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Table of Contents

Section 1 Introduction ________ *4*
Section 2 Methodology ________ *5*
2.1 Rationale for the Survey ________ **5**
2.2 Research Objectives ________ **5**
2.3 Questionnaire Design ________ **5**
2.4 Covering letter ________ **5**
2.5 Questionnaire content ________ **6**
2.6 Constructing the Survey Sample ________ **6**
2.7 Survey administration ________ **8**
2.8 Survey responses ________ **8**
2.9 Data Analysis ________ **8**
Section 3: Results ________ *9*
3.1 A Profile of the Business and the Owner ________ **9**
3.2 About the Employees ________ **14**
3.3 Recruitment and Training of Employees ________ **15**
3.4 Business Operations and Strategy ________ **18**
3.5 The perceived advantages and strengths of a rural location to businesses _ **23**
3.6 The perceived disadvantages and threats to businesses of a rural location **24**
3.7 Perceptions concerning Business Support ________ **27**
3.8 Perceptions concerning the Welsh Government and business support and economic development ________ **28**
3.9 Financial Information ________ **29**
3.10 Changes in business activities ________ **32**
3.11 Business and the Environment ________ **36**
3.12 General comments by businesses ________ **40**
Section 4: Summary and Concluding Remarks ________ *Error! Bookmark not defined.*
4.1 The state of non-farm business activities in rural Wales ________ **44**
4.2 The attitudes and perceptions of business owners in rural Wales with regard to the business environment of rural Wales ________ **46**
4.3 Concluding Remarks – The Economic Recession and its effects ________ **48**

List of Tables

Table 3.1: Types of business responding 10
Table 3.2: Age profiles of business owners compared 12
Table 3.3: Qualifications held by business owners 12
Table 3.4: The importance of formal business training 13
Table 3.5: Number of Employees by Category 14
Table 3.6: Methods Used to Recruit Employees 16
Table 3.7: Quality of recruitment agencies, applicants and skills training 17
Table 3.8: Business planning 18
Table 3.9: The Internet and Broadband 18
Table 3.10: Rating Broadband 19
Table 3.11: Use of the Welsh Government Broadband Support Scheme 19
Table 3.12: Changes in Internet use 20
Table 3.13: Methods Used to advertise Products and Services 21
Table 3.14: Distances of customers from rural businesses 21
Table 3.15: Distances of suppliers from rural businesses 22
Table 3.16: Sales generated by Types of Customer 23
Table 3.17: Rating of Business Support and Advice 27
Table 3.18: Perceptions of Welsh Government policies 29
Table 3.19: VAT registration 30
Table 3.20: Annual Turnover 30
Table 3.21: Changes in Annual Turnover 31
Table 3.22: Changes in Annual Profit 31
Table 3.23: Profit as a Percentage of Turnover 32
Table 3.24: Changes in Business Activities 32
Table 3.25: Ease of securing Investment for the business 34
Table 3.26: Business recycling 36
Table 3.27: Proportion of Businesses taking part in Environmental Initiatives 37
Table 3.28: Businesses Energy Consumption 38
Table 3.29: Environmental regulations overly constrain business 39
Table 3.30: There should be financial incentives for environmentally friendly business practices 39

Section 1 Introduction

1.1 This report provides an overview of results from a survey of businesses in rural Wales undertaken by the Wales Rural Observatory [WRO] during 2013. The 2013 WRO Rural Business survey is the fourth in a series, following the 2004, 2007 and 2010 business surveys. While there were some changes to the questions for the 2013 survey, these changes were minor. They are noted in Section 2.5.

An important point is that the economic recession, which, was discussed in the 2010 report, has continued to affect the UK. While there are technical arguments as to what constitutes a recession, survey respondents perceived that the economy was in recession.[1] Consequently, throughout this report, reference is made to the recession and its effects, and there is further discussion in the Summary and Concluding Remarks section.

The 2013 survey had a response target of 1,000 rural businesses, which was the same as the previous surveys. As with the previous surveys, this target was exceeded, with 1,583 responses.

Methodologically all four of the surveys have been similar: postal questionnaires accompanied by covering letters, both in Welsh and English versions, were sent to businesses in rural Wales and reminders were posted after a period. Following a successful introduction in 2010 and in view of increasing Internet use, in 2013 businesses were offered the option of an online response using the WRO website.

1.2 The definition of what constitutes rural Wales adopted throughout this report follows that used in the Welsh Assembly Government's Consultation on the Draft Rural Development Plan for Wales 2007 – 2013. Under this definition Wales is classified into:

- Rural Wards – having a solely or predominantly rural or small town population profile.
- Service Centre – a ward dominated by a small or large town, that also either has a rural area or has strong links to surrounding rural areas.
- Host ward – having a large town population profile but where this town plays a key role in surrounding rural areas.
- Ineligible ward – having only a large town population profile that has no or limited links with rural areas.

1.3 The report consists of four sections. Following this introduction, Section 2 sets out the rationale and research objectives of the report, and describes, in more detail, the methods used for data collection. Section 3 provides an analysis of the data. Finally, Section 4 consists of a summary of the report together with some concluding remarks.

[1] Recession is usually defined as a contraction in GDP for six months (two consecutive quarters) or longer.

Section 2 Methodology

2.1 Rationale for the Survey

The 2013 Business Survey was designed as an integral part of the WRO work programme, with an underlying rationale that the survey would complement and build on completed WRO work, including the three previous Rural Business Surveys of 2004, 2007 and 2010. In addition, the continuity provided by those respondents from the previous surveys, who had agreed to be re-contacted, afforded the potential for longitudinal data.

2.2 Research Objectives

The research objectives of the survey were:

1. To examine the state of rural (non-farm) business activities in Wales.
2. To explore and quantify the attitudes of rural business owners in Wales towards a range of business, economic and environmental issues.
3. To provide qualitative data on the attitudes of rural business owners in Wales towards a range of business, economic and environmental issues.
4. To identify and explore any social, economic or policy changes that might have affected businesses in rural Wales.

2.3 Questionnaire Design

The 2013 questionnaire was based on the questionnaire for the WRO 2010 Business Survey, with few alterations. These alterations were made following a review of the 2010 Business Survey and analysis of the 2010 responses, and a discussion involving the WRO team and their counterparts in the Welsh Government. An important design consideration was its length and time for completion. A questionnaire that looks overlong might deter potential respondents. The questionnaire was then submitted to the Welsh Government for the 'Approval of Statistical Surveys' process.

2.4 Covering letter

On posting to businesses the questionnaire was accompanied by a covering letter. This letter outlined the work of the WRO and its connection to the Welsh Government, and pointed to the WRO website for further information. The letter emphasized that completion of the questionnaire was voluntary; that all information would be treated in strict confidence; and that the anonymity of respondents would be guaranteed. It was requested that, wherever possible, completion should be by, or on behalf of, the business owner. For the 2013 survey, respondents were informed that the WRO's preferred option for completion was online via the WRO's website. The covering letter provided instructions for this option, including links to both the Welsh and English sections of the WRO website.[2]

The covering letter was produced in both English and Welsh language versions. Copies may be found at Appendices A and B respectively.

[2] Online completion was the preferred option because it facilitates faster and less labour-intensive input of questionnaire data to the 'Statistical Package for the Social Sciences' [SPSS].

2.5 Questionnaire content

The final questionnaire consisted of eight sections. Although the majority of questions required a tick or entry of a number, some qualitative data were requested. Some of the questions used five-point Likert scales[3], which are input and analysis-friendly. In the outline descriptions of the questions that follow, where appropriate, the differences between the 2013 and 2010 questionnaires are indicated.

The questionnaire was produced in both English and Welsh language versions, which are at Appendices C and D respectively. The first section raised questions about the respondents and their business, the second about the employees. In the third section respondents were asked about the recruitment and training of employees, here additional questions were raised about whether owners or employees engaged with Continuing Professional Development (CPD). The fourth section raised questions about the business operations and strategy, covering business planning, advertising media, sponsorship activities, business networks and the respondents' perceptions of running a business in rural locations. Section five raised questions about the quality of support provided by different agencies, section six inquired into recent changes in business activities, section seven focused on environmental issues and section eight on financial information. Respondents were also provided with a space in which to provide any additional comments and to indicate their willingness to be recontacted for future research.

2.6 Constructing the Survey Sample

To achieve continuity with the 2004, 2007 and 2010 Business Surveys, which attracted 1,008, 1,034 and 1,308 responses respectively, the target response was 1,000 businesses. In the event the 2013 survey achieved 1,583 responses. There were two elements to the target population:

1. Respondents to the 2010 survey who agreed to be re-contacted. There were 530 of these.
2. New respondents, whose contact details were obtained from a commercial list-broker. [4]

The data elements included were:

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[3] On a survey or questionnaire, a Likert scale typically takes the format of a scale of responses to a question. Such responses might include:
Strongly agree
Agree
Neither agree or disagree
Disagree
Strongly disagree

[4] The Data HQ business database has two elements: Dun & Bradstreet Companies House data and 118 Information Services data (smaller and non-limited companies). This database is researched and maintained through six call centres. There are more than two million telephone updates annually and all Companies House updates and filings are added to the database on a daily basis. This includes removing companies that have stopped trading and new start-up companies. To maintain the database, Data HQ refreshes its own version of the database every four weeks. The database provided had a five per cent tolerance for errors in the data. Businesses used for the survey were randomly selected from a representative sample.

- Business name
- Address
- Personal contact name
- Telephone number
- Standard Industrial Classification [SIC]
- Core business activity
- Number of employees
- Turnover

To ensure that the survey was representative, a stratified sample of the target population was constructed as follows.

1. The list of Postcode Sectors that comprise rural Wales was compiled. [5]
2. The total population of businesses in these rural Postcode Sectors was calculated.
3. The population of businesses in each of the rural Postcode Sectors was calculated.
4. Using the figures in (2.) and (3.) above, the number of businesses in each Postcode Sector was calculated as a percentage of the total number of rural businesses. These percentages were the true proportion of the total required for a stratified sample.
5. To integrate the 530 'potential re-contacts' from the previous 2010 survey:
   a) They were grouped by Postcode Sector and the total number within each Postcode Sector was calculated.
   b) The total within each Postcode Sector in the original population (3.) minus the total of 'potential re-contacts' in that Postcode Sector (5a.) was calculated.
   c) The number at (5b.) was expressed as a percentage of the total number of rural businesses.

6. The commercial list-broker provided a random sample of 10,000 businesses, using the proportions at (5c.) for the rural Postcode Sectors. [6]
7. When this database was obtained the 530 'potential re-contacts' from the 2010 survey were added to it.
   a) This brought the numbers and proportions back to the true proportions required for a stratified sample.
   b) As the 530 'potential re-contacts' were obtained from a random sample, and were random responses, randomness was maintained. [7]

[5] A Postcode provides routing instructions for the delivery of mail and pinpoints on average 15 addresses. There are approximately 1.75 million live postcodes in the UK. Each postcode consists of four nested geographical elements. Taking CF10 3WA as an example:
Postcode area (CF) – the largest element - there are 124 in the UK
Postcode district (CF10) – approximately 20 per postcode area
Postcode sector (CF10 3) – nested within the postcode district – approximately 3,000 addresses
Postcode unit (CF10 3WA) – approximately 15 addresses

[6] WRO constructed a matrix, stratified by business type and location, based on data from previous surveys and official statistics. This matrix identified the number of businesses required within each stratum for a representative sample of businesses in rural Wales.

[7] Respondents from the 2010 survey who had agreed to participate in the 2013 survey were used as a re-contact sample. This sample was compared to the matrix (see Footnote 6). Additional contacts were randomly selected from a list provided by Data HQ to boost the sample and compensate for attrition in the re-contact sample. The annual population survey uses a broadly similar sampling strategy. It differs in that the household is the sampling unit and not businesses.

2.7 Survey administration

The first mailing was in the second week of March 2013.[8] Each potential business respondent received a package containing:

- Covering letter in English
- Covering letter in Welsh
- Questionnaire in English
- Questionnaire in Welsh
- A 'business reply' envelope.

The covering letter with the first mailing requested completion by the 15th of April 2013, which allowed respondents between three and four weeks to complete the questionnaire.

A second package, as above but with a reminder letter, was sent out during the first week of May 2013 to those businesses that had not responded. This reminder letter extended the return date for the questionnaire to 3rd of June 2013 and emphasised the research value of data from rural businesses. It was produced in both English and Welsh language versions. Copies are at Appendices D and E respectively.

2.8 Survey responses

A total of 1,583 responses were received. Of these, 80 were completed online: an online response rate of five per cent. The survey respondents were composed of businesses who had participated in a previous survey, and were re-contacted for the 2013 survey, and businesses who were contacted for the first time. In summary, from a potential list of 10,530 businesses (10,000 new and 530 re-contacts) 1,583 responses (1,382 new and 201 re-contacts) were received and used for subsequent data analysis.

2.9 Data Analysis

The questionnaire responses were entered into the 'Statistical Package for the Social Sciences' [SPSS] for analysis. Our analysis focused on the proportions of respondents responding in different ways to the various questions.

The analysis reflected the types of questions asked: some of the analysis was concerned with biographical and historical data; some with quantifiable results; and some with qualitative responses.

[8] To best use resources, tasks, such as photocopying, envelope 'stuffing' and posting, associated with mailing the survey, were contracted-out.

Section 3: Results

Where appropriate, comparisons are made with results from the 2010 WRO Rural Business Survey and in some cases with earlier surveys. For ease of identification in tables, 2013 data are in red, where they are compared with data from other years.

3.1 A Profile of the Business and the Owner

Section 1 of the questionnaire called for basic information about the business, such as business type, and biographical information concerning the owner, including qualifications and business training.

Business Type

As part of this survey, respondents were asked to classify their business using the Standard Industrial Classification (SIC) categories developed by the Office for National Statistics (ONS). While these responses are composed of the respondents own self-perception, they do clarify the background of the respondents that the following analysis is based upon. Table 3.1 uses the ONS's SIC categories to compare the proportion of respondents to the WRO business survey of 2010 and 2013. This table compares the proportions of VAT and/or PAYE based enterprises in Wales for 2013[9], and also the Welsh Government analysis of Welsh Businesses and includes estimates for the very smallest businesses that operate below the VAT threshold. .[10]

[9] The ONS statistics are taken from The Inter-Departmental Business Register (IDBR), and therefore from administrative datasets. This IDBR is composed of data on traders registered for VAT; employers operating a PAYE scheme; incorporated business registered with Companies House; Department for Environment, Food and Rural Affairs farms; and Department of Finance and Personnel, Northern Ireland.

[10] The Welsh Government data is again based on a snapshot of the IDBR datasets but adjusts for the tendency of the IDBR to exclude large numbers of the smallest businesses, therefore making this data more relevant to Wales.

Table 3.1: Types of business responding

Type of Business	**Survey2010**	**Survey2013**	**VAT and/or PAYE BASED ENTERPRISES in 2013[11]**		**Size analysis of business by industry 2013 [12]**	
	%	%		%		%
Agriculture, hunting and forestry	7	4	Agriculture, forestry & fishing	28	Agriculture	13
Mining and quarrying	1	<1	Production	5	Production	5
Manufacturing	11	8				
Electricity, gas and water supply	1	3				
Construction	12	12	Construction	11	Construction	18
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	2	20	Motor Trades, Wholesale and Retail	15	Wholesale, retail, transport, hotels, food & communication	23
Accommodation and food services activities	14	18	Accommodation & food services	9		
Transport, storage, communication	5	4	Transport and Storage	3		
Financial and Insurance activities	4	2	Finance & insurance	1	Financial and business services	20
Real estate activities	5	2	Property	2		
Information and communication		1	Information & communication	3		
Administrative and support service activities		1	Business administration and support services	6		
Education	4	1	Education	1	Private sector health and education	10
Human Health and social work activities	10	2	Health	4		
Arts, entertainment and recreation		5	Arts, entertainment, recreation and other services	5	Other services	10
Professional, scientific and technical activities		6	Professional, scientific & technical	8		
Other service activities		11	Public administration and defence	<1		

[11] Source: UK Business: Activity, Size and Location, 2013, ONS. (http://www.ons.gov.uk/ons/rel/bus-register/uk-business/2013/index.html (date accessed 10/03/14))

[12] Source: Statistics for Wales [StatsWales] (2013) *Size Analysis of Welsh Businesses*, Welsh Government: Cardiff. (https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data (date accessed 10/03/14))

Because the ONS data excludes large numbers of the smallest businesses, then it is not possible to compare this data directly with the ONS data. The WRO survey results are more likely to be aligned with the Welsh Government statistics as these include small and micro businesses that are not VAT registered. In addition, Table 3.1 compares data for business types that are combined in the ONS and Welsh Government surveys with the data for sub-types of businesses identified in the WRO surveys using the ONS SICs. This limits the amount of cross referencing between official statistics and the response to the survey reported on here.

Before drawing any interpretations form this table it is necessary to point out differences in the survey reported on here, and the ONS and Welsh Government figures. Firstly farm businesses were not targeted in the survey sample, hence the low representation[13]. Schools, libraries and organizations that were mainly publically funded but may have been listed as businesses were omitted. Financial and business services appear to be under represented but many of these (95%) are micro businesses and might therefore be individuals acting as companies. Other disparities might have been caused by categorization errors from the perspective of the business.

Due to the subjective nature of classification only tentative and broad comparisons should be made between the survey responses and external data sources. Nevertheless the classification is useful for understanding the types of businesses responding to survey and helps to explain responses to additional survey questions. Thus, this survey is based on a population of businesses that is more heavily weighted towards wholesale, retail, transport, hotels, food and communication (42% of the WRO 2013 survey compared with 24% ONS and 23% Welsh Government); ‘other services’ (22% WRO, 14% ONS and 10% Welsh Government), agriculture, forestry and fishing (4% WRO, 28% ONS and 13% Welsh Government); and production (12% WRO, 5% ONS and 5% Welsh Government). While the WRO survey is less influenced by businesses operating in construction (12% WRO, 11% ONS and 18% Welsh Government); financial and business services (7% WRO, 12% ONS and 20% Welsh Government); and private sector health and education (3% WRO, 5% ONS and 10% Welsh Government).

Starting the Business

The earliest reported year of establishment for a business in the survey was 1493. Three businesses had started in 2013. [14]

- Five per cent (75 businesses) had started since the last survey in 2010.
- 29 per cent had been established since 2000.
- 20 per cent were established in the 1990s.
- 34 per cent were established between 1950 and 1989.
- Four per cent between 1900 and 1949.
- Three per cent predated the 20th century.
- 10 per cent did not provide these data.

[13] For further information on this subject see the WRO report - A Survey of Farming Households in Wales 2010.

[14] The Dept for Business Innovation & Skills [BIS], Small Business Survey 2012, SME Employers found that 20 per cent of SMEs were less than six years old; 16 per cent were 6-10 years; 23 per cent were 11-20 years; and 41 per cent were over 20 years old. This is a UK wide survey.

The ways by which owners first became involved with their businesses varied: 58 per cent had started the business; 13 per cent had taken it over from a family member; 22 per cent had bought the business; and seven per cent had become involved through other unspecified methods. At 91 per cent the vast majority of businesses surveyed had always been located in rural Wales. Of those that had moved to rural Wales, most had moved from England rather than urban areas of Wales. The proportions for both ownership and historic location were similar to those of 2010.

Gender and Age of business owners

In 2013, 67 per cent of business owners were male and 30 per cent were female – three per cent did not respond to this question. This continued a gradual adjustment of the male/female ratio towards more female owners compared with previous surveys: in 2010, 72 per cent were male and 28 per cent were female, while in 2007 79 per cent of business owners were male and 21 per cent female. [15]

Table 3.2 compares the age profiles in 2013 with the 2007 and 2010 surveys. It shows that business owners are tending to be older. There were fewer in the youngest age group (up to 39) and while the 40-64 age group also declined by four percentage points those owners aged 65 and over increased by six percentage points: i.e. owners previously in the youngest and mid-age groups had shifted into the oldest group. This ageing-related shift appeared to be accelerating: i.e. it was more pronounced between 2010 and 2013 than 2007-2010.

Table 3.2: Age profiles of business owners compared

Age range	2007	2010	2013
	%	%	%
Up to 39	10	10	8
40 – 64	71	73	69
65 and over	17	16	22

Owner's qualifications

Table 3.3 shows the qualifications held by business owners in the survey, and compares the results with the previous surveys.

Table 3.3: Qualifications held by business owners

	2004	2007	2010	2013
	%	%	%	%
Higher Degree/ NVQ Level 5	9	17	17	13
Degree/ NVQ Level 4	21	21	22	22
A Level/ NVQ Level 3	16	11	14	15
O Level/GCSE/ NVQ Level 1 – 2	22	22	22	24
None	21	17	14	14
Other	11	11	11	11

[15] BIS ibid, which looked at managers, found that 49 per cent of SMEs were managed entirely by males. The report notes an increase in the proportions of businesses that were either controlled by a single woman, or led equally be men and women since the 2010 BIS survey (see 2012: 25, 26).

Over the nine year period encompassed by the four surveys there have been variations. Possession of higher degrees, which peaked in 2007 and 2010, appears to have started to trend downwards. The proportions of respondents with degrees and O levels/GSCE remained relatively constant and while there was a small decrease in 2007, the same could be said of A levels. The decline (improvement) in the proportions of business owners without qualifications, noted in the 2010 report, appears to have leveled-out. [16]

Formal Business Training

The low level of formal business training among business owners continued, although at 27 per cent there was a small increase compared with 2010 (25 per cent) in the proportion of respondents with this training. However, formal business training had not returned to the 28 per cent of 2007, which at the time was considered to be too low.

Table 3.4 shows the responses in 2013 to the question asked in both 2007 and 2010: “How strongly do you agree/disagree with the statement ‘Formal business training is important?’”.

Table 3.4: The importance of formal business training

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
	%	%	%	%	%
2007	10	15	40	25	10
2010	7	13	39	27	14
2013	8	10	47	23	12

While the two ‘disagree’ responses, taken together, decreased by two percentage points, the ‘Neither agree nor disagree’ response rose by eight percentage points since 2010 – indicating an increase in indifference. Arguably, the most important responses were those who either ‘Agreed’ or ‘Strongly agreed’, where, taken together, there was a decrease of six percentage points compared with 2010. Generally, since the 2007 survey, these results have pointed to a lack of appreciation of formal business training and its value. However, the decreases in appreciation of business training observed by the 2013 survey might have been influenced by the recession. Training is expensive. As some of the qualitative evidence presented in this report indicates, there was a trend towards survival rather than expansion by some businesses.

Business and Professional Networks

There was a decrease of six percentage points compared with 2010 in the membership of professional, business or trade organizations, with 45 per cent stating that they were members in 2013. Of the total survey, 38 per cent found these organizations useful while 36 per cent had no opinion on them.

[16] ONS [NOMIS] 2012 indicates that the proportion of the all-Wales workforce without qualifications was 11.4 per cent at December 2012.

A new question for the 2013 survey concerned Continuing Professional Development [CPD]. Over the total survey, 14 per cent of business owners engaged with CPD and 16 per cent of businesses had employees who engaged with CPD.

Given that 45 per cent of responding business owners claimed membership of a professional, business or trade organization, and CPD is often a requirement for professional bodies, the figures for engagement with CPD appear to be rather low. However, the questionnaire did not seek specific identification of membership of a professional body, which might have mitigated the CPD figure and provided more revealing data on the types of businesses surveyed. At Table 3.1, only six per cent of the businesses surveyed fell into the ‘Professional, scientific and technical activities’ category: i.e. the types of businesses most likely to require CPD. So, the level of engagement with CPD might not be as low as it appears at first glance. However, some businesses in the other categories might also have required CPD but it was not possible to disaggregate these. This discussion opens possibilities for further research and the results, as they stand, arguably point to shortfalls in business owners’ qualifications, formal business training, and appreciation of formal business training and CPD.

3.2 About the Employees

Of the 1,583 responding businesses, 1,094 had employees, which at 69 per cent was two percentage points more than in 2010. These 1,094 businesses employed 11,392 people, a rate of just over 10 employees per business. Taken over the whole survey population, the rate declined to seven employees per business. These rates were lower than both 2007 (17 and 11) and 2010 (15 and 10). They pointed to a downward gradient of people employed by businesses in rural Wales; a downward gradient that had increased in steepness since 2010. Indeed, in both 2007 and 2010, using raw numbers, more people were employed by fewer businesses than in 2013. Table 3.5 shows the numbers in each category of employee for 2013.

Table 3.5: Number of Employees by Category

Employee numbers	Regular Full time	Regular Part time	Seasonal Full time	Seasonal Part Time	Casual
Male employees	5006	918	130	204	306
Female employees	2186	1799	90	337	416
Total M+F = 11392	7192	2717	220	541	722

As discussed above, since 2010 there had been a decrease of 1,958 in absolute employee numbers. A comparison with the 2010 report indicates that this decrease was constituted in ‘Regular full-time’ employment (minus 1,841); ‘Regular part-time’ employment (minus 345); and ‘Seasonal full-time’ employment (minus 74). By contrast, there were increases in ‘Seasonal Part-time’ (84) and ‘Casual’ (218) employment. Taken together, the results in this table point to a growth in more insecure forms of employment.

3.3 Recruitment and Training of Employees

Recruitment catchment area

The questionnaire requested employers to estimate the proportions of their workforce recruited locally; regionally; from the wider UK; and from outside of the UK. Comparing the results over time suggests that the rural business workforce was becoming more locally based.

In 2010, 64 per cent had been recruited within ten miles of the workplace; 26 per cent from between ten and 50 miles; seven per cent from more than 50 miles but within the UK; and three per cent from outside the UK. In addition, 508 businesses (39 per cent of the total survey population or 58 per cent of those businesses with employees) had recruited their entire workforce from within ten miles. These results were similar to those recorded by the 2007 survey.

However, the 2013 survey indicated that 84 per cent had been recruited within ten miles of the workplace; 13 per cent from between ten and 50 miles; only two per cent from more than 50 miles but within the UK; and one per cent from outside the UK. The number of businesses recruiting their entire workforce from within 10 miles had risen to 705, which represented 45 per cent of the total survey population or 64 per cent of those businesses that had employees. As discussed above, in 2010 these figures were 39 per cent and 58 per cent respectively, which, together with the other data discussed here, suggests that the rural business workforce was becoming more locally based.

To replace the question concerning the defunct Workers Registration Scheme, businesses were asked if they employed non-UK national employees and, if yes, whether or not they had arrived in the UK during the last three years.

The survey showed that seven per cent (103 businesses) of the total survey population employed non-UK nationals and that 36 per cent of these 103 businesses employed workers who had arrived in the UK during the last three years. At 47 per cent, most came from the European A8 countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia); 39 per cent from other European countries, such as Austria, Bulgaria, Finland, France, Germany and Romania; and 14 per cent from the rest of the world, from countries including the Philippines, India, Nepal, Canada, New Zealand and South Africa. With such a wide range of countries, distributed across a relatively small proportion, no trends were apparent.

Recruitment Methods

Businesses were asked which methods they used to recruit employees. Table 3.6 compares the results for 2004, 2007, 2010 and 2013.

Table 3.6: Methods Used to Recruit Employees

	Local newspapers	National Newspapers	Local radio/TV	Job Centre	Internet	Word of mouth/family and friends	Other	None
	%	%	%	%	%	%	%	%
2004	32	2	2	-	8	40	7	12
2007	27	3	1	28	7	43	8	6
2010	21	2	2	28	10	50	10	5
2013	19	1	1	22	9	52	9	6

The table points to some trends. Firstly, there was a decline in the use of local newspapers as an advertising medium. Although almost one-in-five businesses used them, in 2004 it had been 32 per cent or almost one-in-three. There was a gradual decline in the use of Jobcentres. Interestingly, despite the increasing proportions of businesses with internet access (see table 3.9 below) there had not been an increase in the use of the Internet as a means of advertising. Since 2004 there had been a steady increase in recruitment by word-of-mouth and family and friends: informal means of recruitment. In addition to the fact that 52 per cent of businesses used these informal methods, at 26 per cent the highest proportion of respondents rated this as the most successful method of recruitment.

The Quality of Recruitment and Training

Survey participants were asked to rate, using Likert scales, the quality and accessibility of recruitment agencies, applicants for employment, and skills training, by responding to a series of statements. Table 3.7 shows the statements and the proportions of survey participants that gave each rating and compares the 2013 responses with those of the 2007 and 2010 rural business surveys, which both asked identical questions.

To a great extent the results for 2013 resonate with those of the 2007 and 2010 surveys. Respondents agreed that it was difficult to recruit skilled employees and that there was a shortage of applicants for work. Mistrust of the ability of the formal recruitment agencies to provide good applicants remained at similar levels across the three surveys. And while there was agreement that skills-training was too expensive, high proportions of respondents agreed that it was of good quality.

The data presented in Table 3.7 indicate that in 2013 business owners in rural Wales continued to perceive problems with both the recruitment agencies and the quality of potential employees. In addition, there was a continuing preference for high proportions of rural businesses to use informal networks for recruitment, which supports the results in Table 3.6 in suggesting the prevalence of these methods.

Table 3.7: Quality of recruitment agencies, applicants and skills training

	Strongly disagree			Disagree			Neither agree or disagree			Agree			Strongly agree		
Statement	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
It is difficult to recruit appropriately skilled employees	6	6	5	11	14	13	21	24	29	29	31	30	34	25	23
There is a shortage of applicants for work	8	14	17	16	29	23	26	26	27	25	17	20	25	14	13
It is useful to use informal networks for recruitment	5	6	7	11	10	9	34	36	34	31	31	32	19	17	18
Formal recruitment agencies provide good applicants	15	16	17	23	23	21	50	49	52	9	10	8	4	2	2
Skills training for employees is too expensive	8	5	4	16	15	13	36	33	35	25	26	29	15	21	19
Skills training for employees is of good quality	4	5	4	9	8	7	32	30	37	35	37	33	21	20	19
Skills training for employees is easy to obtain	9	10	8	20	16	17	37	4	44	28	26	26	6	6	5

3.4 Business Operations and Strategy

Business and Marketing Plans
In order to explore business awareness and planning capabilities, the 2013 business survey posed two questions concerning usage of business planning tools. Table 3.8 shows the results, together with those of 2007 and 2010.

Table 3.8: Business planning

Question	YES		
	2007	2010	2013
	%	%	%
Do you use a written business plan?	31	33	24
Do you use a written marketing plan?	18	17	14

Overall, less than a quarter of businesses surveyed had a written business plan, which represented a decrease of nine percentage points compared with 2010. And while the proportion of businesses that used a written marketing plan had never been large, it had dropped a further three percentage points since 2010. Arguably, these results indicate either a certain loss of belief in business planning, in an increasingly uncertain business environment, or that businesses were embracing the more fluid environment offered by ICT (Broadband and the Internet) as a business tool. The analysis that follows tends to support the second suggestion.

Broadband and the Internet
Table 3.9 tracks the increasing usage of ICT by rural businesses in Wales over the period of the 2007, 2010 and 2013 surveys.

Table 3.9: The Internet and Broadband

Question	YES		
	2007	2010	2013
	%	%	%
Are you connected to the Internet?	67	85	91
Is Broadband available at your business location?	Not asked	84	88
Does your business have Broadband?	Not asked	76	83

Internet and broadband connections and usage increased over the period of the surveys. However, in 2013 there remained a residue of businesses (five per cent) who had not accessed the broadband service that was, nonetheless, available to them. In addition, 12 per cent of the survey did not have access to broadband.

Two further questions were concerned with broadband. Firstly, respondents were asked to rate their broadband service. Table 3.10 displays these results and compares them with 2010.

Table 3.10: Rating Broadband

	Excellent	Good	Adequate	Poor
	%	%	%	%
2010	14	42	32	12
2013	8	32	38	22%

The data at Table 3.10 indicate that business customer satisfaction had tended to decline since 2010. Proportions of Excellent and Good had decreased by six and 10 percentage points respectively; Adequate had increased by six percentage points, which matched the decrease in Excellent; but Poor had increased by 10 percentage points, matching the decrease in Good. A possible explanation, confirmed by some respondents' comments, was that with the perceived improvements in broadband availability and speeds there had been an increase in customer expectations, which had not always been met.

Secondly, respondents were asked whether or not their business had used WG's Broadband Support Scheme.[17] These results are shown at Table 3.11, which also shows the 2010 results.

Table 3.11: Use of the Welsh Government Broadband Support Scheme

	Yes	No	Not aware of the scheme
	%	%	%
2010	2	34	64
2013	3	36	61

Arguably, the 2013 results were a minor improvement on 2010 in that more businesses had used WG's Broadband Support Scheme and fewer businesses were not aware of the scheme. However, 61 per cent remained a high proportion of unaware businesses. Moreover, more businesses had not accessed the scheme in 2013 than in 2010.

[17] The Broadband Support Scheme [BSS] offered grants of up to £1,000 to help those living in rural parts of Wales where broadband connectivity remains poor (i.e. sub-2Mbps speeds). From 1st October 2013 it was replaced by Access Broadband Cymru, an almost identical scheme.

The final question relating to the Internet concerned the amount of business Internet use. Businesses were asked how their Internet use had changed over the past three years. Table 3.12 compares the results from 2007, 2010 and 2013.

Table 3.12: Changes in Internet use

	Decreased	Stayed the same	Increased
	%	%	%
2007	2	18	80
2010	2	25	73
2013	3	26	71

As noted in the 2010 report, the 2007 report asked for information about the previous five years; a period that had probably witnessed an initial surge of Internet use for business. Since then the Internet has become a ubiquitous and necessary business tool: as Table 3.9 shows, 91 per cent of businesses in this 2013 survey were connected to the Internet compared with 67 per cent in 2007. Consequently, ‘increased’ use had slowed while ‘stayed the same’ had increased, most likely because for many Internet-connected businesses it would have been in constant use. As many respondents indicated, for some businesses, nearly all communications and ordering was done on-line.

These results might indicate that business use of the Internet in rural Wales is approaching saturation. However, some problems remain. A take-up problem is that five per cent of businesses had access to broadband but had not yet chosen to be connected to the service. An access problem is that 12 per cent of the survey did not have access to broadband. And, as discussed above, there is an apparent need either to better manage the expectations of business broadband users or to improve the broadband infrastructure. More positively, Welsh rural businesses appear to be gaining expertise and experience in their usage of ICT for business delivery.

Advertising Products and Services

The Internet is a powerful medium for advertising products and services. Table 3.13 shows how it compared with a range of more traditional methods. Data for the 2004, 2007 and 2010 surveys are also shown for comparison.

Table 3.13: Methods Used to advertise Products and Services

	Local newspapers	National Newspapers	Local radio/TV	Internet	Word of mouth	Other
	%	%	%	%	%	%
2004	49	5	8	27	72	18
2007	40	6	8	40	59	30
2010	39	5	9	46	68	31
2013	36%	4%	5%	54%	68%	20%

The question asked in the survey was about the medium of advertising businesses used, not whether they used advertising. The table shows a small drop in advertising through newspapers and radio/TV and a continued increase in the use of the internet as an advertising medium. Thus, businesses are still using older mechanisms, but may be switching towards greater use of the internet. The use of other media tended to decline, apart from 'word of mouth'. These other advertising methods included local guide books, agencies, local sports clubs and businesses magazines, brochures, yellow pages, sponsorship, direct marketing, social networking sites, fliers, leaflet drops, noticeboards, posters, and at organized events.

Locations of Suppliers and Customers

Businesses participating in the survey were asked to provide approximations of the distances from the business at which both their suppliers and customers were located. The ranges were: less than 20 miles; between 20 and 60 miles; more than 60 miles but within the UK; and outside the UK. Table 3.14 indicates the proportions of businesses surveyed with customers at each range, and also shows the 2007 and 2010 results for comparison.

Table 3.14: Distances of customers from rural businesses

Range	% of total businesses with customers at range		
	2007	**2010**	**2013**
	%	%	%
Less than 20 miles	70	80	82
20 – 60 miles	62	66	71
More than 60 miles	53	53	61
Outside UK	22	20	26

While the trend for a greater proportion of businesses to have local customers continued, a smaller proportion (14 per cent) had all of their customers locally, compared with 2007 and 2010 (11 per cent and 18 per cent respectively). In addition, all categories increased, which indicated that businesses were widening their customer bases. Arguably, this widening of customer bases was a function of the economic recession. Potentially, however, it was a positive finding, as over the longer-term these rural businesses should have more secure and varied customer bases.

Table 3.15 shows the proportions of businesses surveyed with suppliers at each range, and also shows the 2007 and 2010 results.

Table 3.15: Distances of suppliers from rural businesses

Range	% of total businesses with suppliers at range		
	2007	2010	2013
	%	%	%
Less than 20 miles	55	68	71
20 – 60 miles	50	54	60
More than 60 miles	58	59	65
Outside UK	13	14	16

From Table 3.15 it may be inferred that rural businesses were widening their supply bases, in general. A growth of 16 percentage points in local suppliers between 2007 and 2013 was accompanied by substantial increases in the proportions of rural businesses looking further afield for their suppliers, which was similar to the customer case. The proportion of businesses that had all of their suppliers based locally had decreased by one percentage point to 13 per cent since 2010. It was six per cent in 2007.

A range of factors might have driven this observed widening of both customer and supply bases, including the economic recession, price competition and how Internet-usage and expertise enables ordering and delivery.

Types of Customer and the Sales they Generate

Rural businesses were asked from which sectors they drew their customers. The following categories were designated: private and household, shops, small businesses, larger businesses[18], the public sector, wholesalers and distributors, and others. The Internet was a new category for 2013. Table 3.16 indicates the proportions of businesses surveyed that sold to each category of customer. In addition, the table shows the 2007 and 2010 results.

[18] Note the decision on what defined a large or small business was left to the respondent

Table 3.16: Sales generated by Types of Customer

Type of customer	2007	2010	2013
	%	%	%
Private and Household	74	79	83
Shops	19	18	16
Small Businesses	39	39	38
Larger Businesses	30	32	28
Public Sector	31	31	25
Wholesalers and Dist.	9	8	8
Others	7	8	7
Internet			29

The most important results in the table are the increase in businesses selling to private and household customers; the declining trends for sales to shops, larger businesses and the public sector; and the large proportion – almost one third – of businesses that generated sales via the Internet. Taken together, the results for Internet usage and those at Tables 3.13, 3.14, 3.15 and 3.16 tend to support the observations made above concerning the increasing expertise and experience of rural businesses in Wales in their usage of ICT for business delivery.

Sponsorship of local community activities

The 2013 survey showed that the proportions of rural businesses in Wales that sponsored local community activities continued to decline. In 2007 it was 53 per cent; in 2010 the proportion was 49 per cent; but in 2013 it had declined to 46 per cent. The range of activities sponsored was similar across the three surveys and included sports clubs, charities, local festivals and shows, youth groups, hospitals and air ambulances, Dr Barnados homes, hospital radio, school events, and cancer support groups and hospices.

3.5 The perceived advantages and strengths of a rural location to businesses

Respondents suggested that there were economic advantages in the apparent tendency for rents and insurance to be lower in rural areas, and for lower travel-to-work costs (if only for local work), as these quotes illustrate:

> *It is a relaxed working environment with lower operating costs.*
>
> *I have better relationships with clients, a more friendly atmosphere, and the overheads are less than in a city.*
>
> *There is great sense of community - so if you do a good job reputation grows quickly. And the travel distance to local jobs is negligible, which reduces business fuel expenditure.*

However, rather than citing strictly economic advantages, many respondents argued that the principal advantages conferred by a rural location were lifestyle and environmental. These advantages included the natural beauty of much of rural Wales; peace and quiet; a more relaxed way of life; better travelling and commuting conditions; and closer communities:

I am able to remain in the area I grew up in and give my family the same advantages I experienced - a sense of community, low crime, few strangers, and generally a safe environment for children to grow up in.

We live in a beautiful place – there is 'quality of life'. Selling goods produced in the area attracts tourists. People like to buy products that were made on the site.

For some businesses, location was paramount, as it was recognized that these lifestyle and environmental factors had the potential to strengthen rural businesses by engendering more direct economic benefits, especially in terms of attracting visitors and tourists:

Being in a stunning location attracts customers.

We are located in Snowdonia National park and we offer accommodation and tent pitches for walkers and climbers mainly. The location of the business is the strength.

It was argued that closer communities tended to lead to closer customer and supplier relationships and the use of family and community networks to employ workers and to build a business reputation, which resonated with the prevalence of 'word of mouth' to recruit employees and promote businesses, discussed earlier in this report. The observations of some respondents tended to support this idea:

We have close relationships with customers. It is easy to get competitive knowledge. And word of mouth recommendations are easy to achieve.

We are able to build a strong reputation, as word of mouth is vital to our business

You are able to build stronger relationships with local people, who help promote your brand through word of mouth. Cities don't have this association. And the competition is less and more spread out.

Coupled to the idea of closer communities was the perceived potential for niche markets and unique selling points in terms of Welsh language and culture:

Being locally based has enabled us to develop and sustain existing relationships and to create a niche market.

3.6 The perceived disadvantages and threats to businesses of a rural location

Many of the perceived disadvantages of a rural business location were the opposite of the advantages discussed above. For example, where some saw beautiful landscapes others saw geographical isolation and its associated costs, which included long distances to be travelled; the necessity of personal motorized transport; poor roads, some too narrow for large modern trucks; inaccessibility, particularly in bad weather; limited services; a shortage of locally available quality goods; excessive business rates; and high fuel costs. [19]

These selected respondents' comments illustrate these issues:

> *A very hard market place to break into locally, customers and myself have to travel a lot. Petrol and diesel prices are a lot higher. There is a lot of local competition. Being a small business, it is difficult.*
>
> *It is difficult to expand the size of the business due to the geographical locations of the customers.*
>
> *Distance to get here with very poor public transport. Cost of petrol risen very high, thus trade has declined.*
>
> *Local facilities non-existent for employees. Local post office a car journey away. Deliveries from suppliers less frequent than in urban areas.*

Small local populations were seen to be a factor in market saturation, on both supply and demand sides. Taken together, these factors had the potential to result in a small customer base, low business turnover and small profits. These respondents highlighted some of the causes:

> *Limited passing trade in a sparsely populated area equals a shortage of customers.*
>
> *There are high fuel costs plus low wages and therefore a limited amount of disposable income.*

This respondent's comment summarizes the perceived problems of running a rural business:

> *Higher fuel costs, small local client base, poor infrastructure, government neglect, customers' low spending power, inaccessibility.*

Respondents argued that this situation was propelled by the ageing rural population, who tended to be both less mobile and to have restricted access to mobility; an argument supported by other WRO surveys (e.g. Deep rural project, 2009, Older People and Place in Wales, 2013. In addition, some business owners observed that they were '*getting too old for this*'. Evidence of the emergence of an ageing cohort of rural business owners is supported by the analysis at Table 3.2 of this report, which shows that business owners in rural Wales were tending to be older and that this ageing-related shift was more pronounced between 2010 and 2013 than 2007-2010.

[19] A report commissioned by the WG Economic Research unit found that, with the exception of Cardiff and the eastern end of the M4 corridor, and to a lesser extent Swansea and north-east Wales, Welsh industry and business were 'peripheral': i.e. geography and the limits of existing infrastructure constrained access to wider and profitable markets, which led to low productivity. [WG & UWE (2010) 'Productivity in Wales: the impacts of peripherality on spatial patterns of productivity']

Other identified threats to rural businesses included the spread of large multiples[20]. There were arguments that the recession was increasing the rate of expansion, with multiples and other large contractors forced to seek new business opportunities in rural areas that they might not otherwise have explored.

It was suggested that the perceived closer communities, closer customer and supplier relationships and family and community networks, seen by some as an advantage, had the potential to result in a negative, sometimes Welsh language-based parochialism; and a low-income, low-skills economy, with perceived shortages of skilled or appropriate local people available for employment. These selected comments illustrate these points:

> *Unfortunately, if the locals don't like you, it's spread quickly through the area, losing you business.*
>
> *There is a poor attitude –a very insular approach. And there is an obsession with the Welsh language.*
>
> *It is hard to recruit higher level employees.*

As in 2010, there were complaints concerning the standard of telecommunications and the availability and quality of broadband in rural Wales. It was argued that given the rise in Internet-related business activities, and their importance to business, the poor standard of communications in general, and broadband in particular, posed a severe threat to businesses in rural Wales. [21]

> *Broadband is abysmal, It's possible to be viewed as not being credible or worthy.*
>
> *Broadband is extremely slow - but it is becoming more and more essential to our business.*
>
> *Broadband is too slow – Satnav is unavailable – and so is a mobile phone signal.*
>
> *Broadband upgrade to fibre optic is a very long way off.*

Comments regarding the relationships between government and business were similar to those made in 2007 and 2010. Government at both national and local levels, including planning authorities, was perceived as unhelpful to business and it was argued that there was too much regulation of business and too much legislation, accompanied by a failure to promote rural areas and villages in relation to tourism; and low levels of investment in rural Wales. These respondents were typical of those who highlighted these issues:

> *The Welsh Government not knowing where we are. Do they ever leave Cardiff?*
>
> *Negative attitude of Snowdonia National park*

[20] 'Large multiples' are businesses with a large number of shops or outlets. Benefit from centralized buying and use volume sales to keep prices low.
[21] The questionnaire design precluded the quantitative identification of trends: respondents were asked for comments, rather than rating advantages and disadvantages by Likert scales or multiple choice questions. However, observation of the responses revealed a large proportion (11 per cent) of complaints about broadband, Internet access and telecommunications in general.

Can't get work from the local authority in which we are based; Poor road infrastructure (its falling apart); Internet speeds still too slow; Failure of Welsh Government to use Welsh owned and based growing companies.

No investment by the Welsh Government in rural areas.

Government seems to be unaware, when they set rules, of how hard it is for small businesses in rural towns.

More generally, it was argued that, owing to their remoteness, businesses in rural Wales were particularly vulnerable to the negative aspects of the current economic climate such as: government cut-backs and austerity programmes, high VAT rates, cuts in services, low wages, and the rising costs of fuel, transport and energy. And, in particular, they were vulnerable to poor communications infrastructure, both in terms of ICT and transport.

3.7 Perceptions concerning Business Support

Respondents were asked to rate the quality of business support and advice available from a range of agencies. Please note that an additional category 'Welsh Government Associated Agencies' was used in this 2013 survey. Table 3.17 shows the results.

Table 3.17: Rating of Business Support and Advice

	Very Good	Good	Satisfactory	Bad	Very Bad	Never Used[22]
	%	%	%	%	%	%
Welsh Government	4	11	20	10	6	49
Welsh Government Associated Agencies	3	9	18	9	6	54
Local Authorities	3	10	23	12	10	41
Enterprise Agencies	1	5	16	9	6	63
Unions/ Chambers of Commerce	1	5	13	9	5	67
Trade Organizations	5	14	18	9	6	54

The trend observed in the 2010 report towards down-rating the support and advice agencies continued. Ratings of 'very good and 'good' remained low and, taken together, were lower than in 2010, except for the Welsh Government, which was the same as 2010, and Unions/Chambers of Commerce, which gained one percentage point. 'Satisfactory' ratings were lower across the board by between two and seven percentage points (Enterprise Agencies). Taken together, 'bad' and 'very bad' ratings remained poor and tended to be a few percentage points worse: except for the Welsh Government, which maintained its rating; Local Authorities, which improved by three percentage points; and Enterprise Agencies,

[22] The 'Never Used' category was not probed any further to ascertain the reasons why respondents reported never using such services. The objective here was to explore the views of those who had used advice and support services. Non use could be attributed to any of a number of reasons including a lack of awareness of, or of value for, such services.

which improved by three percentage points. The ratings for the new category of Welsh Government Associated Agencies paralleled the poor performances of the other support and advice services.

However, arguably the most important results were the high ratings for 'never used'. Results were uniformly higher than 2010 by between three percentage points (Welsh Government) and 13 percentage points (Enterprise Agencies) and had reached the stage where, except for Local Authorities and the Welsh Government – and these approached 50 per cent - more than half of businesses surveyed did not use these support and advice services.

3.8 Perceptions concerning the Welsh Government and business support and economic development

Businesses were asked a range of questions concerning their relationships with and perceptions of the Welsh Government. Of the businesses surveyed, 23 per cent had benefited directly from Welsh Government financial initiatives, which was an increase of two percentage points compared with the 2007 rural business survey. Initiatives identified included Local Investment Funds,[23] Broadband provision, rate relief and grants for investment, machinery and plant, technology, training, rural retail, processing and marketing, development, and business start-up. In 2013, six per cent of businesses surveyed were aware of the Welsh Government initiative 'Economic Renewal: a new direction'. This was even lower than the nine per cent recorded in 2010.

[23] The Local Investment Fund is a package of flexible financial support to assist new and existing SMEs by offering capital grants of 40% of eligible projects, subject to a minimum of £1000 and a maximum of £10,000 grant. See. http://www.investinsouthwales.com/local-investment-fund/

Table 3.18 shows businesses' responses to a series of statements about Welsh Government policies.

Table 3.18: Perceptions of Welsh Government policies

	Strongly Disagree or Disagree	**Neither Agree nor Disagree**	**Agree or Strongly agree**
Statement about WG policies			
	%	%	%
Help to create jobs	27	57	15
Help to create higher quality jobs	29	61	10
Help to stimulate economic growth	29	53	17
Help to regenerate communities	30	53	17
Help to improve skills training	23	55	23
Help to improve business support	28	53	19

These results were similar to those of both the 2007 and 2010 surveys, with any differences being one or two percentage points. The observation made in both the 2007 and 2010 reports holds. As, for each statement, more than half of respondents were ambivalent about Welsh Government policies, and negative responses outweighed positive responses, substantial proportions of businesses in rural Wales (almost 30 per cent for all except 'help to improve skills training') failed to endorse these Welsh Government policies.

3.9 Financial Information

The final section of the survey questionnaire concerned financial information. As this information might have been seen as sensitive, the questions were framed in broad terms and businesses were offered categories that indicated ranges rather than specific figures. The information concerning changes in turnover and profit are discussed in Section 3.11 'Changes in business activities'.

VAT Registration

Since the 2010 Rural Business Survey, HM Revenue and Customers have increased the threshold for Value Added Tax [VAT] registration from an annual turnover in excess of £64,000 to an annual turnover in excess of £79,000. Table 3.19 compares the rates of VAT registration across the 2007, 2010 and 2013 surveys. [24]

Table 3.19: VAT registration

	Registered	Not Registered	Did not respond
	%	%	%
2007	62	20	18
2010	67	26	7
2013	68	28	4

The most encouraging result concerning VAT was the dramatic increase, over time, in the willingness of businesses to respond to questions concerning their financial position. This increased willingness to provide financial data was demonstrated in the questions concerning Annual Turnover and Profit.

Annual Turnover

To provide an indication of turnover, the questionnaire provided the standard Inland Revenue set of turnover ranges and respondents were asked to indicate which range was appropriate to their business. Table 3.20 presents these results and compares the 2007, 2010 and 2013 surveys.

Table 3.20: Annual Turnover

Annual Turnover	2007 Number of Businesses that responded: 822/1,034 80%	2010 Number of Businesses that responded: 1,190/1,308 91%	2013 Number of Businesses that responded: 1,490/1,583 94%
	%	%	%
Less than £61,000	22	24	30
£61,000 - £99,999	11	11	14
£100,000 - £249,999	20	20	22
£250,000 - £499,999	14	16	12
£500,000 - £999,999	14	12	10
£1m - £1.49m	6	5	5
£1.5m - £2.8m	6	6	3
More than £2.8m	7	6	4

[24] From WG Statistics Size Analysis of Welsh Businesses 2013, a VAT registration rate for all-Wales of 40 per cent may be calculated. This lower proportion of VAT registration likely reflects the nature of small businesses and self-employment across Wales. However, The Dept for Business Innovation & Skills, Small Business Survey 2012, SME Employers gives a VAT registration rate of 78 per cent for SMEs.

The table shows that there had been an increase in the proportion of businesses in the three lower turnover bands, particular in the 'less than £61,000' band, which witnessed an increase of six percentage points since 2010 and eight percentage points since 2007. This was accompanied by downward shifts in the proportions of businesses with higher annual turnover.

As Table 3.21 illustrates, there was a general downshift in annual turnover, with fewer businesses reporting an increase and more reporting a decrease than on previous surveys.

Table 3.21: Changes in Annual Turnover

	Increase			Decrease			Stayed the same		
	2007	**2010**	**2013**	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**
	%	%	%	%	%	%	%	%	%
Turn-Over	58	36	27	18	34	39	24	30	34

Profit

Table 3.22 indicates the proportions of businesses in rural Wales that reported increased or decreased profits.

Table 3.22: Changes in Annual Profit

	Increase			Decrease			Stayed the same		
	2007	**2010**	**2013**	**2007**	**2010**	**2013**	**2007**	**2010**	**2013**
	%	%	%	%	%	%	%	%	%
Profit	42	26	20	27	41	47	31	33	33

In addition, to gain a better estimate of the profits that businesses in rural Wales were making, businesses were asked for an approximation of profit as a percentage of turnover. These results are shown at Table 3.23, which also shows the 2007 and 2010 results for comparison.

Table 3.23: Profit as a Percentage of Turnover

Profit as a percentage of Annual Turnover	2007 Number of Businesses that responded: 815/1034 79%	2010 Number of Businesses that responded: 1076/1308 82%	2013 Number of Businesses that responded: 1409/1583 89%
	%	%	%
A loss or break-even	15	18	19
Above 0% up to 1%	7	9	11
Above 1% up to 5%	20	22	19
Above 5% up to 10%	20	20	19
Above 10%	39	31	32

Generally, there was an increase in the proportions of businesses reporting loss or break-even and lower profits as a percentage of turnover and small decreases in those businesses making high percentages of profit, although the highest band (above 10 per cent) had recovered by one percentage point. Table 3.22 and Table 3.23 point to a trend of fewer businesses increasing profits and more businesses experiencing a decrease in profits. Moreover, profits tended to be lower.

3.10 Changes in business activities

In order to gain some understanding of changes in business activities in rural Wales, respondents were asked a series of questions designed to track changes since the 2010 survey. Table 3.24 tracks changes in business activities. Note that the questions regarding general business expansion or contraction, research and development, plans for expansion, and turnover and profit had been asked in the 2007 survey. For these questions data for 2007 -2010 – 2013 are shown.

Table 3.24: Changes in Business Activities

	Increase or Expansion			Decrease or Contraction			Stayed the same		
	2007	2010	2013	2007	2010	2013	2007	2010	2013
	%	%	%	%	%	%	%	%	%
General Business	50	34	27	14	25	30	35	41	43
Workforce	-	22	17	-	20	21	-	58	62
Customer Orders or Footfall NB 1	-	25	21	-	34	41	-	32	31
Research and Development NB 2	15	11	11	5	6	7	20	20	20
Planning to Expand	40	54	34	-	-	-	-	-	-
Turn-Over	58	36	27	18	34	39	24	30	34
Profit	42	26	20	27	41	47	31	33	33

NB 1: In 2013, for six per cent of businesses, Customer Orders or Footfall were not applicable.

NB 2: The majority of businesses did not have Research and Development programmes. The proportions were: 64 per cent in 2007; 63 per cent in 2010; and 63 per cent in 2103.

The results for changes in business activities at Table 3.24 illustrate the effects of the recession and the difficult economic climate. To a great extent they confirm that businesses in rural Wales continued to struggle. While the steep decline in businesses that had expanded had slowed from 16 percentage points between 2007 and 2010, the proportion of expanding businesses was still down a further seven percentage points in 2013. Fewer businesses had expanded their workforce than in 2007 and while more had stayed the same, slightly more had contracted their workforce. Across the survey, for those businesses that had expanded, the average workforce expansion was 43 per cent, while the average contraction was 39 per cent.

Customer orders or Footfall results were worse in 2013 than in 2010. Here the average expansion, for those that had expanded, was 43 per cent and the average contraction was 29 per cent.

Levels of Research and Development remained low in 2013, following a decline, from a not particularly high level, between 2007 and 2010. The proportion of businesses that did not undertake Research and Development had remained at 63-64 per cent since the 2007 survey. [25] In contrast to an optimistic surge between 2007 and 2010, the proportion of businesses planning to expand in 2013 had fallen to six percentage points lower than the 2007 level.

Turning to the 'bottom line' data, as Table 3.24 shows, the steep decline in the numbers of businesses that increased turnover and profit, witnessed between 2007 and 2010, had continued on to 2013. For businesses that had increased turnover and profits, the average increase in turnover was 44 per cent and for profit the average was 40 per cent. And for businesses that had suffered a decrease in turnover and profit, the averages were 28 per cent and 30 per cent respectively.

Two other questions were asked with regard to changes in business activities. The first concerned new products and services. In the 2013 survey, 49 per cent of businesses had introduced new products and services over the last three years. These results confirmed a downward trend when compared with 58 per cent in 2007 and 54 per cent in 2010. There are costs attached to innovation and the introduction of new products and services. These

[25] WG statistics (Research and Development expenditure - 22 November 2013) indicate that an estimated total of £556 million was spent on R&D in 2011 in Wales, an increase of six per cent in real terms compared with 2010 (UK up two per cent). Moreover, from 1993 to 2011, there was an annual average growth in real terms of three per cent in R & D expenditure. As these figures are for all-Wales, it may be inferred that expenditure by rural businesses had either remained flat or had declined slightly, as indicated by this WRO survey.

results suggested that the economic climate was not conducive to business innovation and that businesses were increasingly inclined to seek the security of established products and services. To an extent there was resonance here with the low levels of Research and Development discussed above.

The second question concerned the ease or difficulty of securing investment in the business. Table 3.25 compares 2013 and 2010.

Table 3.25: Ease of securing Investment for the business

	More difficult than before	Same as before	Easier than before	Not applicable
	%	%	%	%
2010	48	25	3	24
2013	48	29	2	21

An effect of economic recession, illustrated by both UK-wide media reports and by the comments of respondents to WRO surveys, is that it is difficult to borrow money, for personal loans, mortgages or business investment. Table 3.20 shows that 48 per cent of businesses surveyed found it more difficult than before to secure investment. In addition, there was an increase since 2010 of four percentage points in businesses that found ease of securing investment 'the same as before'. As the 2010 WRO report showed businesses had found securing investment difficult, the implication is that many of the businesses that in 2013 opted for 'same as before' also found difficulties in securing investment. These results confirm that securing investment continued to be difficult and are in line with the findings of other surveys.[26]

Changes that affected the business

For the questions in the 'Changes in Business Activities' section, respondents were asked to provide comments, where applicable, on what had particularly affected their business over the last three years. The question asked was:

'What has been the biggest change for your business in the last three years?'

There were some comments that related to individual circumstances and successes, such as re-structuring a business, taking on new personnel, becoming more efficient, or utilizing the Internet more effectively. In addition, and more negatively, there were observations concerning ageing business-owners and the difficulties they faced, as discussed in Section 3.6. However, as in 2010, the economic-related comments tended to focus on a few dominant themes. Foremost of these themes were the knock-on effects of the continuing

[26] Department for Business, Innovation and Skills, (2013) *Small Business Survey 2012: SME Employers,* A report by BMG Research, April, 2013

economic slowdown – the 'recession' – and the effects of the measures introduced to counter it. Local councils were seen to be particularly affected:

> *No work from Council or Health Authorities. I used to have a re-work contract of over £1,000,000. Now, there is no work from them at all - not even to price!*

More broadly, it was argued that there was less money in the economy, which led to lower customer spending cashflow problems; higher across-the- board costs, especially for fuel and energy; and, as shown by Table 3.20, a shortage of financial investment. Other perceived negative factors were cut-backs in services and the continuing closure of rural post-offices. These quotes illustrate some of these issues:

> *Excessive fuel and energy costs, and low returns on savings and investments severely reduce incentives to expand production.*
>
> *Due to the policies of the Government and the banks we have found it difficult in the construction industry. We want to employ but without support, how can we? The banks are holding everyone to ransom.*
>
> *Cashflow! The weather and economy have made things very slow and difficult. The banks have not lent to us, we have reduced staff and have less customers through the doors.*
>
> *Constant battle against increased overheads with limited ability to increase prices due to the fear of falling sales.*
>
> *Contraction of the local economy and local spend in independent retail shops*
>
> *Fuel prices are crippling us. Being 60 per cent of our operating costs makes it virtually impossible to forecast cost due to ever-changing prices and high fuel consumption figures due to our location.*

For some businesses, such as accommodation and other tourist-related businesses, a succession of bad-weather summers (the survey predated the 'good' summer of 2013) had exacerbated the effects of the recession, with fewer tourists.

Local retailers also continued to point to the harmful effects on rural businesses of the increasing number of shops in rural Wales owned by major supermarket chains:

> *Stagnation due to too many supermarket sites.*
>
> *Too many supermarkets opening in the area, killing small shops and businesses.*
>
> *Small businesses are dying out fast. This is my 17th year of trading and my turnover has dropped to what I was taking when I started. I predict within 10 years supermarkets will have wiped out the small independents. The internet also.*

Among other long-standing complaints were arguments that government at all levels – EU, UK, Wales and local – did not assist rural businesses. Instead, it was perceived that government erected barriers in the form of excessive regulation and bureaucracy, particularly in terms of planning and health and safety. In addition, there was a perceived diminution of government support programmes for rural businesses:

> *More admin and paperwork, audits, clinic governance, health and safety policies.*
>
> *More and more of my time is taken up completing government red tape*
>
> *Affordable housing policy slowing permissions and site starts*
>
> *Loss of age allowance for older business owners.*
>
> *Lack of input from our local Council has been a major part of why so many businesses have gone out of business. Increased business rates and rent when footfall has fallen by 50 per cent.*

Finally, as noted in the 2010 business survey report, there were contesting views concerning the Internet. For some, it had opened-up new worlds and ways of business. But others argued that the Internet was under-cutting them and driving them out of business.

3.11 Business and the Environment

Both the 2007 and 2010 rural business surveys included questions designed to address the relationships between businesses and the environment, which have become increasingly important with the rise of issues such as global warming, peak oil, carbon dependency and resource depletion. There follow comparative analyses using data from the 2007, 2010 and 2013.

Recycling

Table 3.26 compares the proportion of businesses participating in recycling in 2013 with 2007 and 2010.

Table 3.26: Business recycling

	Yes	No
	%	%
2007	61	39
2010	81	19
2013	81	19%[27]

The increase in the proportions of business recycling seen between 2007 and 2010 was maintained. As in 2010, some businesses claimed 100 per cent recycling rates, particularly for materials such as paper, glass and cardboard. Much of this type of recycling was carried

[27] This response is not limited to those who simply choose not to recycle as businesses vary in terms of the amount of recyclable waste produced.

out through local authorities: either by collection or by visiting the local authority recycling site. [28]

The principal reason given for not recycling by the one fifth of businesses that did not participate was that they did not generate recyclable waste. Other reasons included excessive costs and limited access to recycling facilities.

Environmental awareness initiatives

Table 3.27 shows the proportions of businesses surveyed that participated in a specified range of environmental initiatives. These initiatives were the same as those specified in the 2007 and 2010 surveys, except that 'Green Dragon' was not specified in 2007. [29] The table compares 2013 with 2007 and 2010.

Table 3.27: Proportion of Businesses taking part in Environmental Initiatives

Initiative	2007	2010	2013
	%	%	%
Tree planting	11	12	11
Carbon-offset	3	4	4
Buy green power	4	4	5
Use low energy devices (e.g. light-bulbs)	47	58	38
On-site energy generation (e.g. solar panels, wind-turbine)	4	6	9
Green Dragon	Not asked	4	3
Other initiative (see below)	5	4	6

With two exceptions, the proportions were consistent over the three surveys, with changes limited to one or two percentage points. The decline of 20 percentage points in the use of low-energy devices may be a direct effect of the recession and an unwillingness to invest in order to save on energy consumption:

> *Most don't apply to us - but in any case we are fighting for our lives – all effort is in this direction.*
>
> *Lack of funding and extra costs incurred above traditional methods.*
>
> *Our energy consumption is low, savings would not be large.*

[28] The percentage of local authority municipal waste (excluding abandoned vehicles) that was reused, recycled or composted in Wales has seen a continued increase since 2000-01, with just over 52 per cent of waste reused/recycled/composted during 2012-13. [WG Statistics November 2013].
[29] Membership of Green Dragon, an award by Arena Network to those businesses that maintain certain specified environmental standards, was mentioned by five businesses in 2007.

On-site energy generation had risen by three percentage points (by five percentage points since 2007). This gradual increase in the installation and usage of equipment that produced electricity from renewable sources, such as sun and wind, resonated with similar increases recorded by the 2013 WRO Household survey, which implies that the calculation between the relatively high capital costs of installation and the returns to household savings might be turning in favour of household savings.

Other environmental initiatives taken by businesses included biomass boilers, the use of biofuels, vegetable oil internal combustion engines, wood-burners using off-cuts, waste-oil burners, and air-to-air heat pumps. Other ways of conserving heat included high specification building insulation for business premises. Some businesses harvested rainwater either for use in business activities, for example where plant growth was involved, or for use in plumbing for water-closet flushing and other non-drinking uses. Sewage effluent was purified for plant feed.

There were three main reasons why businesses did not participate in environmental initiatives. Firstly, it was seen to be too expensive. Secondly, some respondents argued against the existence of any type of environmental crisis such as global warming. A third, cynical, view was that whatever they or their businesses did, in terms of good environmental practice, would not make any difference, particularly in the light of the environmentally damaging lifestyles followed by so-called elite groups in society.

Business Energy Consumption

As part of the business surveys, respondents were asked about changes in the energy consumption of their business. Table 3.28 compares data on Business Energy Consumption from the 2007, 2010 and 2013 surveys.

Table 3.28: Businesses Energy Consumption

	2007	2010	2013
	%	%	%
Decreased	17	18	17
Increased	29	25	27
Stayed the same	54	57	56

These data were consistent over the three surveys, with only small changes. However, the proportion of businesses that had increased their energy consumption remained considerably greater than those businesses that decreased it.

The main reasons cited for decreases in energy consumption were greater efficiency, in terms of heating, insulation and use, and contraction in business size. Conversely, and as in

2010, respondents who had expanded their business argued that expansion increased their energy consumption. In particular, they pointed to the high energy costs of computer and information systems, and the surprisingly high costs of the paperless office.

The Relationships between Environmental Issues and Business

The final questions in the section on the environment explored the relationships between environmental issues and business. Businesses were asked to agree or disagree with two statements – one on whether environmental regulations overly constrain business, the second on whether there should be financial incentives for environmentally friendly business practices. Table 3.29 and Table 3.30 show these statements and compare the 2007, 2010 and 2013 results.

Table 3.29: Environmental regulations overly constrain business

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	%	%	%	%	%
2007	12	17	52	12	7
2010	12	16	48	13	8
2013	14	14	51	12	9

These data were practically identical over the three surveys. They demonstrate that there have been polarized views of environmental regulation, with half of businesses indicating their unsureness, over a quarter their disagreement that environmental regulations overly constrain business, and under a quarter of those surveyed agreeing with this statement.

Table 3.30: There should be financial incentives for environmentally friendly business practices

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	%	%	%	%	%
2007	5	5	19	32	39
2010	6	3	20	32	39
2013	5	4	24	32	35

Again there was similarity over the three surveys. The largest change was the shift of four percentage points, in 2013, from ‘strongly agree’ to ‘neither agree nor disagree’, which represented a slight weakening of the call for financial incentives, and an increasing unsureness towards these incentives.

3.12 General comments by businesses

Businesses were invited to submit additional comments. To a great extent, the comments received expanded many of the themes discussed in Section 3.6, particularly those concerning the threats to businesses in rural Wales. They were dominated by concerns about the economic recession and its deleterious effects on rural businesses in Wales. Generally, it was argued that the prevailing wider economic climate of cut-backs and austerity, cuts in services, low wages and high taxes was having a serious negative effect on businesses in rural Wales. Other exacerbating factors were the high and rising costs of fuel, transport and energy. The following selected quotes, which are verbatim where possible, illustrate some of the specific points that were made.

VAT rates were seen to be too high and the threshold for VAT registration too low:

> *VAT has more or less closed the business down. Most of the profit goes to them.*
>
> *VAT killing small businesses*
>
> *VAT threshold should be raised considerably or various levels introduced. We pay £1 out of every £5 we take on VAT.*
>
> *Although we wish to expand, we cannot go into the VAT threshold. We would become too expensive to create any income - we are a service provider and there is no value in being VAT registered.*
>
> *Taxes stink! VAT forces businesses to have a 20 per cent markup. Abolish VAT!*

There appeared to be specific VAT, duty and tax issues for the licensed trade:

> *As with any pub business we have been easy targets for duty and VAT increases. It's destroying our heritage. We are one of the biggest employers in the UK but people in power seem to disregard this fact. Alcohol is seen as the new evil.*
>
> *Public houses are declining at an alarming rate. Beer duty, recession, supermarkets and the smoking ban are contributing to this. The recession is creating big problems. People are staying at home; smoking and drinking at home.*
>
> *Trading as a pub continues to be difficult. Taxes and rates account for 50 per cent of our turnover!*

It was argued that business rates were too high, and that the formula for assessing them was unfair. To ease the burden on rural businesses in Wales, a rate relief scheme was needed:

> *I wish the council and Welsh Assembly would stop spending money like they had won the Euro lottery roll-over. Cut business rates!!*
>
> *If I did not have to pay £6,600 business rates, I would be able to employ staff. This would help the economy and create more jobs. I am not eligible for business rates help, as the size of my shop is too large. Business rates are worked out in a ridiculous way. They don't look at turnover, but at the size of the premises. I class myself a small*

business. I could be next door to a multimillion business, but because they are in small premises they could get relief.

My rural rate relief was stopped five years ago. My rates are now 100 per cent more than they were in the worst recession this industry has seen. This is a disgrace.

There is no help for business rates for a business like mine, we pay £15,000 plus a year, in these economic times - it's a killer!

In addition to business rates and VAT, it was observed that the rising costs of overheads, particularly energy prices and fuel, were an apparently insoluble problem for rural businesses:

Rising costs eat all profits especially electricity and gas.

Electricity costs are weighing heavily on our shoulders and without a means of minimizing this cost we think it will be one of the business's highest costs.

Government at both national and local levels was perceived to be unhelpful to business and business support was criticized. It was argued that there was too much regulation of business and too much legislation, accompanied by a failure to promote rural areas and villages in relation to tourism, together with low levels of investment in rural Wales. These selected quotes cover these issues and, in some cases, make suggestions for improvement:

Set up a free business broadband provider. Provide small admin hub on industrial estates that all businesses can use.

Basically, small business support is crap! The consultants will not provide proper 'advice', they just point you towards information - glorified Google search engines! Be more radical and practical. Provide real things if you want to support small business. Book-keepers, admin hubs, website design and hosting. We don't need business (non)advice centres. But imagine if you employed young people as WAG funded website designers and had a publically owned website host that small businesses could use. Or local collective book-keepers giving a few hours a week to each small business in their area - now THAT would be true business support!

Find it very difficult to find continuity with WG assistance for small businesses. It seems departments and schemes come and go.

Funding and other incentives we have seen don't seem to actually achieve anything. Lots of talk, meetings, bits of paper, but most of us actually need help to just take responsibility for an area of weakness

It was argued that the Welsh Government and local government tended to support only agricultural businesses and larger businesses and that all rural businesses, particularly small and medium sized enterprises warranted both support and the introduction of start-up initiatives:

Wish the local authorities and government would help micro businesses like mine in terms of less paperwork and rules and regulations.

I do find it annoying that most grant and subsidy monies go to farming. Other businesses could do with help!

Despite the WG and the local authorities having a strong emphasis on supporting rural businesses, we haven't been able to benefit as we are not an agricultural or leisure and tourism business. Support should be available to ALL rural businesses.

The government does not care about small and medium businesses and has no idea on the impact of rising fuel costs, business rates etc. Soon there will be more and more businesses closing and more people claiming benefits

Have noticed that help for rural businesses (in terms of grants) appears a postcode lottery. In Carmathenshire there appears to be a wide range of schemes that support businesses but in Ceredgion not so many.

My negative attitude towards WG business support agencies is based on the fact that none of its personnel seem to come from a real live business background themselves or have the slightest idea what it is we actually do.

There were suggestions that there was too much attention paid to south Wales, at the expense of the remainder of the country:

There is far more money directed towards south Wales companies compared with the rest of Wales. The 'made in Wales' magazine should be 'made in south Wales.'

Welsh Assembly initiatives are too strongly concentrated on the labour heartland of the South Wales Valleys. Very little of use comes as far North as Anglesey and Gwynedd.

Another target was the need for and perceived excessive costs of dual-language legislation and documentation:

If the money spent on duplication of everything in Welsh was used to get people in work or support small business the nation would be more prosperous.

Regarding the Welsh Government's role in telecommunications, it was argued that given the rise in Internet-related business activities and their importance to business, the poor standard of communications in general and broadband in particular posed a severe threat to businesses in rural Wales:

Business would improve if wifi and broadband were improved.

Cannot wait to 2015/16 for better broadband. I intend to shut down the business if we have to wait three years.

I am self-funded and highly motivated. I believe I provide a high level of service BUT the appalling low level of broadband service is an obstacle to my progress and hinders my daily work by slowing me down. I suffer the travelling I need to do willingly, but the Internet service may be the cause of my eventual departure.

There were some rather intemperate criticisms of the Welsh Government, such as this quote:

> *Generally speaking, I regard the Welsh Assembly as another unwelcome layer of taxpayer-funded pigs at the trough.*

Finally, some respondents were critical of the Welsh Government's failure to address issues identified by previous surveys.

Participation in future research

The final question of the survey asked businesses whether they would be willing to take part in future research. The 2010 survey had a 41 per cent agreement rate. In 2013, of the 1,583 rural businesses surveyed, 606 (38 per cent) were willing to take part in future research.

Section 4: Summary and Concluding Remarks

This final section of the report brings together the analysis in Section 3 and summarises the results, in order to address the four research objectives set out in Section 2.

The objectives of the survey were:

1. To examine the state of rural (non-farm) business activities in Wales.
2. To explore and quantify the attitudes of rural business owners in Wales towards a range of business, economic and environmental issues.
3. To provide qualitative data on the attitudes of rural business owners in Wales towards a range of business, economic and environmental issues.
4. To ascertain what changes had affected businesses in rural Wales.

In this section, the results of the analysis are deconstructed, re-assembled and discussed under three thematic headings:

1. The state of non-farm business activities in rural Wales.
2. The attitudes and perceptions of business owners in rural Wales with regard to the business environment of rural Wales.
3. The recession and its effects.
4.

4.1 The state of non-farm business activities in rural Wales

The introduction of new SIC categories since 2010 resulted in some re-distribution in the classification of the types of businesses in rural Wales. Generally, there were apparent shifts away from some of the 2010 categories. Thus the introduction of new categories, specifically Professional, Scientific & Technical Activities; Administrative & Support Service Activities; and Other Service Activities categories, might have accounted for the decreases of three percentage points in Education and the eight percentage points in Human Health & Social Work Activities. However, some categories maintained or even enhanced their share. These included Accommodation & Food Services Activities, which gained four percentage points, and Construction. Although declining by five percentage points to 20 per cent, Wholesale & Retail Trade remained the most populated occupational category.

Five per cent (75 businesses) of those surveyed had started since the last survey in 2010 and 29 per cent had been established since 2000. At 91 per cent the vast majority of businesses surveyed had always been located in rural Wales. Of those that had moved to rural Wales, most had moved from England rather than urban areas of Wales. The proportions for both ownership and historic location were similar to those of 2010.

VAT registration increased to 68 per cent but the proportion of businesses not registered for VAT also increased, to 28 per cent. This could be accounted for by the increase in the proportion of business that responded to the VAT question on the survey in 2013, with only four per cent not responding.[30]

In terms of the gender of business owners, the gradual adjustment of the male/female ratio towards more female owners continued, with 67 per cent male and 30 per cent female (three per cent did not respond). This compared with 72 per cent male and 28 per cent female in 2010 and 79 per cent male and 21 per cent female in 2007.

With regard to age, the analysis shows that business owners were tending to be older. There were fewer in the youngest age group (up to 39) and while the 40-64 age group also declined by four percentage points the proportion of those owners aged 65 and over increased by six percentage points: i.e. owners previously in the youngest and mid-age groups had shifted into the oldest group. Moreover, this ageing-related shift was more pronounced between 2010 and 2013 than between 2007-2010.

Qualifications and training are seen to be important aspects of a business owner’s profile. The question regarding qualifications had been asked in all four surveys. Over the nine year period encompassed by the four surveys the possession of higher degrees, which peaked in 2007 and 2010, appeared to have started to trend downwards. Degrees and O levels/GSCE remained relatively constant and while there was a small decrease in 2007, the same could be said of A levels. The reduction in the numbers of business owners without qualifications, an improvement noted in the 2010 report, appeared to have leveled-out. Over the total survey in 2013, 14 per cent of business owners engaged with CPD and 16 per cent of businesses had employees who engaged with CPD.

Although at 27 per cent there was a small increase compared with 2010 (25 per cent), the low level of formal business training among business owners continued. Formal business training had not returned to the 28 per cent of 2007, which at the time was considered to be too low. As in both 2007 and 2010, the attitudes of business owners to the value of formal business training were confirmed by other elements of the analysis. For example, there were increases in the proportions of business owners who were disinterested in the value of training and of those business owners who actually did not perceive any value. Other analysis supported these conclusions. There was a decrease of six percentage points compared with 2010 in the membership of professional, business or trade organizations, with 45 per cent stating that they were members in 2013; 14 per cent used a marketing plan, a decrease of three percentage points since 2010; and, most importantly, only 24 per cent of businesses used a business plan, which was a decrease of nine percentage points compared with 2010.

Although at 69 per cent compared with 67 per cent, more businesses had employees than in 2010, the rate of employees per business was lower than in 2010. Taken over the whole

[30] For comparison, the number of active business (that is, businesses that had either turnover or employment) in Wales stood at 90,706 in 2007, 90,435 in 2010 and 87,985 in 2012 (the most recent year for which StatsWales has statistics) (see https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Demography/ActiveBusinessEnterprises-by-Area-Year).

survey population, the rate of employee per business was lower than both 2007 and 2010. These data pointed to a downward gradient of people employed by businesses in rural Wales, which had increased in steepness since 2010. Indeed, using raw numbers, in both 2007 and 2010, more people were employed by fewer businesses than in 2013. Moreover, the analysis shows that full-time employment categories sustained more losses than part-time and casual employment categories.

There was an apparent shift towards employing more local people. The 2013 survey revealed a 20 percentage point increase in employees who lived within 10 miles, compared with the 64 per cent recorded in 2010. The survey showed that seven per cent (103 businesses) of the total survey population employed non-UK nationals and that 36 per cent of these 103 businesses employed workers who had arrived in the UK during the last three years. At 47 per cent most came from the European A8 countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia); 39 per cent from other European countries; and 14 per cent from the rest of the world. The gender balance for all employees was 70 per cent male and 30 per cent female. Female employees predominated in part-time and casual employment categories.

By contrast to the apparently increasing provincial approach of rural businesses to their employees, these businesses appeared to be looking further afield for both customers and suppliers, compared with 2007 and 2010. Arguably, in the case of customers this might have been driven by the reported shortfalls in customer numbers, which respondents blamed on the prevailing economic climate. And in the case of suppliers, it might have been driven by increasing competitiveness among suppliers and the increasing ease of ordering using the Internet. More generally, the widening of customer and supplier bases were, arguably, driven by the increasing usage of the Internet and the expertise of rural businesses in exploiting the Internet's potential for business delivery.

4.2 The attitudes and perceptions of business owners in rural Wales with regard to the business environment of rural Wales

The Welsh Government and the Business support agencies

Unfortunately, there were parallels in the concerns expressed by businesses in the 2013 survey concerning relations with the Welsh Government, local government and support for rural businesses, when compared with the 2007 and 2010 surveys. Government at UK, Wales and local levels continued to be perceived as unhelpful to business and it was argued that there was too much regulation of business and too much legislation, accompanied by a failure to promote rural areas and villages in relation to tourism; and low levels of investment in rural Wales. The Welsh Government, it was argued, placed too much emphasis on large businesses and did not do enough to support SMEs in rural Wales. Specific and problematic issues pointed to by business owners included parking charges, which deterred customers; high business rates; and increasing costs for fuel and energy. The costs to business and government of implementing Welsh language legislation were also seen as excessive and unnecessary by some businesses. More generally, it was argued that, owing to their remoteness, businesses in rural Wales were particularly vulnerable to the negative aspects of the current economic climate such as government cut-backs and austerity programmes, increased VAT, cuts in services, low wages, and the rising costs of fuel, transport and energy.

The trend observed in the 2010 report towards down-rating the support and advice agencies continued. Arguably, the most important results were the high ratings for ‘never used’. These were uniformly higher than 2010 by between three percentage points (Welsh Government) and 13 percentage points (Enterprise Agencies) and had reached the stage where, except for Local Authorities and the Welsh Government – and these approached 50 per cent - more than half of businesses surveyed did not use these support and advice services.

As in the previous surveys, criticism extended to other services. Businesses tended to view the formal recruitment agencies negatively and to express concerns about the quality of potential employees that they forwarded. Informal networks continued to be seen as the most effective medium for advertising, access to work and employee recruitment. Arguably, although rural businesses appeared to be extending their reach for customers and suppliers, the evidence presented in this report of difficulties in the recruitment of skilled personnel; the increasing numbers of people seeking work; and the preference for informal and familial networks suggests that the elements to support a low-skills, low-wage economy, identified in earlier WRO work, continued to be in place in rural Wales.

With regard to businesses’ perceptions of Welsh Government policies, little had changed and substantial proportions of survey respondents did not agree that Welsh Government policies helped to create jobs; to create higher quality jobs; to stimulate economic growth; to regenerate communities; to improve skills training; or to improve business support. In 2013, only six per cent of businesses surveyed were aware of the Welsh Government strategy entitled ‘Economic Renewal: a new direction’. This was lower than the nine per cent recorded in 2010.

Broadband and the Internet

Qualitative data indicated how valuable, in some cases indispensible, the Internet and broadband is to rural businesses in 2013. Quantitatively, both connections and usage experienced increases. However, there remains a residue of businesses (five per cent) that have access to broadband but have not availed themselves of the service. Unfortunately, business customer satisfaction had tended to decline since 2010. A possible explanation, confirmed by some respondents’ comments, was that, with the perceived improvements in broadband availability and speeds, there has been an increase in customer expectations, which have not always been met.

Relations with the Environment

To an extent, the levels of environmental concern exhibited by rural businesses had reached a plateau. For example, at 81 per cent the same proportion of businesses participated in recycling as in 2010. And the proportions of businesses that took part in environmental initiatives were similar in 2010 and 2013. In terms of the general rural environment, rather than citing strictly economic advantages, many respondents argued that the principal advantages conferred by a rural location were lifestyle and environmental. These advantages included the natural beauty of much of rural Wales; peace and quiet; a more relaxed way of life; better travelling and commuting conditions; and closer communities. It was recognized that these lifestyle and environmental factors had the potential to strengthen rural businesses by engendering more direct economic benefits, especially in terms of attracting visitors and tourists.

However, the isolation of rural locations, was seen to have costs. These included long distances to be travelled; the necessity of personal vehicular transport; poor roads, some too narrow for large modern trucks; inaccessibility, particularly in bad weather; limited services; a shortage of locally available quality goods; excessive business rates; and high fuel costs. With regard to the local economy, it was observed that the perceived closer communities, closer customer and supplier relationships and family and community networks had the potential to result in a negative, sometimes Welsh language-based parochialism; and a low-income, low-skills economy, with perceived shortages of skilled or appropriate local people available for employment. Small local populations were seen to be a factor in market saturation, on both supply and demand sides; factors that potentially led to small customer bases, low business turnover and small profits. In addition, it was observed that there was both an ageing rural population and an ageing cohort of rural business owners. Taken together, these adverse conditions, many seen to be specific to rural areas, were argued to exacerbate the problems associated with the current economic climate, which continued to be perceived as a ‘recession’.

4.3 Concluding Remarks – The Economic Recession and its effects

The 2010 business report contained an observation that whatever the political arguments and economic technicalities surrounding the term ‘recession’, the economic climate remained difficult. This situation still pertained at the time of the 2013 rural business survey and whether or not Wales and the rest of the UK was officially in recession, the important point was that business owners perceived that the economy was in recession, and had been since 2008. In addition, since 2010 the UK coalition government had introduced a range of austerity measures, designed to counter the recession, which were seen to have made the conditions for business even more difficult. Consequently, comments concerning opportunities and threats to rural businesses; change over the last three years; and also the ‘other comments’ requested on the questionnaire, were dominated by observations on the prevailing adverse economic conditions. Given these circumstances these concluding remarks will use the term ‘recession’.

It is useful that the 2013 report is in a position to look back to 2007 – to immediately before the recession – as this provides a relatively long-term view. The data for changes in business practice illustrate the negative effects of the recession. For example, while the steep decline in businesses that had expanded slowed from 16 percentage points between 2007 and 2010, it was still down a further seven percentage points in 2013. Fewer businesses had expanded their workforce than in 2007, and while more had stayed the same, slightly more had contracted their workforce. In contrast to an optimistic surge between 2007 and 2010, the proportion of businesses planning to expand in 2013 had fallen to six percentage points lower than the 2007 level. Results for Customer orders or Footfall were worse in 2013 than in 2010. Levels of Research and Development remained low in

2013, following a decline, from a not particularly high level, between 2007 and 2010. In the 2013 survey, 49 per cent of businesses had introduced new products and services over the last three years. This confirmed a downward trend when compared with 58 per cent in 2007 and 54 per cent in 2010. Investment and financing continued to be difficult. As discussed earlier, taken together, these results suggest that the economic climate was not conducive to business innovation and that businesses were increasingly inclined to seek the security of established products and services.

In terms of 'bottom line' data, over the period 2007 – 2010 – 2013, there was a steep decline in the numbers of businesses that increased turnover and profit, and an increase in businesses that reported a decrease in these financial out-turns. Taking profit as a percentage of turnover, there was an increase in the proportions of businesses reporting loss or break-even and lower profits, and decreases in those businesses making high percentages of profit. As the discussions in this report suggest, the qualitative data from business owners tended to support this pessimistic view of the economy and business environment in rural Wales.

This report on the 2013 WRO rural business survey ends with two observations. Firstly, a consistent theme running through this series of four surveys, which started in 2004, has been the apparent persistence of a low-skills, low-wage economy. Research evidence that indicated this has included low educational attainment; a perceived shortage of skilled job applicants; a lack of business training; a disregard for the usefulness of business plans; a trend towards parochialism in terms of employees, customer and suppliers; and a preference for the use of local networks, particularly for recruitment. As the qualitative evidence presented in this report indicates, some business owners perceived this type of business environment to be beneficial, but others suggested that it was problematic. But this raises the question: to what extent has the economy of rural Wales been supported by the features of the low skills, low wage economy, or to what extent has it been undermined by it? Although it may be argued that businesses in rural places have little choice but to operate in a low wage economy focused on the needs of local employees, customers and businesses, but this should not exclude the possibility of generating new business ventures developed through investment in business plans, the professional development of business leaders and professional staff, and an increased value for education. Arguably, there should be longer-term economic benefit flowing from a better trained and qualified rural workforce, which operates in well-regulated and efficient business environment. More research is needed on this, particularly in light of the expansion of customer and supplier bases reported by some of the sampled businesses.

Secondly, the period encompassed by these four surveys has witnessed the increasing importance of the Internet in both society more generally and as a business tool. As observed in the 2010 report, some businesses viewed the Internet as a boon, while others saw it as a problem, in that either their competitors were able to use the Internet to reduce costs or that these businesses were not able to maximize its potential, often because of inadequate broadband provision. The 2013 survey data indicate that this situation has not been resolved because internet access has not yet achieved its full potential due to continued shortcomings in broadband provision. While access to broadband and the Internet will not solve all of the problems of the rural economy, the evidence suggests that it would go a long way to address them. For example, evidence discussed in this report suggests rural businesses are utilizing the Internet to widen both their customer and supplier bases, and for recruitment and advertising. In general, Welsh rural businesses appear to be gaining expertise and experience and achieving a degree of maturity in their usage of ICT for business delivery. All of which suggests that, notwithstanding the recession, and at the time of writing there were positive signs that the economic climate was improving, there should be an increased focus on improved broadband delivery and the maintenance of the broadband service to further assist businesses in rural Wales to achieve their potential.