wide range of obstacles and constraints. These included problems of access, transport and customer base. In addition, and a core concern, businesses pointed to problems with labour recruitment.

3.3 Insights from the Wales Rural Observatory Household Survey

This report now discusses insights from the Wales Rural Observatory Household Survey, which surveyed 4023 households across rural Wales. As outlined in the introduction to section 3 the economy of rural Wales is in transition from a base in agriculture towards the service sector. The Wales Rural Observatory Household Survey explores various aspects of the labour market in rural Wales, which are summarised below.

3.3.1 The skills base of rural areas in Wales

As discussed previously, labour supply in rural Wales tends to be characterised by relatively low academic qualifications. Survey data indicate that almost 50% of respondents had either left school at 16 or had not gained any further academic qualifications – leaving 50% of rural residents who had continued in education. Of total respondents, 14% had attained a minimum of A-level standard; 17% had a university degree; and 6% had a post-graduate qualification. However, 32% of respondents had no post-16 academic qualifications and 17% had no academic qualifications of any kind.

Some counties were richer in qualifications than others. For example, Anglesey, Carmarthenshire, Conwy and Denbighshire had between 19% -21% of respondents without qualifications. In contrast, respondents in Monmouthshire and the Vale of Glamorgan reported only 11% without qualifications. At the higher education end of the scale, Anglesey and Denbighshire had the lowest percentages of people holding degrees, with both at 12%. The other rural counties were in the range 17% - 20%, with Ceredigion and the Vale of Glamorgan highest at 20%. For post-graduate qualifications, Monmouthshire stood out at 11% of respondents, Denbighshire was lowest at 3%, and the other rural counties were in the range 4% - 8%.

3.3.2 Employment and unemployment

Unemployment rates varied geographically: there was a self-defined unemployment rate (unemployed and looking for work) among respondents of 3%, with the highest in the Vale of Glamorgan (5%) and the lowest in Monmouthshire (1%). Excluding retired people, 80% of respondents defined themselves as being in paid work; 14% were not in work and were not looking for work; and 6% defined themselves as long-term sick or disabled. A significant minority (25%) of respondents stated that they had experienced difficulty finding suitable work in their local area, while 30% thought that 'most people' in their local area experienced difficulties finding work. Of those respondents who worked, a majority (71%) worked less than ten miles from their homes, with 50% working less than five miles from home. Only 4% of respondents travelled to work by public transport.

3.3.3 Employment sectors

The Household survey data reflect the NOMIS and Census data discussed at 3.1 above. For example, 6% of respondents were employed in agriculture, hunting or forestry. The key employment sectors for survey respondents were in the public sector: administration, education, and health and social work, which together accounted for 44% of respondent's employment. An important finding was the high proportions of part-time work (19%), multiple job-holding (11%), and self-employment (18%) among respondents currently in paid employment, with self-employment highest in Ceredigion, Powys and Pembrokeshire, and lowest in Conwy and Carmarthenshire.

3.4 Summary - Setting the Research Agenda

The foregoing outlines, discussions and analyses, together with the insights from the Rural Business Survey and the [economically-relavent] findings of the Household Survey, point to a model of the rural Wales labour market that exhibits a considerable degree of complexity. In summary the salient factors include:

- A tendency towards high rates of economic inactivity in the working-age population
- A workforce characterised by low educational qualifications
- Low expenditure by employers on training
- Difficult access to work locations for employees
- Mismatches in the labour market.

Factors that may be viewed more positively include:

- The optimism of employers
- The embeddedness of businesses in local cultures and place identities
- A tendency towards local customer bases
- The use of local networks for recruitment and supply.

Taken together the characteristics of the rural Wales economy identified here suggest that elements of the labour market display the requirements for local flexibility. These requirements, some of which would seem to offer some competitive advantage to rural businesses, have, however, the potential to reinforce the 'low skills equilibrium' and the spiral of decline discussed earlier. A major question for research, then, is how might these conditions be reversed so as to engender a virtuous spiral.

The following section of this report further explores the characteristics of the labour market in rural Wales by drilling down to the level of individual regions, through two case-studies featuring, for reasons explained in the next section, Denbighshire and Pembrokeshire.

Section 4: Empirical Research Design

4.1 Selection of Case Study Areas

4.1.1 Methodology for selection of Denbighshire and Pembrokeshire

In order to learn more about labour market opportunities and constraints in both those areas where the private sector performs well, and those areas where it appears to be functioning less effectively, two unitary authority case study sites were selected for review. These sites were Denbighshire and Pembrokeshire.

As a guide to case study selection, the nine unitary authorities that, according to the WRO definition, constitute rural Wales were ranked across a range of criteria, selected as indicative of the supply of labour. These criteria, based on NOMIS data for the year 2003 - 2004, were:

- Highest percentage of economically inactive
- Highest percentage with no qualifications
- Highest percentage of unemployment
- Highest percentage of job seekers allowance claimants
- Lowest percentage in receipt of job related training
- Lowest percentage of (working age) employment
- Lowest percentage working in full time employment

To construct the ranking, the 9 authorities were first ranked in each criterion. Points were awarded from 1 – 9 with the most 'disadvantaged' authority receiving the highest score. In Table 4.1.1.1 below the un-bracketed numbers are percentage rates from NOMIS data and the bracketed numbers are the points awarded to the unitary authorities in each criterion. The final ranking was calculated by summing across the range of criteria for each authority, with the highest total score representing the most 'disadvantaged' authority. In the table the unitary authorities are ordered in the final ranking, with total points shown un-bracketed in the Score column.

Table 4.1.1.1 Ranking Unitary Authorities by labour supply criteria

	High Econ Inactive	High No Qualificat	High Un	High JSA Claims	Low Job Training	Low Employ Rate	Low Full Time Employ	Score
Carmarthenshire	28.8 (9)	18.7 (9)	5.0 (6)	2.1 (5)	9.5 (9)	67.6 (9)	76.9 (1)	48
Pembrokeshire	25.6 (7)	14.7 (3)	5.4 (8)	2.9 (8)	10.5 (6)	70.3 (7)	68.6 (9)	48
Anglesey	24.6 (6)	17.2 (7.5)	5.5 (9)	3.0 (9)	10.8 (5)	71.3 (6)	74.7 (4)	46.5
Ceredigion	27.7 (8)	13.0 (2)	5.1 (7)	1.3 (1)	10.9 (4)	68.6 (8)	70.7 (7.5)	37.5
Conwy	23.8 (4)	17.2 (7.5)	3.1 (3)	2.1 (5)	12.0 (3)	73.8 (4)	70.7 (7.5)	34
Gwynedd	24.0 (5)	14.8 (5)	4.2 (5)	2.3 (7)	13.5 (1)	72.9 (5)	74.0 (5)	33
Denbighshire	21.9 (3)	15.2 (4)	3.7 (4)	2.1 (5)	13.2 (2)	75.2 (3)	76.5 (3)	24
Monmouthshire	21.6 (2)	12.7 (1)	2.6 (1)	1.6 (2.5)	9.6 (8)	76.4 (2)	71.4 (6)	22.5
Powys	21.3 (1)	17.0 (6)	2.7 (2)	1.6 (2.5)	10.2 (7)	76.5 (1)	76.8 (2)	21.5

At the high-scoring, 'disadvantaged' end of the ranking, Carmarthenshire and Pembrokeshire were equal at 48 points. It was assumed that NOMIS data for Carmarthenshire were significantly influenced by the inclusion of figures derived from the characteristics of the southeast of the constituency of Llanelli. Given, that this area of Llanelli is often excluded from the WRO working definition of rural Wales, it was decided to select Pembrokeshire as the 'disadvantaged' case study area.

For the lower scoring, less 'disadvantaged', authorities, there was little to choose between the scores of Denbighshire, Monmouth and Powys, which formed a distinctive group of less 'disadvantaged' areas. On consideration, Denbighshire was chosen as the second case study area. The choice of Denbighshire was influenced by its geographical distance from Pembrokeshire, on a north-east to south-west axis, and its consequent relative accessibility within rural Wales [see Maps p23 – 24].

4.1.2 Labour Market Characteristics for Denbighshire and Pembrokeshire

The following analysis is based on NOMIS data for 2003 -2004. Selected data for Denbighshire and Pembrokeshire are compared with data for all Wales in a series of tables on the following pages. NOMIS uses a number of employment-related definitions. These are shown at Annex 1, which also includes a brief explanation of errors and discontinuities found in NOMIS data.

Table 4.1.2.1 Total population, Working Age, Economically Active and Unemployment

Category	Denbigh Count (000's)	Denbigh Percentage	Pembroke Count (000's)	Pembroke Percentage	Wales Percentage
Total Population	94.9		116.3		
Male	45.5	48.0%	56.2	48.3%	48.5%
Female	49.4	52.0%	60.1	51.7%	51.5%
Working age pop [9]	54.6	57.5%	66.5	57.2%	59.6%
Male	28.3	62.1%	34.2	60.9%	62.8%
Female	26.3	53.4%	32.3	53.7%	56.5%
Economically active [10]	43.0	78.1%	49.0	74.4%	74.2%
Male	23.0	81.6%	27.0	80.3%	78.6%
Female	20.0	74.3%	22.0	68.2%	69.6%
In employment	41.0	75.2%	46.0	70.3%	71.2%
Male	22.0	77.3%	25.0	75.3%	74.8%
Female	19.0	72.9%	21.0	65.1%	67.4%
Employees	35.0	64.5%	36.0	55.1%	62.1%
Male	17.0	62.1%	19.0	55.2%	61.8%
Female	18.0	67.0%	18.0	54.9%	62.4%
Self-employed	6.0	10.2%	9.0	14.3%	8.6%
Male	4.0	14.8%	6.0	19.0%	12.5%
Female	1.0	5.4%	3.0	9.4%	4.4%
Unemployed [11]	2.0	4.7%	3.0	5.4%	4.9%
Male	1.0	4.3%	2.0	6.2%	5.3%
Female	1.0	5.0%	1.0	4.4%	4.4%
JSA Claimants [12]	1.2	2.1%	1.9	2.9%	2.4%
Males	0.9	3.1%	1.4	4.1%	3.4%
Females	0.3	1.1%	0.5	1.6%	1.2%

[9] Working age population -percentages based on total population.
[10] Economically active - percentages based on working age population
[11] Unemployed - percentages based on economically active population
[12] JSA claimants - percentages based on working age population

Table 4.1.2.2 Economically Inactive [13]

Category	Denbigh Count (000's)	Denbigh Percentage	Pembroke Count (000's)	Pembroke Percentage	Wales Percentage
All people	12.0	21.9%	17.0	25.6%	25.1%
Males	5.0	18.4%	7.0	19.7%	21.0%
Females	7.0	25.7%	10.0	31.8%	29.5%
Wanting a job	3.0	4.7%	3.0	5.0%	5.6%
Males	1.0	3.5%	2.0	4.7%	4.9%
Females	1.0	4.9%	1.0	5.2%	6.3%
Not wanting a job	9.0	17.2%	14.0	20.7%	19.6%
Males	4.0	13.7%	5.0	15.0%	16.1%
Females	5.0	20.8%	9.0	26.7%	23.1%

Table 4.1.2.3 Employment by Occupation

NOMIS uses the Soc 2000 major groups of occupation type, which are explained in Annex 1. [14]

	Denbigh Count (000's)	Denbigh Percentage	Pembroke Count (000's)	Pembroke Percentage	Wales Percentage
Major group 1-3	17.0	39.4%	16.0	33.2%	36.1%
1 Managers	6.0	14.7%	6.0	11.5%	11.5%
2 Professional	5.0	11.3%	5.0	10.6%	10.6%
3 Associate professional	6.0	13.3%	5.0	11.0%	11.0%
Major group 4 – 5	10.0	22.5%	13.0	26.5%	25.3%
4 Admin & secretarial	4.0	9.7%	5.0	10.1%	12.2%
5 Skilled trades	5.0	12.2%	8.0	16.3%	13.0%
Major group 6 – 7	8.0	18.1%	8.0	16.8%	16.2%
6 Personal service	4.0	9.8%	5.0	9.6%	7.9%
7 Sales/Customer Service	4.0	8.3%	3.0	7.1%	8.3%
Major group 8-9	8.0	20.0%	11.0	23.5%	22.3%
8 Process, plant & machine operatives	4.0	8.9%	4.0	8.1%	9.7%
9 Elementary occupations	5.0	11.1%	7.0	15.3%	12.6%

[13] Economically inactive - Percentages based on working age population
[14] Occupation types – Percentages based on all persons in employment.

Table 4.1.2.4 Qualifications

All figures in this table are based on total working age population. See Annex 1 for an explanation of the qualification levels.

	Denbigh Count (000,s)	Denbigh Percentage	Pembroke Count (000's)	Pembroke Percentage	Wales Percentage
NVQ4 and above	13.0	23.7%	14.0	21.8%	22.5%
NVQ3 and above	22.0	40.5%	27.0	40.9%	40.2%
NVQ2 and above	35.0	64.6%	42.0	63.6%	60.3%
NVQ1 and above	42.0	76.6%	52.0	78.3%	74.2%
Other qualifications	4.0	8.1%	5.0	6.9%	8.0%
No qualifications	8.0	15.2%	10.0	14.7%	17.8%

Table 4.1.2.5 Employee jobs

Percentages in this table are based on total employee jobs

	Denbigh Employee Jobs	Denbigh %	Pembroke Employee Jobs	Pembroke %	Wales %
Total employee jobs	33,716		34,057		
Full-time	21,324	63.2%	19,713	57.9%	68.1%
Part- time	12,392	36.8%	14,344	42.1%	33.8%
Manufacturing	4,456	13.2%	2,981	8.8%	16.1%
Construction	2,057	6.1%	1,530	4.5%	4.2%
Services	27,014	80.1%	29,329	86.1%	77.9%
Distribution, hotels etc	7,931	23.5%	10,923	32.1%	23.5%
Transport and comms	1,560	4.6%	1,614	4.7%	4.6%
Finance, IT, business	2,291	6.8%	2,630	7.7%	11.9%
Public admin, education and Health	13,596	40.3%	12,264	36.0%	32.8%
Other services	1,636	4.9%	1,899	5.6%	5.0%
Tourism-related [15]	3,628	10.8%	4,444	13.0%	8.1%

Table 4.1.2.6 Jobs density

These figures represent the ratio of total jobs to working-age population

	Denbigh Jobs	Denbigh Density	Pembroke Jobs	Pembroke Density	Wales Density
Jobs Density	42,000	0.8	45,000	0.7	0.7

[15] Tourism-related jobs may be included in various categories of Service jobs. In addition, where this is clear, tourism-related jobs are shown separately.

Table 4.1.2.7 VAT registered businesses

VAT registrations and de-registrations, in reflecting the pattern of business start-ups and closures, provide a good indication of the level of entrepreneurship and the health of the business population.

Note that figures have been calculated for rural Wales, as defined in this report.

Percentages are based on stock (at end of year 2003).

	Denbigh Count	Denbigh %	Pembroke Count	Pembroke %	Rural Wales Count	Rural Wales %	Wales %
New Registrations	235	8.1%	355	7.4%	2,800	7.0%	8.7%
Deregistrations	255	8.8%	350	7.3%	3,135	7.9%	8.8%
Stock (at end of year)	2,910		4,790		39,800		

The foregoing analysis sets the context for the specific labour market characteristics of Denbighshire and Pembrokeshire. From this analysis a number of salient points may be inferred.

With respect to the supply of labour both Pembrokeshire (66,500) at 57.2% and Denbighshire (54,600) at 57.5% had lower percentage working age populations than Wales as a whole at 59.6%. Unemployment rates were higher in Pembrokeshire at 5.4% with Denbighshire at 4.7%, with the Wales unemployment rate at 5.1%. The economically active population of Denbighshire at 78.1% of working age population was higher than both Pembrokeshire at 74.4% and Wales as a whole at 74.2%. Correspondingly, Denbighshire had lower rates of economic inactivity (21.9%). By gender, Denbighshire had a male economically inactive rate of 18.4% and a female rate of 25.7%. Pembrokeshire had an overall rate of economic inactivity of 25.6%, a male rate of 19.7%, but a high female rate of 31.8%. Gender based rates for all Wales were (male) 21.4% and (female) 30.4%. The high rate of Pembrokeshire's female economic inactivity, with 26.7% of Pembrokeshire's female economically inactive not wanting a job (Wales rate 23.3%), suggests a significant proportion of the female population in Pembrokeshire who chose not to work. Moreover, the comparatively high rates of economic inactivity recorded for Pembrokeshire reflect broadly the spatial patterns of economic activity and inactivity discussed earlier under 3.1, with a tendency towards lower rates of economic activity in the west of rural Wales.

NOMIS data indicate that Denbighshire (39.4%) had a higher percentage of managers and professionals than either Pembrokeshire (33.2%) or all Wales (36.1%). Denbighshire's high percentage of managers and professionals suggested a correspondence with its percentage of working age people with qualifications of NVQ4 (HND, degree or higher degree) or above – Denbighshire had a percentage of 23.7% compared with 21.8% for Pembrokeshire and 22.5% for Wales.

The demand for labour was such that Denbighshire (63.2%) had a higher percentage of full-time jobs taken up than Pembrokeshire (57.9%), with both lower than Wales (66.2%). Denbighshire was stronger in the manufacturing sector at 13.2% compared with Pembrokeshire at 8.8%, although both were lower than Wales at 16.1%. In construction jobs, however, Denbighshire (6.1%) was stronger than both Pembrokeshire (4.5%) and Wales (4.2%). Pembrokeshire's strong sectors were services at 86.1%, compared to Denbighshire (80.1%) and Wales (77.9%), and tourism-related jobs, with Pembrokeshire at 13.0% compared to Denbighshire (10.8%) and Wales (8.1%).

4.1.3 Business characteristics for Denbighshire and Pembrokeshire

In the business sector Pembrokeshire (4,790) had more business stock than Denbighshire (2,910). Pembrokeshire also had more VAT registrations (355) per annum than Denbighshire (235) but a lower rate of VAT registration (7.4%) as a percentage of stock than either Denbighshire (8.1%) or Wales (8.7%). Similarly Pembrokeshire's annual VAT deregistrations (350) were higher than Denbighshire (255) but Pembrokeshire's VAT deregistration rate was lower than Denbighshire (8.8%) or Wales (8.8%). Pembrokeshire's low rates of annual VAT registration coupled with its comparatively high rates of self-employment (14.3%) noted earlier suggested that there are a significant number of small firms or 'one-man bands' in the area. The types of businesses surveyed in Denbighshire and Pembrokeshire are shown at Table 4.2.1 later in this report, with a breakdown showing their business activities at Table 4.2.1.1

Businesses need an environment conducive to commerce and entrepreneurship to thrive and an important aspect of the business environment is the quality of support and advice available. As outlined earlier under 3.2.4, data from the WRO Business Survey indicate how the quality of business advice was perceived by businesses in rural Wales. Data for Denbighshire and Pembrokeshire are compared with aggregate data for rural Wales. Note that the WRO Business Survey defined rural Wales as Anglesey, Carmarthenshire, Gwynedd, Ceredigion, Conwy, Denbighshire, Monmouthshire, Pembrokeshire, Powys, with the additions of Flintshire, the Vale of Glamorgan and Wrexham.

First, businesses were asked to rank the quality of support and advice offered by national public bodies. Across rural Wales 14.4% of businesses surveyed ranked this support as good or very good; 23.8% as satisfactory; 21.2% as bad or very bad; and the largest segment at 40.6% had never used these business support services. Results for Denbighshire were 12.2% good; 25.7% satisfactory; 28.4% bad; and 33.7% had never used the services – more businesses in Denbighshire perceived these support services as bad or very bad. Pembrokeshire had increased perceptions of good, with a slight increase over rural Wales in bad perceptions – results were 18.5% good; 25.9% satisfactory; 23.7% bad; and 31.9% had never used the services

Similar rankings were requested from rural businesses in Wales with respect to other providers of business support and advice. Local authorities were the most used of support providers. For rural Wales results were 14.9% good; 30.4% satisfactory; 27.3% bad; and 27.4% had never used the services. Results for Pembrokeshire were close to those for rural Wales. Denbighshire showed a marked decrease in 'good or very good' perceptions at 10.1% but, to a certain extent, the high figure of 34.8% for 'satisfactory' compensated for this. Results were - Denbighshire: 10.1% good; 34.8% satisfactory; 29.0% bad; and 26.1% had never used these services – Pembrokeshire: 15.6% good; 29.6% satisfactory; 28.9% bad; and 25.9% had never used these services

Enterprise agencies were not well used as a provider of business advice and support – across rural Wales results were 12.5% good; 21.5% satisfactory; 21.3% bad; and 44.7% had never used the services. Both Denbighshire and Pembrokeshire showed considerable variation from rural Wales as a whole. Denbighshire results were 10.1% good; 24.7% satisfactory; 33.3% bad; and 31.9% had never used the services. Pembrokeshire businesses ranked enterprise agencies higher – 16.7% good; 19.7% satisfactory; 28.0% bad; although 41.6% had never used the services.

Unions and chambers of commerce were not well used and were not perceived as good providers of business support and advice. Results across rural Wales were 7.1% good; 22.3% satisfactory; 17.2% bad; but 53.4% had never used the services. Denbighshire had a low ranking for 'good' perceptions of these services – 4.3% good; 24.3% satisfactory; 20.0% bad; and 51.4% had never used the services. Results for Pembrokeshire were higher for 'good' but fewer businesses had used these services - 8.3% good; 15.8% satisfactory; 21.8% bad; and 54.1% had never used these services.

Finally for this survey of business support and advice, trade organisations were considered. Once again usage was not high. Results for rural Wales were 24.2% good; 23.0% satisfactory; 12.5% bad; and 40.3% had never used these services. Denbighshire and Pembrokeshire rankings for 'good' and 'satisfactory' were close to those for rural Wales. The outstanding ranking here was Denbighshire's 'bad' at 20.0%. Results were – Denbighshire: 24.3% good; 22.9% satisfactory; 22.0% bad; and 32.8% had never used these services - Pembrokeshire: 22.6% good; 26.3% satisfactory; 13.6% bad; and 37.5% had never used these services

Data from the WRO Business Survey indicate the predictions of businesses on their future size in terms of the number of employees. The results for rural Wales were that 41.3% of businesses predicted an increase in employee numbers; 6.2% a decrease; and 52.5% no change. Denbighshire businesses were more optimistic with 44.6% of businesses predicting an increase in employee numbers; conversely 8.1% predicted a decrease; and 47.3% no change. Pembrokeshire businesses were consistently more pessimistic with results of 38.2% for increase; 11.8% for decrease; and 50.0% no change.

Labour markets are, of course, not perfect and there is always a degree of mismatch between labour supply and labour demand. It is useful to examine the reasons for mismatch from the perspectives of both businesses and employees. From the business perspective the following data, which reflect a range of aspects that affect how businesses attract a suitable workforce, are drawn from the WRO Business Survey Comparisons are made with results for the whole of rural Wales.

Businesses were asked to rank their access and proximity to a qualified and skilled workforce. For rural Wales 30.4% of businesses considered access to be good or very good; 28.8% judged access satisfactory; for 17.0% the issue was irrelevant; and 23.7% considered access to be bad or very bad. Denbighshire businesses ranked the highest for good or very good access at 40.0%, while Pembrokeshire was just above the rural Wales figure (30.4%) at 31.8%. The results for 'satisfactory' for both Denbighshire and Pembrokeshire were lower than rural Wales (28.8%) at 24.3% and 25.8% respectively. Results for businesses who considered access to be bad or very bad were Denbighshire (24.3%) and Pembrokeshire (23.5%), which are both close to the rural Wales figure of 23.7%.

Businesses were also asked whether the lack of a suitable workforce was a perceived constraint on business. In Denbighshire 42.9% agreed; 47.6% disagreed; and 9.5% did not know. For Pembrokeshire 37.1% agreed; 56.5% disagreed; and 6.4% did not know. These results were broadly similar to those for rural Wales where 39.2% agreed that it was a constraint; 54.8% disagreed; and 6.0% did not know.

Recruitment of a workforce represents an expense for businesses and those surveyed were asked to categorise how much of their annual turnover was spent on recruitment during 2003. Across rural Wales as a whole the results were: 12.2% major spend; 36.2% minor spend; 49.9% had not spent on recruitment; and 1.7% did not know their spend. Denbighshire had more major spenders at 13.7%; fewer minor spenders at 34.2%; and more none spenders at 52.1%. Pembrokeshire had less major spenders at 9.0%; more minor spenders at 40.6%; and less none spenders on recruitment at 48.9%. From these data, recruitment did not appear to be a major budgetary consideration for businesses in rural Wales.

Businesses in rural Wales used a range of media to advertise for potential recruits for employment. These data for Denbighshire and Pembrokeshire compared to rural Wales are shown in the table below. Generally, these comparisons support the data for spending on recruitment, with large percentages of businesses relying on local networks and word-of-mouth to contact potential employees.

Table 4.1.3.1: Compiled from the WRO Business Survey

Recruitment media and methods	**All rural Wales Businesses**	**Denbighshire Businesses**	**Pembrokeshire Businesses**
Local newspaper	34.1%	45.5%	32.1%
National newspaper	2.8%	1.3%	4.3%
Local radio/TV	2.7%	1.3%	4.3%
Internet	4.9%	3.9%	2.9%
Word of mouth/Family and friends	40.6%	41.6%	35.7%
Other methods	8.2%	5.2%	4.3%
None	13.1%	18.2%	17.1%

Local newspapers were, then, the most well used ‘orthodox’ media for recruitment, although overall word of mouth was the most popular method. This could be related to trust and a reduced requirement for screening of recruits. The relatively high percentages of businesses not advertising for recruits, particularly in Denbighshire and Pembrokeshire should be noted.

Businesses identified a variety of reasons to account for difficulties in recruitment of employees. These data for Denbighshire and Pembrokeshire, compared to rural Wales as a whole, are shown in the table below.

Table 4.1.3.2: Compiled from the WRO Business Survey

Recruitment problem	All rural Wales Businesses	Denbighshire Businesses	Pembrokeshire Businesses
General difficulty in recruitment	56.4%	63.1%	47.9%
Lack of applicants	62.3%	48.8%	62.5%
Applicants lack academic/professional training	47.7%	41.5%	48.2%
Applicants lack work experience	65.7%	68.3%	53.6%
Applicants lack English language skills	15.8%	12.2%	8.9%
Applicants lack Welsh language skills	9.5%	12.2%	5.4%
Applicants do not drive/rely on public transport	31.5%	31.7%	28.6%
Other problems	10.0%	0.0%	14.3%

Once recruited, training employees is a cost to businesses. Businesses in rural Wales were asked to categorise their spend on training as a proportion of annual turnover. For all of rural Wales the results were: 13.6% major spend; 41.5% minor spend; 43.7% no spend; and 1.3% didn’t know. Denbighshire results were: 11.0% major spend; 49.3% minor spend; 39.7% no spend; and 0.0% didn’t know. For Pembrokeshire the results were: 14.1% major spend; 39.3% minor spend; 44.4% no spend; and 2.2% didn’t know.

These Denbighshire and Pembrokeshire data for spend on training employees indicate similar trends to the data for rural Wales as a whole. An important point is the relatively high percentages of businesses not spending on training, in Denbighshire, Pembrokeshire and rural Wales: with approximately 40% not spending on training.

Businesses also identified a range of barriers to the training of employees. These data for rural Wales, Denbighshire and Pembrokeshire are shown in the table below.

Table 4.1.3.3: Compiled from the WRO Business Survey

Barrier to training employees	**All rural Wales Businesses**	**Denbighshire Businesses**	**Pembrokeshire Businesses**
Cost	31.9%	35.1%	39.3%
Insufficient time/time lost to training	37.9%	49.4%	38.6%
Unsuitable training provision	14.3%	16.9%	14.3%
Inaccessible training provision	15.4%	19.5%	19.3%
Lack of specificity in training courses offered	17.8%	23.4%	22.1%
Other factors	4.4%	4.7%	4.3%

There was a degree of homogeneity in these data. Across rural Wales, Denbighshire and Pembrokeshire cost was perceived as a major barrier to training. Insufficient time for training or time lost to training was, however, perceived to be the most significant barrier. Taking the three individual areas, Denbighshire had the highest percentage of businesses identifying barriers to training for each type of barrier apart from cost, where Denbighshire was still high. Indeed, of those businesses that identified 'Insufficient time/time lost to training' as a barrier, Denbighshire (49.4%) had 10.8% more than Pembrokeshire (38.6%) and 11.5% more than rural Wales (37.9%).

4.2 Selection of Case Study Businesses

For the purposes of this research case study businesses were selected from the pre-existing database of rural businesses that was compiled during Phase 1 of the WRO research programme.

From the total of 77 businesses for Denbighshire that responded to the original business survey, 27 had indicated that they were prepared to be re-contacted. In Pembrokeshire a total of 140 businesses responded, with 63 of these indicating that they were happy to be re-contacted.

In aiming to select a sample of respondents from the potential pool of businesses in each unitary authority, priority was placed on looking to secure the viewpoints of owners from a range of different businesses with regard to size (number of employees), type (business sector) and location (within the individual Authority). Within these aims, a total of 20 business owners were interviewed from each unitary authority. Table 4.2.1, on the following page, displays the range of businesses interviewed in both locations.

Table 4.2.1 Spread of interview respondents by size, type and location

		Denbighshire Respondents	Pembrokeshire Respondents
Business size	1 – 4 employees	✓	✓
	5 – 9 employees	✓	✓
	10 – 24 employees	✓	✓
	25 – 49 employees	✓	✓
	50 – 99 employees	✓	✓
Business type	Accommodation, food and drink (etc)	✓	✓
	Construction	✓	✓
	Transport	✓	✓
	Retail	✓	✓
	Charitable/ Social	✓	✓
	Services	✓	✓
	Manufacture	✓	✓
	Wholesale	✓	✓
Business Location By nearest town or village		Corwen	Haverfordwest
		Denbigh	Cardigan
		St Asaph	Tenby
		Rhyl	Crymych
		Llangollen	Fishguard
		Prestatyn	Narbeth
			Kilgetty
			Saundersfoot
			Pembroke
			Milford Haven

4.2.1 Categorizing businesses in Denbighshire and Pembrokeshire

The businesses interviewed in Denbighshire and Pembrokeshire for the report, then, ranged in size from sole traders to those employing up to 57 people. In addition, the interviewees in both regions were drawn from every sector of business. Taken together the WRO Business Survey data and the NOMIS data analysed and discussed earlier in this report begin to reveal the outline structure of the business terrain of Denbighshire and Pembrokeshire. To flesh out this structure we need to drill into these data; to categorize businesses in these regions, to describe what the businesses interviewed actually do, and to gain some understanding of what types of business operate in rural Wales. First, it is useful to view a tabular breakdown of the businesses interviewed, which is shown on the following page.

Table 4.2.1.1 Businesses interviewed by activity and number of employees within region

Business Activity	**Denbighshire – No. of businesses and (no. of employees). e.g. A(53); B(10)**	**Pembrokeshire – No. of businesses and (no. of employees). e.g. A(10); B(4)**
Resin flooring	A(14)	
Builders	A(9) + Welding for agricultural businesses	A(10) B(4) C(57) – Civil engineers
Electrical contractors		A(2)
Joinery		A(26)
Ready-mixed concrete		A(10)
Glass supply	A(4)	
Glass work	A(5) - – manufacture and retail	
Public house	A(2)	
Hotel	A(53) B(10)	A(30)
Restaurant	A(6) + accommodation	A(15) + convenience store
Café and sandwich bar	A(9)	
Shop	A(26) – SPAR	A(4) - Vegetarian whole food B(17) - Bakery and supermarket C(12) – Pharmacy and healthcare
Residential care home	A(23) B(23)	A(18) B(30)
Agricultural contractor	A(5)	
Tree services		A(3)
Agricultural machinery		A(16) – retail
Farmers cooperative	A(17)	
Egg production		A(3) - wholesale
Organic butchery		A(35) – wholesale and retail
Caravan site	A(2)	
Transport	A(8) – Haulage contractor	A(4) – Transport services
Kitchen and bathroom show room	A(13)	
Fishing tackle and flies	A(6) Retail and manufacture	
Soft furnishings	A(4)	
Sewing and knitting machine servicing	A(4)	
Information Technology		A(20)

Turning first to Denbighshire, among the businesses interviewed were those traditionally associated with rural locations such as public houses and village shops. Other businesses in the accommodation, food and drink sector included cafés and a restaurant. And although the original survey excluded farms the traditional rural connection with agriculture was maintained by interviews with a farmers co-operative and an agricultural contractor. Rural leisure interests were represented by a caravan site and a fishing tackle shop. The latter business bridged the divide between the retail and manufacturing sectors in that it made and sold fishing rods and flies. Niche markets had also been entered by a soft furnishings business; a small glass-works that sold directly to the public; a kitchen and bathroom showroom; and by a business that maintained and serviced sewing and knitting machines. Small businesses in the construction and transport sectors tend to find rural locations, and here there were a glass suppliers, a resin flooring business, a haulage contractor, and a firm providing both welding for the agricultural sector and general building work. The businesses discussed above tended to employ under 20 people, but the businesses interviewed in Denbighshire that employed the most people were hotels and residential care homes for the elderly, with the largest hotel employing 53 people and the care homes having over 20 employees.

To a certain extent this numerical pattern of sectoral employment was replicated in Pembrokeshire, with hotels and residential care homes for the elderly among the largest businesses interviewed. Employee numbers in these businesses were similar to Denbighshire. There were, however, other relatively large businesses, in terms of numbers of employees. These included a civil engineering and building contractor with 57 employees; a wholesale organic butchery, which also had a retail arm, with 35 employees; an IT business with over 20 employees; and a joinery with 26 employees. Other smaller construction sector businesses interviewed included jobbing builders, electrical contractors and a ready-mixed concrete business. Some of these construction businesses stated that they provided services to farmers, and the rural connection to agriculture was also present in agricultural machinery retailers, wholesale egg producers, and, more tenuously, by a tree services business. The retail sector was represented by various types of shop, such as a small bakery and supermarket, and a convenience store, while a pharmacy, which also had a health care section, and a vegetarian whole food shop were attempting to capture niche markets.

4.3 Delivery and Analysis of Survey

4.3.1 Technique of telephone interviewing

The technique of telephone interviewing proved very effective in the context of this research. A substantial part of this success was because knowledge of the individual businesses had already been gleaned from the Phase 1 Business Survey. Proceeding on this basis provided a number of dividends:

High response rate

On the whole, business owners were far more receptive to the notion of a brief telephone interview. This was because a relationship had already been built with the respondents as a result of their having completed the previous survey and, in doing so, indicating that they were happy to be re-contacted. Indeed, in only two instances did candidates from the original prospective list of respondents decline the request for an interview.

Efficient data collection

Because a baseline set of information had already been compiled for each business (albeit the majority of it based on 'closed answer' questions), this meant that a far more focused and, to some extent, individually tailored interview could be conducted. Given the high time pressures faced by the majority of business owners, this advanced starting point meant that a relatively in-depth knowledge of the labour market challenges faced by each case study could be built up, without burdening the respondent any more than was absolutely necessary. Furthermore, the degree of trust established through previous dealings meant, for example, that respondents were more willing to provide intimate details on their working relationship with their staff.

Specificity

Before the telephone interviews were conducted the relevant data already held for each of the businesses were individually analysed. Not only did this help to create a broad overview of the nature of labour market challenges in rural Wales, it also subsequently enabled a schedule of interview questions to be developed that encompassed both the general and the specific. Effectively, this meant that business owners could be encouraged to provide responses on three sets of issues: firstly, to clarify, amend or expand on potential opportunities and/ or threats that they had first raised during Phase 1 of the WRO research; secondly, to give an informed opinion, based on their own experience, of what they perceived to be the positive and negative aspects of (as well as the motivation for) sourcing their labour force from rural Wales; and thirdly, to suggest any improvements that could be made to the overall quality/ compatibility of labour supply.

4.3.2 Selection and delivery of telephone interview questions

The telephone interviews were constructed to last approximately ten minutes. They were carried out with the owner/ manager of the individual businesses (who, in the majority of cases, was the same person who had completed the original questionnaire). Table 4.3.2 provides a breakdown of the type of questions that were asked during the telephone interviews. The information previously gleaned from Phase 1 of the WRO research programme features constituted both a substantive part of the specific questions asked and a stimulant for additional more general inquiries.

Table 4.3.2 – Selection of interview questions

Category	Questions asked
Base line data applied (*As sourced from 'closed answer' questions provided to the Phase 1 Business Survey*)	Business size Business type Business location Composition of staff Travel-to-work distance for staff Aspirations for business growth Motivations for (not) considering relocation Allocation of spend to training/ recruitment Methods of recruitment Barriers to training/ recruitment Perceived effectiveness of various sources of business support Advantages of being located in rural Wales Disadvantages of being located in rural Wales Predicted business sustainability
Additional information requested, tailored to the nature of the individual business	Necessary amendment/ updating of any of the above Basis for 'unusual' responses (if provided to any of the above) Reason for full-time/ part-time balance in staffing composition Availability of quality of labour force as influencing: - aspirations for business growth - desirability of business relocation - advantages/ disadvantages of being located in rural Wales - predicted business sustainability Effectiveness of recruitment methods Nature of staff training applied Impact of any barriers to training (*as previously identified*) Contact with local education institutions
Generic questions asked of all respondents	Assessment of the overall quality of the local labour market Ideas for improving the overall quality of the local labour market Preferences regarding improved availability of quality applicants and/ or increased support for employee training Predicted impacts on business profitability/ sustainability of improvements in labour supply

4.3.3 Themes of Analysis

On the understanding that no responses would be attributed to individual businesses, all respondents agreed that their interviews could be recorded and transcribed in full. This receptivity, combined with the openness of their responses, provided a solid base of raw material for subsequent data analysis.

Table 4.3.3 lists the themes against which the interview data were analysed. Structuring the analysis in this way allowed for both recognition of any consensus or disparity of opinion between business owners, as well as an appreciation of the presence (or indeed, absence) of any connecting elements or generic properties between the themes. In all cases, the data gleaned from individual respondents were analysed within the following comparative strands:

- Unitary Authority
- Business size (as determined by employee size bands)
- Business type (as categorised by sector)

Table 4.3.3 – Strands and Themes of Analysis

Strands and Themes of Analysis	
Management strategies	Hours worked by owner/ manager as reflective of a staffing issue
	Reasoning behind composition of staffing balance – part-time/ full-time; male/ female; family members; Welsh speaking
	Expected size/ composition of staffing in near future and relationship between aspirations for business growth and staffing issues
Recruitment strategies	Local recruitment preferences/ distance of employees from premises
	Methods of recruitment
	Barriers to recruitment
Training strategies	Method/ nature of employee training
	Barriers to employee training
External support	Quality/ support of business service industries
	Interaction with and/or role of colleges, universities and other education institutions
Associated impacts	Relationship between aspirations for relocation and staffing issues
	Advantages/ disadvantages of being located in rural Wales, as relating to staffing issues
	Labour market constraints as a specifically rural problem
Matching demand with supply	Shifting the perspective of public policy
	Relationship between business profitability/ sustainability and labour market issues

Section 5 – Results for Denbighshire and Pembrokeshire

5.1 Introduction

Set out below is the analysis of the nature of the labour market relationships in Denbighshire and Pembrokeshire, as perceived by the sample of rural business owners. The structuring of this part of the report is reflective not only of the method of analysis, but also, the dominant themes that emerged during the empirical research. It represents a portrait of the distinctive complexities of rural business-employee relationships under the five key dimensions of: staff composition, recruitment, training of staff, external business support, and some of the impacts of policy. All of the qualitative data have been analysed and selected quotations from the two study areas are used here to identify and exemplify the key trends in the data sets. Where there are significant differences between the two case study areas, these are indicated in the text.

5.2 Results – Denbighshire and Pembrokeshire

5.2.1 *Staffing composition*

A number of reasons were given for the use of either a majority of full-time or part-time staff or, a mix of both. For many, though, it came down to a question of having to achieve a balance between satisfying the needs of the business, but also, satisfying the needs of the workforce. With regard to the former of these, for the accommodation, food and drink sector in particular, for example, part-time staff was preferred due to the seasonal nature of the business:

> "… looking for full time professional help, I couldn't sustain a steady wage for them because I don't always have… some days there is a lot of work, day and night, or I could be working three days a week… it depends on the time of year."

As is demonstrated through the following comment from one retail sector respondent, though, this is certainly not the case across the board:

> "I think they're [full time staff] much easier to roster in all fairness, I think the more part time staff that you have, the more that I would have to roster, arrange working rosters, which again in my work day is something which probably I can ill afford the time to do. So, we try to employ everybody on a permanent full time basis…"

The task of sustaining a balance between both the needs of the staff and that of the business did not always appear, however, to be necessarily burdensome on either party:

> "The reason for part time is purely the type of work it is, its shift work and that's what people want and it also fits in well with the way [the business] runs."

Clearly though, even if it may sometimes be easier to attract part-time staff for certain types of employment, this was not always a good enough reason for doing so. For, as one construction sector respondent replied when asked about their reason for employing full time as opposed to part time staff:

> "Simply because you can't trust part time people to do the job, you haven't got as great a control over them."

In Pembrokeshire, especially in the small retail sector, and accommodation, food and drink, there was a view that part-time staff were easier to recruit because of the larger number of middle-aged people in the in-migrant population:

> "Its very few people who are able to work full-time, most of the people that I find I can get I can employ only want to work a couple of days a week because they're older people or people with families that sort of thing, so its very difficult to find anybody who wants to work full-time."

> "We have a huge resource in the market that is semi–retired…we have a very large percentage in Pembrokeshire of quite professional people that have taken early retirement. They really only want to do a three day week, in that three day week they do an excellent job, but it does become a problem from the trainees point of view who like consistency."

> "Its just really the makeup of the local community of those people that can come in, I'd probably rather have more full-time but they're just not available really."

This, in some cases, was also related to pessimistic views about the future of the business; one Pembrokeshire small retailer argued:

> "In general the shops in the villages around here are definitely in decline, their business is declining, and its set to decline further, so it is just progressive, it has been declining since 2001'……I'm struggling at the moment and I can foresee now that I'm going to have to struggle even more before I have to eventually sell the shop or close it, which would be even worse."

For a number of businesses, the issue of staffing composition went beyond whether full or part-time staff was preferred, to whether a staffing of family members was the most desirable option. Motivations for such a choice included factors of cost:

> "Well, you know, it saves expense more than anything else."

In addition, there were issues of trust:

> "I can't think of a straightforward answer, it's a family business… it's just the fact that you know the [business] is always in good hands if we go away, it's just something we have always done."

In Pembrokeshire, family labour is also seen as 'more reliable' and able to work the long hours that many small businesses require (sometimes over 100 hours per week). Businesses in the agricultural, forestry, transport, wholesale and retail sectors require working long hours, and this is usually done by family members; also by using rosters of part-time workers. Recruiting and keeping full time workers is seen as more inflexible and tricky:

One food processor, who employs three foreign labourers said:

> " Well I mean it's a job actually to get people who are interested in work at all really…. Well I don't know, an instance we had a young chap rang, I think was about three weeks ago, wanting a job he was a butcher from Cardigan, we interviewed him and said yes, start Monday. He worked Monday, Tuesday and Wednesday, we never saw him again!"

A small transport firm argued:

> "We are a little family outfit.. and that's the way we want to keep it really- it means I can keep my finger on the button, and if there's a problem the phone rings and I can be there and do my best to get it sorted out. Whereas if it gets big it gets a bit out of hand.."

Restricting labour use to family labour was also seen as a risk-minimising strategy for some firms. One Pembrokeshire firm referred to the 'claim culture', which was seen as discouraging employers and firms from hiring labour.

> "Well I know many people in Wales that some say are doing the same-in the construction industry - there are a lot of people who are perhaps have two partners or a single person even and they won't take on an employee because of the responsibilities that entails, and so they restrict their site, they turn away work rather than take on more staff, and that means of course that there aren't so many opportunities then for youngsters to get into the industry and get training".

Staffing composition was therefore highly related to business size and type, with a strong sense of family commitment and use of part-time labour. Full-time labour was seen as restrictive and difficult to both recruit and to keep.

5.2.2 Recruitment

Job centres came across as being the most problematic medium for recruiting. For example, only two of the 20 business owners interviewed in Denbighshire were in any way positive about their experience of job centres (with, for instance, one of these respondents giving credit to the job centre because they had sourced an 'excellent' Latvian lady through them (Accommodation, food and drink respondent)). For the majority, in both study areas however, this method was deemed both ineffective and inefficient. Firstly, the job centres were criticised for their inappropriate choice of candidates:

> "I'll never ever use the employment agency again. Simply because we specified… now this is the criteria, this is what we're looking for and they gave us so much rubbish that came through, not being unkind but that's exactly what they were, completely and utterly nothing to do with the kind of business or the criteria that we had – we wasted half a day"

Secondly, in providing inappropriate candidates the job centres were suspected of working to their own agenda, rather than that of the business client:

> "What, unfortunately, they tend to do is - 'tractor driver wanted', now anybody who comes in who has been *long term unemployed*, 'can you drive a tractor?' They'd say 'oh yes, I drove one once', 'right go and apply for this job' and they're totally unsuitable people."

Thirdly, hidden agendas were also felt to be just as problematic amongst the applicants themselves:

> "…the people that I get from the job centre maybe they're just doing it because the job centre says they've got to show that they're willing to work somewhere because they come once and we never see them again."

Fourthly, the job centres were not felt to be in control of the situation of people having 'no intention' to take a job:

> "I don't find it very effective because they do refer people as far as they're concerned from their end, but these people don't turn up and I just think they're after the job seekers allowance and say 'yes I have been' when they haven't been… Sometimes the job centre does ring us… and then they'll give a list of names and I'll say I've never heard of these of people', that does happen all the time."

The majority of business owners were clearly aware of the falsities that had to be negotiated in recruiting through job centres. Indeed, as indicated by the following response, some were even willing to 'help' tackle the problem of the negative work ethic associated with the patterns of deviance displayed by such applicants. Clearly, though, this approach is not something that many business owners 'are able to' or 'should have to' adopt:

> "You'll notice an increasing proportion of those who are applying for the jobs are only doing it because they have to. So it's quite funny what we do if I get the indication from a CV that somebody's only applying because they have to, to get their benefit. I'll invite them for an interview on purpose, ultimately I write off 2 or 3 days for the interviews anyway so an extra 20 minutes is going to make no difference, I'll make them sit in from of me and squirm and move etc. etc because I also get follow up calls from maybe the Job Centre or something saying how did this guy come across and I have in the past said, written quite a strong letter to the affect that 'this guy has no intention of working, he didn't want to be here, he swore in the interview just because he didn't want… he was doing his damnedness…"

A potentially viable alternative to recruitment through job centres is the method of advertisement through local newspapers – a medium that many business owners had professed to use during the original business survey. With regard to the actual experience, however, for some business owners, response rates from newspaper adverts were rated as 'poor', resulting in little expectation that a different outcome would be found if this medium were used again. Obviously, though, the actual type of vacancy being advertised did itself have some bearing on the response rate achieved. For instance, as noted by one retail sector respondent:

> "…we've yet not to get an employee through papers"

For many respondents, however, the main problem with filling vacancies via newspaper adverts was more closely associated with the 'type' of applicants this produced:

> "…with the newspaper you can get all sorts of people coming in and it's a bit of trial and error."

Common problems mentioned included a lack of applicants with experience:

> "I've advertised in national papers for jobs and had an awful lot of people ringing in but again… they've not much experience – 'but I can learn', I don't want somebody that can learn, I want somebody that knows already."

Problems also arose if the selected applicant turned out to be inappropriate due to a misconception of what the job really entailed.

The extensive range of problems experienced with formal methods of recruitment such as newspapers and job centres, appear to have reinforced a common preference amongst rural employers for favouring a far more informal medium of recruitment –word-of-mouth. As one respondent explained, for instance, when making a direct comparison between newspaper adverts and word-of-mouth:

> "Well just comparing the two things, we've had things where we've resorted to adverts in the paper and generally speaking we've not had a very satisfactory response to that, people come along, work a day or two and then they don't like it or something like that, whereas the people we've recruited by word of mouth tend, it tends to be a lot more successful."

Essentially, a 'word-of-mouth' strategy of recruitment appears to deliver specific advantages for both the employee and the employer that are often unavailable through the more formal mediums. On the one hand, the appointment is more likely to be successful due to the fact that the (potential) employee will already hold a prior knowledge of the type of work that is on offer:

> "… we tend to find the people that we've currently got employed, for instance, mainly from word-of-mouth. They'll be a friend of a friend of somebody that works with us and they see what we do… and that's how we tend to find them."

At the same time employers also benefit from a prior knowledge of the suitability of the candidate themselves:

> "…if somebody who you have working for you is a good employee, you know obviously their standards in what they do and how they think. When they say such and such is looking for a job then it's an extremely good [recommendation]…"

Clearly, though, within such a system where embedded local knowledge becomes key, so too can a labour market become closed to all but those who are on the 'inside' of the system:

> "Word of mouth is that you get to know who the good ones are if you like, and somebody will say 'oh so and so is looking'..."

> “If one of the boys, one of the people working here says I want a cousin or my daughter-in-law whos looking for a job, you’ve got a good idea you know the family, perhaps somebody who knows him so they say he’s a good fellow or no , he’s a lazy devil or something like that’’.

Obviously, the same can also be said, however, of the importance of a good reputation for an employer – if they are going to be successful in finding sufficient local staffing:

> “Well people who know us and have worked here seem to be quite happy and so they’ll tell their friends and they come, it’s usually school children or students that we tend to take as casuals during the summer.”

Indeed, aside from the differing degrees of effectiveness of the various mediums of recruitment, additional problems have also been experienced as a result of either the nature/ conditions of the work on offer, and/ or the overall skills base of the local labour markets. It is worth looking at both of these facets in greater detail.

With regards to the nature/ conditions of employment, a typical ‘rural’ problem is the fact that in many cases for applicants even to be considered, they must already possess a valid driving licence:

> “Well if they can’t drive they can’t work here it’s straightforward, it’s a fact of life… our nearest small town is 3 miles away, which isn’t too bad for people that can drive…”

However, due to some overall constraints in supply particularly within Denbighshire, not all employers are able (or indeed, feel the need) to limit their recruitment of ‘appropriate’ staff to those who can drive. Nevertheless, the lack of transport has to be factored in to the daily management of the business and ultimately, the locally restricted nature of the respective labour market. For example, as one accommodation, food and drinks sector respondent noted when asked about the geography of recruitment patterns – although a lack of private transport does not put them off applicants, it does limit the radius of their search:

> “…Mostly local really because the age group that does come in, they’re generally all under 18 and of course they don’t drive so my husband takes them home at the end of the working day.”

The reported difficulties of recruiting people within Denbighshire are not seemingly only attributable to a lack of interest in any one sector (or grade) of employment. For instance, problems have been experienced as much in recruiting for those lower grades of employment that might reasonably be deemed unattractive:

> “…I mean the cleaning and housekeeping is not an easy job and a lot of people aren’t prepared for the work, this is the main obstacle, I mean obviously pay rates are poor but that’s pretty standard for this area anyway, I mean we pay a little bit over the minimum wage but not a lot and most jobs around are not offering much more anyway but I think it’s more it’s the hard work that people don’t like.”

At the same time it is also reportedly difficult to fill vacancies even if the nature of the employment itself may not be the discouraging factor:

> "As it happens we have been trying to advertise for secretaries over the last two years, but it has become a job to get staff… Ten years ago we would get over twenty trying for a job. Now we find it hard to get two or three to try for a job… … Yes, the choice isn't there for us. Now you feel that you have to take whoever there is available just about. And perhaps of course the fact that we are not the best paying employer in the area makes a difference"

Problems are just as apparent, however, where specialised employees are sought:

> "The difficulty we have basically is it is a very specialised business… and within Wales there are very, very few people that seem to have any interest in it. There are very, very few trades that actually do it, there are no trade qualifications for it so we struggle to try and find suitable people, and what we've done in most cases is taken people on and in-house trained them."

An employment condition that does appear to have a specific bearing on the ability of businesses to retain 'good' staff is the seasonality of the trade. As one respondent commented:

> "Who's going to leave a £250 a week job to come for £450 when at the end of the summer they might be on a no pounds per week situation because the work's dried up?"

Coupled with this constraint, is a perception amongst some business owners that the benefits system is also doing little to promote an appropriate work ethic:

> "The problems we find is that people don't want to work, the kind of people who want to work are setting their sights higher than working in a shop. And the standard of people generally speaking who we're aiming at, they're getting so many benefits nowadays they don't want to work."

One way in which some employers have been managing the problems of deficits within the supply, is by acknowledging the typically low pay rates common to rural employment and thus, looking to actively influence the decision of candidates. For example:

> "The last time I interviewed someone and I saw that she was quite good I offered her more money to start because I knew that there was other work going [locally]… I knew that they were paying £4.85, so I made sure that I offered closer to £6 to get someone good. I hope that will work and that she will stay."

Obviously, though, this is not a solution available to all business owners. For those who are unable to raise the 'necessary' additional money, they are left to make the best out of a situation that potentially could constrain the profitability of the whole operation:

> "It obviously takes a lot out of the profits because we have to spend so much time finding – well trying to find decent people, which you can't… … we tend to find the people which nobody else wants because they haven't got a trade"

Furthermore, the experience of some businesses seems to be that even with the added enticement of a higher than average wage and/ or additional 'perks', this is not always enough to even encourage 'appropriate' candidates to consider applying in the first place. For example, as one retail sector respondent noted:

> "I have had two instances in the last 12 months whereby we've had no applicants for a job… we pay relatively well here for what effectively is a shop assistant … Now for a shop of our size it's unheard of and we're very, very flexible with our working practices and our hours, yet you still, last year we found it very, very difficult to find the appropriate people to undertake the job so we had to re-advertise the job about 3 or 4 times."

In Pembrokeshire similar tendencies existed. There was a strong and more trustworthy reliance upon local newspapers and 'word of mouth' methods of recruitment. Some argued that the job centres were 'of very little use' having experienced this type of recruitment and returned to more traditional means. For instance, a construction firm argued:

> "Word of mouth normally. I normally ask a couple of local people down the rugby club, and if I don't get no response from there then, yes I will advertise locally then… Well everyone knows me down there- my son plays for the rugby team, and so I usually get a better response locally than I do in the press."

An accommodation business argued:

> "Its word of mouth and we go as local as we can at first, we put up a card in the local shop. I've found the job centre almost worst than useless, there is no filtration system there."

A wholesale firm argued:

> "With the job centre we do tend to get the wheat and the chaff unfortunately - they're looking to put people into placements - whereas when I interview them here, and part of that criteria is that they are willing to be trained up on other duties as well."

The question of skills was also seen as important in the recruitment process in Pembrokeshire. It was argued that the area 'is desperate for people':

> "You're not a good tradesman if you're on the dole, you can walk from one job here ; if four men left us today they are in work somewhere else on Monday, they wont be on the dole for three weeks looking." (Construction firm)

However the owner of a wholesale firm argued:

> "The overall quality of the labour market is sort of average. There are a lot of youngsters unemployed in this area who really are unemployable because they haven't got experience and all they're looking to do at the end of the week is just earn a wage packet and not necessarily looking for a career or where they can be put into a position where they can better themselves over a period of time; they expect it to come straight away basically."

An owner of an accommodation business put it more strongly:

> "I think the main reason is that a lot of the general labour type work force has become so accustomed to being unemployed, that they don't really want to work…..
> They don't necessarily want to work three or four days a week to get virtually what they were getting on benefit. I'm not sure that you can fit that into a computer box."

Moreover, support agencies were not seen as necessarily helping:

> "What are they there to do, why are we spending so much money on all these different bodies, and all of the funding that they get from Objective 1 and all these things are springing up, but I'm not getting all these quality people walking through the door saying hey I'm a chef, I want help. We'll pay whatever we need to pay but where are they? So we feel a little frustrated with what all these bodies are set up to do, and there are quite a few of them there to help us; and we just want to see the bottom line'… Send them in , lets see the through-put of people, quality applicants wanting to do this; nobody wants to get into the hospitality industry anymore."

In both study areas, then, there was a stigma associated with working in many rural type businesses, especially in the accommodation, food drink, retailing and land-based sectors. These sectors were finding it difficult to recruit labour, which was either trained, or could then be trained as part of the employment. At the same time there was a perception of local surpluses of unskilled potential labour where the work and career ethic was seemingly absent. For some manufacturing businesses these supply shortages were put down to the particular problems of the locality.

> "I think Pembrokeshire's been overlooked, its been overlooked as a 'cook and chef' area, whatever you want to call it; but the skilled people don't come here because its never been pushed that way. I think Pembrokeshire does need chefs, does need cooks and does need bus drivers, mini bus drivers whatever, but they also need qualified gas-fitters and electricians and plumbers. Pembrokeshire needs an influx - I used to employ apprentices - apprenticeships have gone down the drain and someone needs to take up the cause."

A pharmacy business also argued that this problem was more acute in Pembrokeshire:

> "I've worked down in Cornwall, Bristol, Bath a lot, and I didn't seem to have a problem there, there seemed to be a much larger number of young people, people well educated looking for work."

5.2.3 Training

The approach taken by a number of employers, with regard to building up an 'appropriate' base of staff, is not to expect that fully qualified applicants will be available for recruitment from the outset. This attitude is said to be particularly realistic with regard to filling vacancies for the more specialised jobs – as one such employer commented:

> "… I wouldn't expect, to be fair, to be able to just go out there and be able to find someone fully qualified"

Nevertheless, there remains a basic desired standard, which, unfortunately, does not always seem to be available:

> "… I just find it quite awe inspiring in all honesty, when, every time on the odd occasion I do the job applications, I'm just always intrigued to see what's going to come through, what's been handwritten and the spelling mistakes, and they think, what makes me laugh additionally is the fact that they don't seem to see it as a problem the fact that they can't spell or the fact that, OK I'm only a shop down the road, or a business down the road with a relatively small turnover but I still have standards of employees that I want to employ, and if they can't be bothered why should I be bothered to interview them in the first instance."

For a number of respondents, though - when looking beyond the basic core literacy skills – their concern is not necessarily the problem of finding people with the appropriate 'paper' qualifications, but rather, finding people with genuine and/ or relevant experience. Indeed, it is the factor of experience that is regularly deemed of most value when seeking new recruits:

> "… We just keep on producing these academics, we need them, we need them but we need a balance… and in many, many cases these academics, God bless them, we don't really need them, they're going into employment and really they've not had hands on [experience], have they?"

A way in which the skills of employees can be significantly improved, is through the take-up of training. Obviously, though, in order to be effective it is reliant upon a positive attitude from both the employee and the employer. On the whole, the business owners in Denbigh and Pembrokeshire appeared to be generally very receptive to training their staff. One ongoing barrier, though, (albeit more of a concern for some than others), was the issue of cost:

> "I think the biggest problem we have is finding training for our employees which is affordable. We do pay, we have such a wide range of training to enter into with individuals that we get some subsidised training and we have to pay quite a bit for other types of training, and really [it] is the access to training that is our biggest problem…"

One negative effect that 'cost' can have on the extent to which training is made available to staff, is through the informal introduction of a process of selection. For some employers, training can only be justified if either, the employees are expected to remain with the business for the foreseeable future and/ or, they are deemed worthy of training in the first place:

> "… the last time it [*a Health and Hygiene Course*] cost us £25 each. But I didn't send every one. I sent the 3 that I have cooking for me at the moment… and then I will send the rest towards the start of the year if I see that they are settled and are going to stay…"

Obviously, though, this choice of strategy directly opposes the beliefs of a minority of business owners whereby, if everyone is trained then ultimately the whole labour market becomes stronger as a result:

> "We'll all be doing the same thing going in the same direction so the workforce will become a more trained workforce."

However, it is sometimes the case that even if this philosophy was applied by a larger proportion of business owners, it would still be difficult to raise the skill level of work forces due to additional ‘rurally’ based problems of training accessibility:

> “… the location’s very difficult for anybody who wants to train, if they’re not local then it’s difficult, especially not having public transport.”

One way in which employers do manage to overcome problems of accessibility, whilst at the same time keeping the cost of training to a minimum, is by adopting a strategy of ‘in-house’ training. As one respondent explained, however, ultimately the success of this strategy lies as much with the aptitude of the staff:

> “What is most difficult in getting people to work, is the training - not big or difficult training but just basic training - telling them what to do. Young people come in and do it for a couple of weeks and find it too hard and leave. So after going through the whole task of getting them on the payroll and so on they leave. But with older people we have been quite lucky in that they start and know what to expect straight away.”

5.2.4 External business support

The problems experienced by business owners within Denbighshire and Pembrokeshire are by no means purely ‘rural’ in their orientation. Nevertheless, the rural conditions often appear to extend the impact of those more generic recruitment problems that affect businesses regardless of their location. Good examples of such challenges (all of which were flagged up by the Denbighshire and Pembrokeshire respondents) are the potential impacts of European working time directives, maternity leave and the increasing need for paying out for Criminal Records Bureau checks on potential employees. These issues, together with the costs of fuel, all affect businesses throughout the UK – albeit to a varying degree depending on the individual business sector. When combined, however, with specifically rural issues such as accessibility, gaps in labour supply and reduced footfall, the need for tailoring of business support becomes self evident.

> “I think people who are looking for a good wage and in this kind of profession and possibly are looking for something that gives them a bit of status, they won’t be staying around here”

The perception held by a number of business owners was that problems in recruitment often stemmed from the generally low skill nature of employment opportunities within rural Wales. It was acknowledged that this was due in part, to a historically based negative stigma attached to rural employment, which was no longer necessarily that accurate:

> “…there is a bit of a stigma with rural jobs and farm work and - the bloke with a smock on and a piece of straw between his fingers any idiot can do that.”

Parallel to this, though, the negative portrayal of rural locations was also perceived to be a significant barrier to the attraction of an upwardly mobile workforce. A much quoted example within Denbighshire was the case of Rhyl:

> "…we do have a stigma attached to Rhyl in all honesty in terms of being a very backwater type of a non developing area"

Arguably, the real problem, in dispersing these images, was that within Denbighshire there was actually believed to be a considerable amount of truth in the notion that there was:

> "not a lot of skilled work around the area"

The rural location encouraged a default approach that served to reinforce the deficit of skilled employment:

> "I think we're so sort of parochial, we operate in a very small area. Both our clients come from… the local vicinity, very local, and our workforce is very local…"

Obviously, in such a context, the central role of training comes to the fore – both with regard to improving the supply of labour, and in turn, the profitability of the business. Moreover, as has already been noted, a minority identified the need for a change of mindset in the way in which training was made available. If businesses were supported in a way that would encourage the facilitation of free access to training for all (as opposed, simply, to those staff who are expected to remain), then less and less would it be possible to apply a rural-urban preference with regard to the availability of a skilled workforce:

> "Yes, I think it's rural… If we were in a larger conurbation we'd have a bigger pool and we could draw on people better."

Also there was evidence of what might be termed 'training wastage', whereby rural businesses train up staff only to lose them through labour migration and 'poaching from the bigger urban labour markets. A Pembrokeshire construction firm argued:

> "All aspects of building are changing constantly, it's a continual retraining process… it is much more difficult for rural because we've got to travel to get there, the training colleges are in Cardiff…. We're going to go back to take the risk that we train these boys up and hope that we get 10 or 15 years out of them….if we want to train one of our guys to be competent in scaffolding he has to go to Cardiff, we have to lodge him up there for a week… If all of a sudden tomorrow night a spaceship landed with lets say double the workforce in Pembrokeshire of skilled labour, our industry, our life would be heaven'…. Likewise Cardiff can afford to hire and fire, we can't do that whereas there are say 200 bricklayers in Cardiff , and there are exactly 80 in Pembrokeshire, so it is an ongoing thing because of the rural area."

One Pembrokeshire poultry processor saw the costs of travel and training linked in a slightly different way. He argued:

> "The thing was that as I said if I could have got youngsters out of school here and they could have got here and I could have trained them, say I could have paid for getting a taxi to taxi them out here every morning then great yes, I could have trained them up but as it's happened a few times, we had a few and you used to have to drive

> 5 miles into town, 5 miles back in the morning, same at night, you've done 20 miles and really you might as well be doing the work yourself rather than ferrying people around."

Such an approach would, however, first have to be facilitated by a considerable increase in the existing levels and focus of business support.

In Pembrokeshire external business support was sometimes seen to be good and improving, not necessarily with the WDA but with (Objective 1 and LEADER funded agencies like) PLANED, especially in the food retail area. But local training colleges were seen as being increasingly restricted in their training provision and business assistance. One construction company argued:

> "The College is just down to training bricklayers and carpenters, they've got rid of all the other trades from their electricians, plumbers they've all gone because they don't get the return; they're run as a private enterprise now and so they get more grants and the Assembly fund them with bigger grants to get foreign students in - then train your own local workforce,"

5.2.5 Impacts of policy change: resources for training 'in the firm'?

An important point that emerged from the interviews was the need for a more co-ordinated strategy of skills improvement between educational providers and local businesses:

> "I think that we need to work much closer with colleges, so we're all working on one hymn sheet basically so the standards within the industry in Wales should be the same because we all work towards the same thing, so it should really start when it comes to customer care in schools and then move on to the colleges and then it comes down to the workforce."

By improving the levels/ applicability of skills amongst the workforce, it was expected that this would have three immediately positive impacts. Firstly, wage levels may be able to reflect the skills improvement due (in part) to savings accrued through the need only for regular 'top-up' training once someone was employed:

> "If we had somebody who was trained and they came to us and it was just a case of us marketing the services, then we would offer a much more – a better wage… what the market would expect. We could justify that, but because we're training somebody from scratch and we can't justify the cost involved then that's a problem"

Secondly, by improving the provision of training across the labour market as a whole, this would in turn work towards reducing the current inequalities faced by staff whereby access to training was at times seemingly dependent on the size of the company within which the employees were based. For instance, as was commented by one business owner when asked if they knew of any improvements that could be made with regard to the targeting of business support:

> "Training is the main thing for a small business like ours. Big companies can afford to do more training and get the qualifications for the staff"

Thirdly, such equality in access to training, could in turn improve the attractiveness of certain types of position, for which it was currently difficult to find applicants:

> "If we had funding that could help us to train people and give them a proper trade like a plumber or a joiner, obviously people would be more interested in joining us"

Finally, another direct advantage identified by respondents was the opportunity that an improved skills base within the rural labour market and also, more business support for training of existing employees, would create for business owners; opportunities to be able to dedicate more time to expanding/ improving the profitability of their business:

> "… I can't help but think I'm just forever doing the job myself and I ought to be developing my business not trying to work in it, you need to step back a little bit and spend a bit of time on the business as opposed to in the business and unfortunately I do find myself 99% in the business and I can't develop things…"

Linked to this notion of 'freeing up time' for business owners to concentrate on strategy, was the preference held by a number of respondents for increased business support to be focused predominantly on reducing the barriers currently blocking the training of existing staff. Of direct relevance here was the factor of 'trust'. A number of business owners confessed, during the interviews, to the fact that part of the reason for their own long hours, was due to disinclination to let anyone replace them:

> "I suppose you could say it was a staffing issue, I don't know that I'd trust anybody else to do what I do anyway…"

Correspondingly, whilst acknowledging the benefits of both improving the skills amongst potential employees and improving the support for the training of current employees, the majority of business owners leaned towards the latter of these two, as proving of most potential value. Essentially, the feeling was that by having more support for training employees, business owners could then ensure that they were trained exactly for the specific benefit of the individual business. Moreover, training would never be looked upon as a static commodity, but rather, a constantly moving goal requiring continued updating of employee skills.

To conclude, although not all respondents expected to see any improvements in their business as a direct effect of either a more skilled labour base or less barriers to training employees (particularly, for example, family businesses), for the majority this was the case. Interestingly, though, in the case of the six respondents interviewed from the accommodation, food and drink sector in Denbighshire, only one expected direct improvements to accrue as a result of increased training of staff across the board:

> "Oh absolutely, I think it's a huge contribution. Based on the fact that people are trained and people are going to come to Wales and they're going to – it's going to be like a standard within – if they came to Llangollen, for example, and everybody had the minimum standard you know everybody's going to gain from a point of revenue…"

Rural businesses are disadvantaged in employee training terms as a result of aspects of low critical mass, a low level of training provision, and less attractive wage rates compared to the large urban labour markets.

5.3 Summary - Sustaining business growth through the Denbighshire and Pembrokeshire Labour markets

"We're a rural area and there's not a very good transport system and therefore if people haven't got their own transport with working shifts that poses a problem, also is that you tend to find now, especially youngsters they tend to go on to further education… … and also it's people, working mums do want to work but of course they also only want to work so many hours because of the tax credits. Yes, and then you get the older age group that want to do this kind of work but they don't want to do the courses… I think sometimes our own people don't want to work to be quite honest with you" (Denbighshire)

'Oh yes, I mean you've got to want to live in the sticks, you know its cowboy country, it's a quality of life and that is why the people are down here. If I moved the whole business to the outskirts of London we'd be worth millions, but I've only got one member of staff that would move with me.' (Pembrokeshire)

The responses given by business owners in Denbighshire and Pembrokeshire suggest that it is not only a 'mismatch' between labour market supply and demand that is being faced, but also a general difficulty in improving the skills levels of employees due to an inappropriate structure of support – not least, driven by a set of specifically 'rural' problems. The analysis of the evidence here has uncovered the complexities of issues involved in the notion of 'mis-match'. It involves a variety of disconnections between the aspirations of distinctly different types of 'job-seekers' (skilled full-time, part-time, young- untrained etc), and the variety of employers (from those employing between 20 to 50, to those family businesses often restricting their hired labour demands to a (part-time) minimum). The firms' demands are only being met partially by the local 'markets' in both study areas- especially with regard to the recruitment of 'quality' full-time labour.

At the same time there seem to be residual 'pools' of what we might term 'the unemployable'. In both of the case study areas, but especially in Pembrokeshire, there are relatively high levels of economic inactivity located side-by-side with perceived labour shortages. This analysis has begun to uncover the complexities as well as the specifically rural dimensions of these asymmetries. Under 'normal' market conditions we might expect some of these labour scarcities identified in this analysis to lead to a reduction in the character of the traditionally defined 'low-wage' and deferential rural economy. However, we have seen, both in terms of recruitment, retention and training, that many small rural businesses still rely upon informal kin and non-kin networks in sustaining their labour requirements. Moreover, for many businesses, formal recruitment and training is not sufficiently tailored to their micro-business requirements or attuned to their specific culture of work and management. There is thus much distrust in such external and agency-based systems, which then seems to reinforce a reliance upon the informal. It is important to recognise that these informal mechanisms are not socially neutral. They could act as ways of maintaining low-skill and deferential working arrangements. On the other hand, they could be sensitively built upon by more facilitative policy initiatives that are more sensitive to the particular business and employment needs of local rural businesses, which are clearly identified in this analysis.

If this situation is to be improved upon, then more sensitive policy changes need to be enacted that are capable of tackling this complexity and diversity of problems (both on the supply and demand side) in concert.

Section 6 - Conclusions

The conclusions drawn from this research into labour markets in rural Wales are tabulated below.

1. The analysis has explored in some depth the specific and somewhat distinctive nature of rural labour markets by exploring the perspectives of employers and rural (SME) firms. The first part of the report reviewed the current literature on rural and local labour markets principally in the UK and then surveyed the secondary statistical evidence as it related to rural Wales. It went on to consider more detailed case studies of how rural labour markets are working in two local areas and drew on a series of interviews with representatives of businesses in these two rural areas.

2. The literature on rural labour markets is very patchy. It stresses the diversity of rural labour markets, the reliance on 'trust' relationships and the potential for a 'spiral of decline' as a result of the relative scarcity of high value-- added firms, the preponderance of low wages, low skills and lack of investments. The literature is typified by the use of generalised and somewhat euphemistic terms like 'misfits', 'low skills equilibrium' and 'functional flexibility'. While this literature is generalised and lacking in significant empirical verification it does provide us with a generalised model of rural labour markets. This is summarised in the diagram on p. 19 (Figure 2.1) of the report, which identifies and postulates a set of conditions that are leading to the persistence of the 'spiral of decline' and generally low expectations.

3. The subsequent analysis, through examining the available statistical and secondary sources of data on rural Wales (including earlier WRO surveys), and then through in-depth qualitative research with 40 rural firms in the counties of Denbighshire and Pembrokeshire, explores in more depth these trends, and begins to uncover the complexities and diversities of rural firm-labour market relationships. This analysis allows us to go beyond the generalised concepts that are portrayed in the current literature, and to significantly build a more robust conceptual model of the workings and practices of rural labour markets.

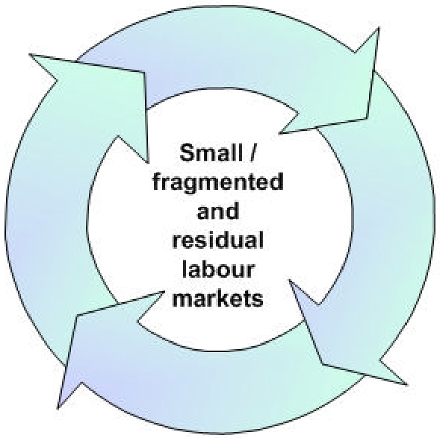
Figure 6.1 Revised and further specified model of rural Wales labour markets

STAFF COMPOSITION

- Part time fexibility.
- Fits with Pembrokeshire labour supply.
- Family first process in staffing composition (long term) risk monitoring.
- Reliability of non family labour

RECRUITMENT

- Negative views of job centre.
- Inappropriate candidates.
- Decline in real 'job seekers'.
- Reliance on 'word of mouth' is increasing.
- Reduction in access to car transport can be isolating and reduces the radius of the search.
- The stigma of low wage, hard work, and long hours at just above the minimum wage with the cost of travel is developing especially across retail, food and drink companies.
- Local / internal negotiation on pay.
- Lack of real competition for higher rates of pay.
- Un-employability



EXTERNAL BUSINESS SUPPORT

- Regulatory obstacles.
- Cost of fuel obstacle.
- Lack of Job status obstacle.
- Stigma of rural jobs and farm work.
- Negative portrayal of rural locations (e.g.'the Rhyl effect').
- Local parochialism (self fulfilling prophecy)
- Change of mind set
- Training wastage
- Cardiff Effect
- Better training provision in rural areas.

TRAINING

- Lack of general skilled workers.
- Problems of finding affordable training (access).
- Lack of 'on the job' training.

4. Regarding first, the statistical and secondary survey evidence, several continuous trends come to light. There is a general East-West gradient in the levels of economic activity, whether this is measured through registered unemployed, or more precise economic inactivity figures. In Pembrokeshire, for instance, there were nearly 20% of working age males who were economically inactive (an absolute total of 7000), with 5000 of these registered as 'not wanting a job' and 2000 as 'wanting a job'. The identification of the East-West gradient should not, however, mask a more general trend in rural Wales. Even in Denbighshire (which being in the East generally scores higher in economic activity) there were 5000 males registered as economically inactive (18.4% of working age males), with 4000 of these 'not wanting a job'. If we add in the increasing number of retired households this suggests a considerable loss of labour resource and, compared to many other regions of the UK, a growing and persistent 'rump' of low economic activity. Table 6.1 shows that NOMIS economic activity rates are indeed significantly higher in other selected English rural regions compared to our two Welsh case study areas, with rural regions like North Norfolk (75.2) and North Cornwall (77.2) being above that for rural Wales as a whole (74.2) and Pembrokeshire (74.4).

Table 6.1 Percentage rates of Economic Activity for selected rural regions Source: NOMIS

North Norfolk	75.2%
South Somerset	87.2%
Purbeck	83.4%
West Wiltshire	79.0%
Mid Devon	87.5%
North Cornwall	77.2%
Chichester	79.3%
Alnwick	79.1%
East Riding	81.1%
Pembrokeshire	74.4%
Denbighshire	78.1%
Rural Wales	74.2%

Maps (7,8 and 9) using census data, show a consistent ward level geography of economic inactivity, with the conventional and embedded east-west gradient across Wales, which is evident from other statistics, and a pronounced increase (both in male and female inactivity rates) in coastal wards around the southern, northern and western perimeter of Wales.

5. Likewise the distribution of annual income at ward level indicates that the majority of wards in rural Wales had annual household incomes below the mean for Wales as a whole. This was more pronounced in the West, the north-west and in mid-Wales. The income data indicate a significant east-west downward gradient, shown at Map 10.

6. Businesses included in the first business survey pointed to three interrelated rural problems. First, accessibility of customers and suppliers was seen as a problem due to poor transport links (36%) of businesses. Second, 36% cited a narrow customer base. Third, there were significant problems concerning the recruitment and retention of

labour. Overall, the secondary data and analysis in the report supports the conclusions of the available literature and the model of rural labour market conditions cited on p. 19. However, the existence of widening differences in these conditions on an East-West basis suggests that these sets of dynamic conditions - the existence of a cycle of low-value adding firms, low expectations of employers with regard to training and skills, low wages and a low-skills base- were operating in a deeper and more profound way in the Western rural areas. Hence the same process may be occurring in all rural areas, but this is much more persistent and profound the further west one travels in rural Wales. The second part of the report focuses in more depth using primary research methods and data, taking as case study areas the counties of Denbighshire and Pembrokeshire.

7. The shift of emphasis in rural employment, from agriculture and agriculturally-related employment to a more diversified service and manufacturing base was expressed in the diversity of the sample of 40 rural businesses surveyed in the two areas. Some were agricultural or food related, with a large number of varied retail, accommodation, transport and small manufacturing firms. These were seen as representative of the areas as a whole and of the main 1100 sample analysed in the broader 2004 business survey (WRO, 2005). The second qualitative survey results focused more specifically on the relationships between these firms and their employment base. They added significantly to the preceding statistical analysis in uncovering the variability and main problems involved in labour supply and demand relationships.

8. The majority of businesses in rural Wales category are SME. Although individually their contribution to labour market employment can be relatively minor, collectively their role as an employer makes their sustainability central to the overall health of the rural economy. Whilst larger rural enterprises are important for the volume of employment they can offer in any one location, SMEs excel in the way that they offer employment in those locations where larger businesses are unlikely to go. In order for SMEs to successfully fill the rural economy, though, the supply of labour for small, medium and large sized businesses alike, must at the very least be stabilised. The picture emerging from the labour market survey is one where regardless of business size, the availability of desirable employees is at a premium. ‘Desirability’ itself, however, is not simply tied up with academic merit. Indeed, for many business owners the emphasis placed on academic qualification appears neither to be the only, nor the most important requirement of an applicant. Instead, a far more complex mixture of practical skill, experience and work ethic is regularly sought. It is this type of need and the often associated perception of tailored on-the-job training as being of greater employee-investment value than generic external training, which needs to be more fully acknowledged in existing programmes of business support.

9. Four major themes emerged: staffing composition of firms, recruitment problems and issues, training and skills issues, and external business support. The exploration and analysis of these themes uncovered significant modifications and further specification of the model developed on p15. The main themes coming out of this analysis are summarised and illustrated in the further specification of the ‘decline’ model outlined at Figure 6.1 above. The analysis revealed more in-depth components of the model, and went some way in uncovering why it remains so persistent.

10. For instance, in terms of staffing and recruitment there was a premium given to part-time and family labour over full-time employment and at least an assumption on the part of employers that formal systems of recruitment and a decline in real job-seeking were

reducing the actual pool of suitable full-time candidates. Moreover, many types of rural employment were perceived as unattractive to young job- seekers (even by employers), and suffered from relatively low wages and potentially long hours. There was, however, considerable variation on these issues with regard to the size and type of business concerned. But the smaller accommodation, retailing, food and agriculturally related business sector seems less attractive to job-seekers. In addition, despite the relatively small distances involved, rural location still held negative effects in terms of recruitment, training possibilities and the relative costs of journey-to-work. Lack of child-care compounded with lack of flexible transport still exacerbates the problems of rural employment. And the towns and cities, especially Cardiff, are increasingly seen as the economic and social hubs of activity, with better and broader training provision on the one hand, and higher concentrations of job opportunities on the other. This was especially the perception given by those employers in the construction and related industries. There is still a self-fulfilling 'back-water' prophecy, which insinuates rural labour and employment markets.

11. If we therefore superimpose this qualitative analysis onto the existing model of rural labour markets portrayed in the report (see figure 6.1) this allows much more specification of the generalised model that pervades the literature. It also applies this specifically to the problems of rural Wales, and provides opportunities to begin *to identify ways in which the 'spiral of decline' dynamic identified in the literature and in some of the evidence here might be partially or wholly reversed.* So what sort of considerations emerge if we adopt such a normative rather than simply critical stance?

12. One key element is to consider each of the demand and supply constraints identified in turn, so as to examine whether the key stakeholders can identify ways of alleviating the specific problems. For instance, is more customised and 'on the job' training facilities a feasible option for existing training providers? Can the informal nature of recruitment be built upon in ways which encourage more labour market participation? How can the perceived regulatory burdens on small businesses be lifted such that they are encouraged to take on full-time labour? How can the aspirations for business growth witnessed in some of the data be met through improved skill provision?

13. These sorts of specific considerations could assist in lubricating a more appropriately matched rather than mis-matched set of relationships between rural labour supply and demand.

14. However, there are also more structural and contextual factors that need to be considered if the processes identified are to be ameliorated. First, the study has specifically focused upon non-agricultural businesses; but it is clear that a large proportion of them are still, in various ways, dependent upon their environmental context, either as a resource for manufacturing, or as a service, such as many retailing and tourist accommodation businesses. The existence of low-levels of value-adding both in primary, manufacturing and service-based industries is a key demand-side constraint. And it is probable that, however informal, trust-based or flexible rural labour markets become, this will continue to impede both business growth and, in turn, employment and economic activity. Sectoral approaches (such as through developing more attractive tourist opportunities, or developing local 'food webs') may be one useful approach. However, there is a need, especially in the context of the new spatial planning approach (Welsh Assembly Government, 2004), *to assess the endogenous potential of rural areas more systematically.* One approach is attracting inward tourist developments, but more

fundamentally it will be necessary to consider the potentialities of the *local rural eco-economy*. That is, the variable ways in which many of the aspirations and visions contained in the sub-area statements of the new spatial plan can be realised through both harnessing environmental added-value and creating more environmental goods and services firms. For example, the Wales Spatial Plan visions for the sub- areas in which our case study areas of Denbighshire and Pembrokeshire lie are:

"An area harnessing the economic drivers on both sides of the border, reducing inequalities and improving the quality of its natural and physical attributes." (Denbighshire)

"Strong communities supported by a sustainable economy based on the area's unique environment, maritime access and tourism opportunities." (Pembrokeshire)

To begin to achieve this vision the systemic problems faced by small businesses and those potential employees who are economically inactive will need addressing. This will require that aspects of the potential eco-economy are addressed as part of our analysis of rural labour markets.

So far neither the academic nor the policy literature has integrated the eco-economy into the question of how the rural 'spiral of decline' could be potentially reversed. By eco-economy we mean those viable businesses and economic activities that utilise the varied and differentiated forms of environmental resources of rural Wales in sustainable ways that do not result in a net depletion of resources but provide net benefits and add value to the environment. It is somewhat ironic, and some might regard as a profound travesty, that it is in those most beautiful and potentially most aesthetically attractive and ecologically rich (western and Atlanticist) parts of rural Wales that are also suffering from the more entrenched forms of economic inactivity on the one hand, and employer-employee mis-match on the other. This reflects a long-running UK policy disability to creatively link environmental value with economic added value: that is, to create and innovate sustainable economic development.

The onset of a spatial planning approach in Wales, which could open the door for more innovative eco-economic thinking, could provide a basis for both stemming the traditional and economically thwarting divide between environment and employment on the one hand, and reversing, as we have witnessed here, the persistence of complex business and labour mismatches, on the other. The third strand of the rural labour markets and rural businesses programme, considering the eco-economy, will address these issues in more detail.

ANNEX 1

NOMIS DEFINITIONS

For statistical purposes the working age population is divided into two core categories - economically active and economically inactive - which are then sub-divided to reflect various aspects of economic and working life.

Economically Active - those people of working age either in employment or unemployed.

Working Age – 16 -64 for males and 16 – 59 for females.

In employment – people aged 16 and over in paid work; on Government supported training and employment programmes; and those doing unpaid family work.

Unemployed – people without a job who were available to start work; were looking for work; or were waiting to start a job.

Unemployment Rate – the number of unemployed people of working age expressed as a percentage of the economically active population.

Job Seekers Allowance – people claiming JSA and National Insurance credits must declare that they are out of work, capable of, available for and actively seeking work during the week in which the claim is made.

Economically Inactive – people who are neither in employment nor unemployed; e.g. retired people and those looking after family homes. Economically inactive people are either *Wanting a job* (a NOMIS term) but are not classed as unemployed because they have not sought work for four weeks or are not available for work, or they are *Not wanting a job* (a NOMIS term).

ERRORS AND DISCONTINUITIES IN NOMIS DATA

There are some errors and discontinuities in NOMIS data. These are generally the result of 'rounding' percentages. In addition, NOMIS provides total and working age population counts calculated to the nearest 100 (e.g. Working age population of Pembrokeshire – 66,500) but provides counts for Economically active, Unemployed etc rounded to the nearest 1,000. There are also some arithmetic errors. The counts in Tables 4.1.2.1 and 4.1.2.2 have been recalibrated, and the percentages corrected to 2 decimal places for comparative purposes.

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