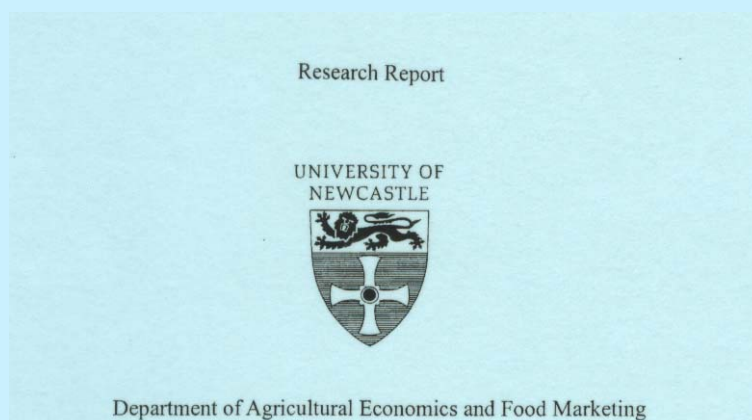




**THE RURAL ECONOMY OF  
NORTH EAST OF ENGLAND**

M Whitby et al



**Centre for Rural Economy**

**Research Report**

**THE RURAL ECONOMY OF NORTH EAST ENGLAND**

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**December 1999**

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## **Contents**

<b>1.</b>	<b>INTRODUCTION</b>	
1.1	Scope of the Study	1
1.2	The Regional Context	3
1.3	The Shape of the Report	8
<b>2.</b>	<b>THE NATURAL RESOURCES OF THE REGION</b>	
2.1	Land	9
2.2	Water Resources	11
2.3	Environment and Heritage	11
<b>3.</b>	<b>THE RURAL WORKFORCE</b>	
3.1	Long Term Trends in Employment	13
3.2	Recent Employment Trends	15
3.3	The Pattern of Labour Supply	18
3.4	Aggregate Output per Head	23
<b>4</b>	<b>SOCIAL AND GEOGRAPHICAL DYNAMICS</b>	
4.1	Distribution of Employment by Gender and Employment Status	25
4.2	Differential Trends in the Remoter Areas and the Coalfield Districts	28
4.3	Commuting Patterns in the North East	29
<b>5</b>	<b>BUSINESS PERFORMANCE AND INFRASTRUCTURE</b>	
5.1	Formation and Turnover of Firms	39
5.2	Inward investment	44
5.3	Business Development and Support	46
5.4	Developing infrastructure	49
5.5	Skills Gaps	53
<b>6.</b>	<b>SUMMARY AND CONCLUSIONS</b>	55

## **References**

## **Appendices**

# 1. INTRODUCTION

## 1.1 The scope of the study

This report is on the rural economy of the North East of England<sup>1</sup>. It seeks to establish the major trends in rural employment and the pattern of labour supply. It analyses how the rural workforce is structured by sector, employment status, gender and commuting patterns. It also examines the factors that determine business performance in the rural North East.

The report draws together data from a number of sources with different geographical bases. The primary focus of the study is the ‘rural wards’ of the North East as defined in Appendix 1 but where data are not available at that level, different aggregations have had to be used, as summarised in Table 1.1. These provide geographically nested definitions of the region which portray the rural region with varying degrees of precision. The relevant boundaries are shown in Figure 1.1.

Table 1.1 Regional Definitions and Scope

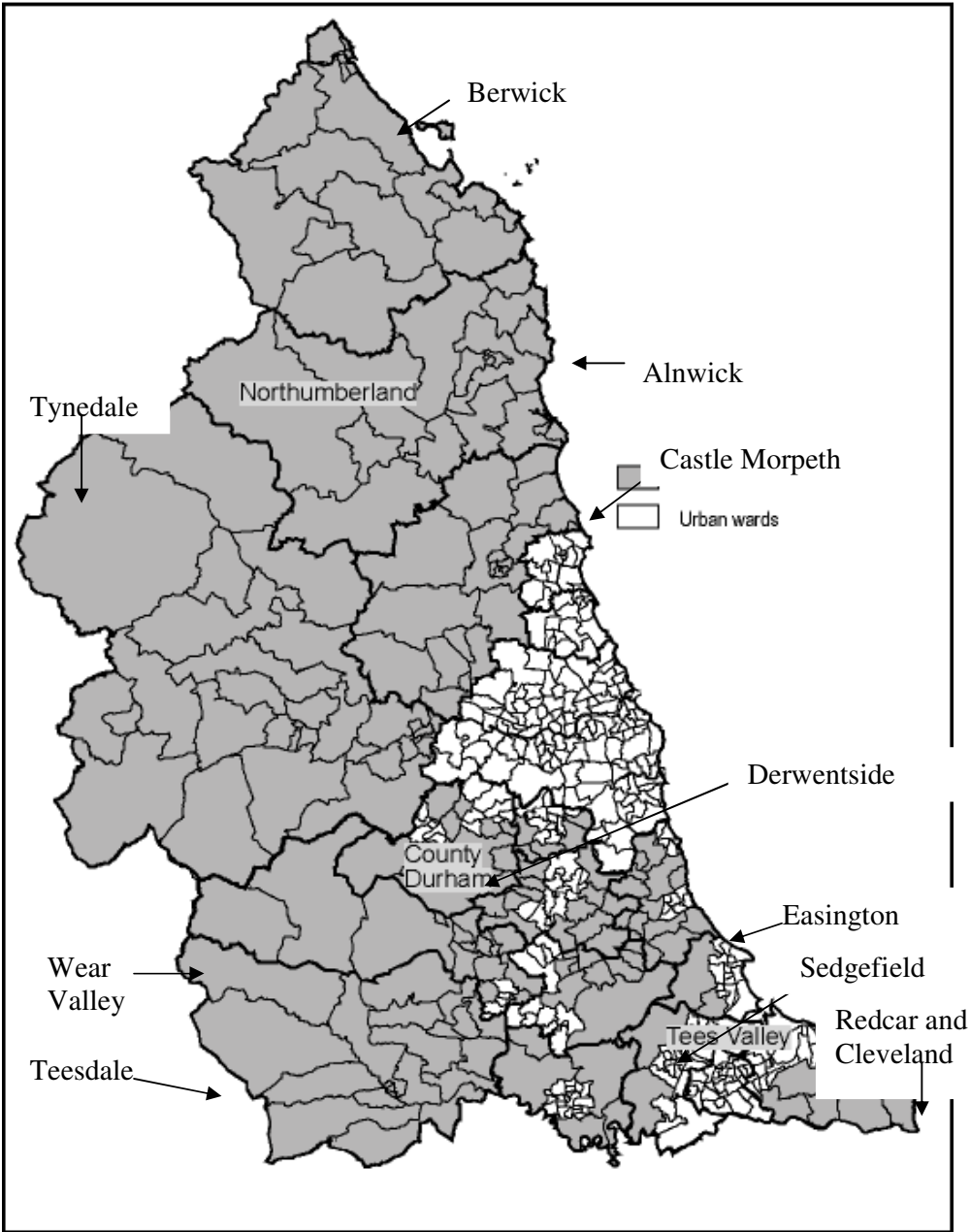
Name	Scope
The North East Region	Northumberland, Durham, Tees Valley and Tyne and Wear
North East ‘Counties’	Northumberland, Durham and Tees Valley (the last is not actually a county*)
Rural Local Authority Districts in the North East Region	Alnwick, Berwick-upon-Tweed, Castle Morpeth, Tynedale, Derwentside, Easington, Sedgfield, Teesdale, Wear Valley and Redcar and Cleveland
The rural North East	The ‘rural’ wards of Northumberland, Durham and Tees Valley

\* Tees Valley comprises Redcar and Cleveland, Darlington, Stockton on Tees, Middlesbrough and Hartlepool

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<sup>1</sup> The report derives from a study commissioned by the County Councils of Northumberland and Durham, Redcar and Cleveland Borough Council and the Regional Office of the then Rural Development Commission (now ONE North East) in February 1999.

Figure 1.1 The North East Region, showing the Counties, Rural Districts and Rural Wards



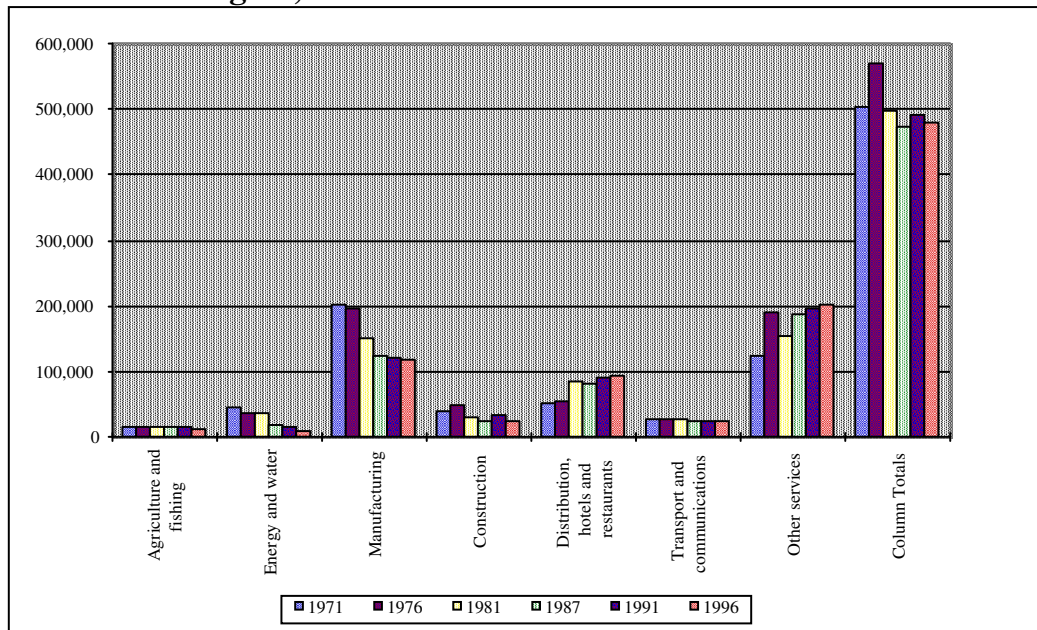
## 1.2 The Regional Context

Economic history offers an important perspective in understanding the present situation and dynamics of the North East Region. Since the First World War the problems of declining heavy industry have dominated the scene (McCord 1979). Shrinking demand for coal and rising costs in older pits led to the decline of mining. The inter-war depression damaged the ship-building industry. There was some recovery from the mid-1930s and re-armament re-equipped the shipyards. The rise of trading estates accommodating lighter engineering and manufacturing firms was also a factor from the 1930s onwards. War-time demands and post-war reconstruction boosted activity. There was an increase of 200 firms on trading estates in the region between 1945 and 1950. Steel and coal were nationalised and this led to a progressive rationalisation of both industries. The North East experienced relative prosperity in the post-war period under an interventionist regional policy, a national commitment to full employment and buoyant economic conditions.

The period since the mid-1970s has seen renewed problems (Evans et al 1995). Economic conditions have been more turbulent and government has switched to a neo-liberal stance on industrial and regional policy. In the North East the economic share of heavy industry has dropped sharply, with associated redundancies and firm closures. The region's dependence on manufacturing has become a source of vulnerability (Townsend 1995).

Table 1.2 and Figure 1.2 record the fluctuations in employment levels since 1971. Following sharp declines in the late 1970s and early 1980s, the situation appears to have stabilised recently. Overall, regional employment fell 4.8% between 1971 and 1996.

**Figure 1.2 Changing Employment by Sector in the North East Region, 1971 - 1996<sup>1</sup>**



<sup>1</sup> Note: There was a reclassification of industrial occupations in 1980.

The biggest losses - of 95,000 jobs - were in manufacturing which accounted for 40% of regional employment in 1971 but only 24% by 1996. The fall, which was particularly sharp between the mid-70s and mid-80s, had a number of components, including strong productivity gains in some industries and stagnant demand and uncompetitiveness in others, reductions in engineering activities associated with mining, shipping and agriculture, and the closure of branch plants in light industry. The largest proportionate losses of employment over this period were in the primary industries. The number of jobs in the energy and water sector fell by 83%, mainly due to the closure of coalfields particularly in the 1980s. There were steady losses too in agriculture and fishing. Construction employment also fell sharply but in a distinctly cyclical manner.

**Table 1.2 Changing Employment by Sector in the North East Region, 1971 - 1996<sup>1</sup>**

NE Region	1971	1976	1981	1987	1991	1996	Change '71- 96 per cent
Agriculture and fishing	9,900	9,100	7,800	7,300	6,100	6,100	-38.4
Energy and water	45,500	36,900	36,900	18,000	13,600	7,700	-83.1
Manufacturing	201,300	196,700	151,300	125,000	119,700	116,300	-42.2
Construction	39,600	48,800	30,400	25,100	33,100	24,600	-37.9
Distribution, hotels and restaurants	50,000	55,000	83,900	81,200	89,900	94,300	+88.6
Transport and communications	28,100	26,900	26,200	23,100	25,600	23,700	-15.7
Other services	122,800	190,500	154,100	186,000	197,000	200,700	+63.4
of which:							
Banking, finance and insurance.			(24,700)	(28,800)	(44,600)	(49,400)	(+100.0 <sup>2</sup> )
<b>Column Totals</b>	497,200	554,200	490,600	465,700	485,000	473,400	-4.8

Source: NOMIS, 1999.

<sup>1</sup> The respecification of the Standard Industrial Classifications in 1980 means there may be some discrepancy between pre- and post-1980 categories. For this reason the banking, finance and insurance sector has been included in the other services category.

<sup>2</sup> Change over the period 1981 - 1996.

These losses were largely offset in aggregate by the expansion of the service sector, but with significant shifts from full-time to part-time employment and from male to female employment. Most types of service employment grew between 1971 and 1996 albeit in an uneven fashion. The greatest growth was in the personal and public services. Until recently, the North East had largely missed out of the better skilled and paid producer services which include computing, banking, insurance, advertising, distribution, hiring and research and development. In a ranking of counties for producer service provision in 1991 (Kirkby 1995),



Berkshire was top, while Cleveland and Tyne and Wear led the North East, both ranked 38, and Durham and Northumberland came 58<sup>th</sup> and 61<sup>st</sup> respectively, out of 66 counties in total.

Urban and rural development in the North East have been closely intertwined. Much of the region's industry grew up on the region's mineral resources, whose extraction was the major activity for many rural settlements. Most of these extractive industries, though, have disappeared during this century. Lead mining, for example, was a major employer in the North Pennines in the nineteenth century. The economy of East Cleveland originally developed around the extraction of alum, ironstone and potash; only potash mining still remains, employing about 800 people. In 1951 there were some 83 collieries in County Durham employing 74,000 people. Easington Colliery closed in 1993 - the last one in the Durham Rural Development Area. In Northumberland, only one colliery remains, at Ellington, and it is under threat. Open cast mines now predominate but employ few people.

These extractive industries have had a significant role in supplying raw materials for processing in the urban parts of the region and beyond. A similar role is still carried on by the region's agriculture which supplies raw food for further processing to a number of mainly urban-based industries. However, agriculture's contribution to the regional economy, in terms of employment and share of production, has been on an inexorable downward trend.

The establishment of the Regional Development Agency - ONE North East - in 1999 heralds a fresh approach to the economic development of the region. The creation of the Agency has led to a flurry of activity

including the recent issue of a 'vision statement' (EDAW, 1999). This is designed to provoke responses, contributing to the formulation of a regional strategy. It represents the North East today, with 70 per cent of its population living in the riverside conurbations and contrasting scenes such as the comparative prosperity of some areas and the poverty of the former rural coalfields seen as "urban problems in a rural setting". Whilst the loss of jobs due to the contraction of heavy industry is recognised, metal manufacturing and chemicals "have remained strong" and mobile investment has brought more than 65,000 new jobs to the region over the last twenty years. A further 100,000 jobs have been gained in public sector services, including education. Tourism now employs 50,000 and generates a reported £800m a year in the region.

Although the North East's competitiveness is strong in certain sectors, it under-performs in others. Its GDP per head is below all other English regions and it is second only to Northern Ireland in the proportion of those over 16 claiming income support. The region has the highest ILO rate of unemployment of any region in the UK, as well as the highest claimant count rate. Average earnings are also below those in most regions. In terms of educational attainment the region performs worse than most. The vision statement questions whether the North East is investing enough in response to market demand for knowledge and in information and communications technology (ICT). Increasingly, the region will also have to compete with lower cost locations for inward investment. Further, can the region's universities and companies lead in research, development and application of new technologies? And can the region accommodate more or less decentralised decision making in its corporate structures? These challenges will determine the extent to which

the North East will prosper as a more competitive, sustainable and inclusive economy.

The present report necessarily diverges from that for the region overall because some important economic parameters are distinct. However, broadly speaking, the rural areas of the region will prosper if the entire region prospers. Thus the rural region should benefit from the general policies pursued by the Regional Development Agency. Equally, more precisely rural-specific policies will be needed to reflect particular circumstances, such as remoteness from urban centres. That is vital if the rural areas are to make their full contribution to the regional economy.

### **1.3 The Shape of the Report**

The report is divided into four main parts. Following this introduction, Part 2 presents the natural resources of the region. Part 3 then presents statistical information on the rural workforce. Part 4, in more analytical mode, looks at the social and geographical shaping of rural employment and the rural workforce. Finally, Part 5 considers the determinants of business performance in the rural North East.

## 2. THE NATURAL RESOURCES OF THE REGION

### 2.1 Land

Outside the main conurbation, rural land uses predominate. Table 2.1 gives details for Northumberland, County Durham and Tees Valley. In all three, agriculture is the major land use, ranging from 76% in Northumberland, through 64% in County Durham to 57% in Tees Valley. Forestry is also a significant land use in Northumberland. On the other hand, urban and other uses increase proportionally from north to south in the region.

**Table 2.1 Land Uses and Designations (ha) in the North East ‘Counties’**

<b>Region</b>	<b>Northumberland</b>	<b>County Durham</b>	<b>Tees Valley</b>	<b>Totals</b>
<b>Total Land and Water Area</b>	502,600	223,200	79,400	805,200
Agricultural Use	379,425	143,081	45,040	567,546
Forestry	75,770	13,934	3,361	93,065
Urban and other Uses	47,405	66,185	30,999	144,589
<b>Designations</b>				
National Parks	103,000		5,700	108,700
Areas of Outstanding Natural Beauty	45,600	87,261		132,861
Heritage Coast	13,300		1,340	14,640
Community Forest		16,500	25,500	42,000
Sites of Special Scientific Interest (SSSI)				98,822
Environmentally Sensitive Areas				20,000†

Sources: Regional Trends (1998), English Nature, Forestry Commission, FRCA, Countryside Commission, Community Forest and Annual Reports of relevant authorities.

Notes: † estimate.

The dominance of grassland in the region is notable, with both Northumberland and Durham having 70 per cent of their farmland under grass (Table 2.2). An important difference is that, whereas

Northumberland has large areas of rough grazings, mainly in the hills, Durham has a much larger share of permanent grass, associated with lowland grazing of stock such as dairy cattle. The North East has a higher proportion of tenanted land than any other English region. Where land is held in substantial estates there may be much greater flexibility in the size and use of holdings than where land is under owner occupation. However, opportunities for farm diversification or rural development may critically depend upon the approval of individual landowners. Alternatively the holding of land in substantial estates allows concentrations of land and capital which may be needed to promote development (Ward and Lowe 1999).

**Table 2.2 Distribution of Agricultural Land Uses and Tenure: NE ‘Counties’ and England, 1997**

Per cent of total	Northumberland	County Durham	Tees Valley	North East ‘Counties’	England
<b>Grassland</b>	35.4	48.4	30.5	38.1	38.9
<b>Rough Grazing</b>	34.4	22.2	4.9	28.4	7.5
<b>Crops and Fallow</b>	25.4	24.7	57.4	28.4	46.2
<b>Tenanted Land</b>	53.9	40.3	40.9	49.3	34.9
<b>Owner Occupied Land</b>	46.1	59.7	59.1	50.7	65.1

Source: FRCA, 1999.

Forestry has expanded since the 1920s and particularly since the end of the Second World War and the post-war expansion is now coming into full production. This makes it a significant sector and source of employment in upland areas. Commercial felling also creates an important environmental opportunity in that replanting may be undertaken with closer attention to the landscape and nature conservation aspects of the forest stand.

## **2.2 Water Resources**

Water resources in the region constitute another source of economic potential. Thanks to massive investment in water storage capacity on the North Tyne at Kielder in the 1970s, there is now sufficient water to provide for foreseeable developments within the region. This surplus has arisen because of substantial over-estimation of industrial demand which did not materialise, following regional cut-backs in steel production and the diminished water needs of chemical production. The Environment Agency reports that industrial demands in 1991 stood at 56 per cent below the forecast level, and in their Water Resource Plan (April 1999) Northumbrian Water Ltd estimates that there will be sufficient supply to meet “average dry year demand for the foreseeable future” even taking climate change into account.

However, some parts of the region, notably the Berwick area, are not supplied from Kielder and problems of excess demand may arise there. Recent shortages have been corrected by borehole development and a factory closure, but such problems could reappear if industrial conditions change. Northumbria Water also reports a tourist-related deficit of supply in critical periods.

## **2.3 Environment and Heritage**

The wide diversity of the region’s land resources deserves emphasis. From the high urban densities of towns such as Hexham, Morpeth, Barnard Castle, Guisborough and Saltburn to the remote sparsely settled northern uplands, there is encompassed the range of densities found in non-metropolitan England. This is matched by the full range of

agricultural uses from the arable areas of North Northumberland through the dairying of County Durham to the extensive beef and sheep rearing areas of the hills. Beyond that, the coniferous forests of North Northumberland dominate large areas of the uplands. The natural environment is complemented by a rich heritage of historic monuments and buildings. Both are vital assets for the region's tourism industry.

Table 2.1 details the main environmental designations that apply to rural land in the region. There is some overlap. For example, ESAs may include SSSIs, and both could occur within National Parks or AONBs. Overall, about half of the land in the North East 'Counties' is covered by one or more of these designations which is higher than for England as a whole. This is mainly due to the substantial areas under National Park and AONB designations which reflect the environmental attractions of the region. A high proportion of the designated land - about a quarter - is of ecological significance (classed as SSSI). These various designations register particular planning constraints, but may also attract public money into the region. For example, National Parks, SSSIs, ESAs and Community Forests all attract funding to support their specific purposes.

The environmental quality of the rural areas in the region is an important factor in the attractiveness of the area for mobile industry and individuals, especially in terms of residential preferences and much of the area nearest the conurbations acts as a dormitory zone for professional workers. Much of the region's key tourist sites are also located in the rural parts of the Region.

### **3 THE RURAL WORKFORCE**

This section provides an overview of the current data available on the rural North East workforce, including appropriate comparators where possible. It covers the following aspects: first, long term trends in rural employment; second, employment trends in the 1990s; third, the pattern of labour supply including the extent of hidden unemployment in the rural areas; and finally the aggregate output per head of the rural workforce.

The majority of the data for this section is taken from National On-line Manpower Information System (NOMIS). Wherever possible, data have been extracted specifically for the rural areas of the North East. However due to the nature of the NOMIS database, rural analysis is not always straightforward. It must be emphasised that the figures for the rural North East only include employees and exclude the self-employed. It is difficult to provide reliable numbers of the self-employed and those employed in firms with less than 10 employees (so-called micro-businesses) since they are usually excluded from the (national) databases. Given the predominance of such forms of employment in rural areas and particular rural sectors, such as agriculture and tourism, there are significant limitations with the information from NOMIS in trying to characterise rural labour markets.

#### **3.1 Long Term Trends in Employment**

The major difficulty in attempting to trace the trend in employment of rural wards back to 1971 is the successive redefining of sub-regional boundaries. In consequence, there has been a complete change in the areal units for which data is available. The ward system, although frequently changed



since, extends back only to 1984, whereas data for local authority districts (LADs) have been available since 1981. To overcome the problem of establishing longer term trends a partial, approximate match of areas has been employed.

**Table 3.1 Partial Estimates of Rural Employment from Rural Job Centre Returns**

	County Durham	Northumberland	Tees Valley	Rural North East
1971	18,100	33,700	10,700	62,500
1981	13,100	38,500	13,200	64,900
1991	13,100	39,100	15,070	67,260

Source: NOMIS, 1999.

The previous basis for employment data comprised the areas administered by Job Centres, for which data remained available on NOMIS from 1971 until 1991. Grouping together Job Centre areas (on the fixed definition of 1985) to attain the best-fit to the Rural Wards is achieved with varying degrees of success (see Table 3.1). Many rural employees, though, are registered at urban Job Centres. Thus the combined rural Job Centres count for the region for 1991 of 67,260 is just over half the total of 125,500 from the Census of Employment. The information presented for County Durham is particularly partial with the rural Job Centres recording only a quarter of the number from the Census. This compares with coverage of two-thirds of the rural total for Northumberland and 87 per cent for Tees Valley.

Table 3.2 compares long-term trends in rural employment and regional employment in the North East. Over the period 1971-96, rural employment in the region grew by 13.2 per cent compared with a decrease of 4.8 per cent in regional employment. Rural employment has grown throughout this

period just as regional employment has fallen. However the rural growth has been very uneven. Strong net growth in rural Northumberland and Tees Valley contrasts with a marked reduction for rural County Durham concentrated in the 1970s (mainly from mine and factory closures). The overall growth also conceals a general reduction in jobs in the primary sector. The strong growth in employment in the Tees Valley was particularly associated with the outward movement of the Teesside population to new housing in rural settlements and peripheral estates and the associated growth in service employment. There was a similar shift from Tyneside to Southern Northumberland. Parts of the rural region have benefited from regional development funds over this period which have tended to support light industries as well as improvements in infrastructure and training.

**Table 3.2 Long-Term Trends in NE Rural and Regional Employment (percentage changes)**

	Rural County Durham	Rural Northumberland	Rural Tees Valley	Rural NE	NE Region
1971-81	-27.6	14.2	23.4	3.7	-1.3
1981-91	0	1.6	14.2	3.8	-1.1
1991-96	-0.4	3.8	25.9	5.2	-2.4
1971-96	-27.9	20.4	77.3	13.2	-4.8

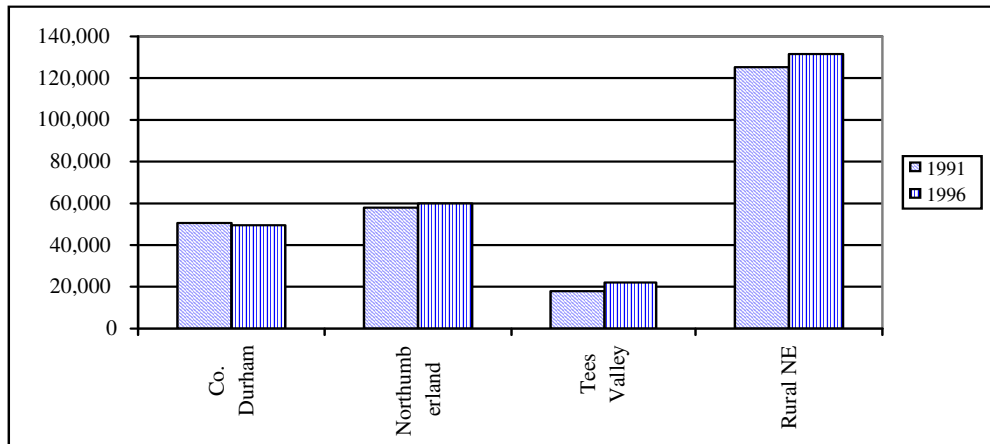
Source: Tables 1.2, 3.1 and 3.3

### **3.2 Recent Employment Trends**

This section deals with the number and distribution of jobs in the rural North East. Estimates have been calculated by aggregating data from the ward level up to the county and regional levels. This produces the best estimates that are available specifically relating to the rural areas of the

region. The employment levels in the rural North East are illustrated in Figure 3.1.

**Figure 3.1 Employment in the Rural North East, 1991-1996.**



Total employment in the rural North East was 125,500 in 1991 and 132,100 by 1996. This represented an increase of 5.3 per cent. Employment has grown substantially across the country since the recession of the early 1990s. Both rural and urban areas have benefited from this employment growth, but coalfield areas have not (Cabinet Office 2000, p.39). By 1996 the rural workforce accounted for 13 per cent of the total employment in the North East Region. There are wide variations across the region: in Northumberland 60 per cent of the labour force work in the rural areas; in County Durham it is 31 per cent; and in Tees Valley only 9 per cent.

Table 3.3 breaks down these totals by sector. Manufacturing is the largest employer in the rural North East, with a labour force in 1996 of 25,500, representing 19 per cent of rural employment. The health and social work sector is the second largest at 13 per cent with 16,800 workers. The third largest at 12 per cent is wholesale, retail and repair

with 16,400 employees in 1996. Agriculture and fishing only account for around 9 per cent of the total number of employees in the rural North East and this share continues to decrease. A decline in hired agricultural employment contrasts with the relative stability in the number of farmers (Ward and Lowe 1999).

**Table 3.3 Employment in the Rural North East by Industrial Sector, 1991-1996.**

	1991					1996				
	Co. Durham	N'land	Tees Valley	Rural North East	per cent	Co. Durham	N'land	Tees Valley	Rural North East	per cent
Agriculture and Fishing	5,100	6,500	1,100 <sup>2</sup>	12,700	10.1	4,200 <sup>2</sup>	6,200	1,700	12,100	9.2
Mining and Quarrying	4,000	2,600	900	7,500	6.0	500	2,400	1,000	3,900	3.0
Manufacturing	12,600	8,400	3,000	24,000	19.1	14,300	6,900	4,300	25,500	19.3
Utility supplies	100	100	0	300	0.2	0	200	100	300	0.2
Construction	3,600	2,400	1,100	7,100	5.7	3,100	2,900	500	6,500	4.9
Wholesale, retail, repair	5,600	7,000	2,200	14,800	11.8	5,400	8,300	2,700	16,400	12.4
Hotels and Catering	2,600	4,400	1,600	8,600	6.9	2,900	4,800	1,700	9,400	7.1
Transport and communications	2,300	2,300	1,100	5,600	4.5	2,200	1,800	900	4,900	3.7
Financial services	500	1,000	200	1,600	1.4	400	1,000	300	1,700	1.3
Real estate and business services	2,000	2,900	1,100	6,000	4.8	2,900	3,200	4,000	10,100	7.7
Public administration & defence	1,600	5,000	400	7,000	5.6	1,900	6,500	300	8,700	6.6
Education	3,100	5,500	2,000	10,600	8.4	2,600	6,300	1,300	10,200	7.7
Health and social work	5,400	7,900	2,100	15,400	12.3	7,500	6,900	2,400	16,800	12.7
Other community/personal	1,700	1,900	600	4,200	3.3	2,100	2,700	700	5,500	4.2
Total rural employment	50,200	57,900	17,400	125,500	100	50,000	60,100	21,900	132,000	100
Rural employment as per cent county total.	30	57	7	12		31	60	9	13	

Source: Census of Employment, 1991 and Annual Employment Survey, 1996.

NOMIS 1999. Agricultural Census, MAFF, various years.

<sup>1</sup>Includes Darlington.

<sup>2</sup>Excludes Darlington.

The gain of 5.3 per cent in jobs from 1991 to 1996 in the rural wards arises partly from the development of new industrial estates and business parks between the Tyne and the Tees and some development in parishes around Stockton and Darlington. This helps to explain the increase of 1,500 (7 per cent) in manufacturing and of 1,500 (10 per cent) in the wholesale, retail and repair sectors. The growth of 1,700 (24 per cent) in public administration, and of 1,400 (9 per cent) in health and social work reflect the trend to decentralisation of larger public services to the population they are serving, in parallel with the growth of other community and personal services by 1,300 (31 per cent). Perhaps the most encouraging features of the pattern of employment growth are the steady increase in the hotel and catering sector across the rural North East (up by 9 per cent) and the sharp increase in the business services sector (up by 68 per cent) reflecting a strong tendency towards the outsourcing and decentralisation of such services which has latterly benefited employment in the North East more generally (e.g. the establishment of call centres).

### **3.3 The Pattern of Labour Supply**

#### *Economic Activity Rates across Rural Local Authority Districts*

Details of the economically active population and activity rates for the rural Local Authority Districts in the North East are given in Table 3.4. In the rural areas the small population of economically active means that often only the all-workers statistics (without a gender breakdown) are reported. The activity rates of people of working age range from 64.5 per cent in Castle Morpeth to 89 per cent in Teesdale. Possible explanations for the considerable variation include the degree of economic necessity

for the full employment of both sexes within households, as well as the levels of self employment and the size of the black economy. The higher activity rates are found in the remoter districts, including Berwick, Teesdale and Tynedale, and the lower activity rates in the more industrialised districts such as Easington, Sedgfield, Castle Morpeth and Redcar and Cleveland. Castle Morpeth and Easington, indeed, have the lowest activity rates amongst English rural districts (Cabinet Office 2000, p.40).

**Table 3.4 Economically Active Population and Activity Rates, by Rural Local Authority Districts<sup>1</sup>**

County	Rural District	All working age (per cent)	Male working age (per cent)	Female working Age (per cent)
County Durham	Derwentside	37,000 (72.8)	21,000 (76.8)	16,000 (68.1)
	Easington	34,000 (65.5)	17,000 (67.1)	17,000 (64.0)
	Sedgfield	35,000 (68.0)	21,000 (78.7)	14,000 (56.7)
	Teesdale	13,000 (89.0)	na <sup>2</sup>	na <sup>2</sup>
	Wear Valley	33,000 (80.6)	20,000 (84.7)	13,000 (74.8)
N'land	Alnwick	13,000 (69.7)	na <sup>2</sup>	na <sup>2</sup>
	Berwick-upon-Tweed	14,000 (83.1)	na <sup>2</sup>	na <sup>2</sup>
	Castle Morpeth	15,000 (64.5)	na <sup>2</sup>	na <sup>2</sup>
	Tynedale	26,000 (81.5)	13,000 (80.7)	13,000 (82.4)
Tees Valley	Redcar & Cleveland	60,000 (69.5)	34,000 (72.3)	26,000 (66.2)

Source: NOMIS, 1999.

<sup>1</sup> November 1998.

<sup>2</sup> Missing data are due to small sample sizes.

In some areas, but with different patterns between the sexes, significant numbers of people have withdrawn from the labour market, either permanently or temporarily. This used to be a characteristic of female workers particularly in rural areas but in recent years groups of male workers have also become detached from the labour market and are part

of the “hidden unemployed” (Beatty and Fothergill 1999). This is particularly marked in the former rural coalfields. Female activity rates vary more strongly than do male rates and this accounts for some of the variation between districts. In all the rural districts, with the exception of Tynedale, the male rate is greater than the female one: the biggest gap between the two is in Sedgefield where such male-oriented sectors as manufacturing, construction and transport and communications are prominent in the local economy. The feminisation of the workforce (see Section 4.1 above) is leading to a convergence of female and male activity rates.

### *Rural Unemployment*

Unemployment data available for the rural areas is limited. In the region’s Rural Development Areas (with the exception of Redcar and Cleveland RDA), recorded unemployment levels have been below the national and regional averages (see Table 3.5 and Figure 3.2).

**Table 3.5 Recorded and Real Unemployment Rates in the Rural Development Areas of the North East, 1991**

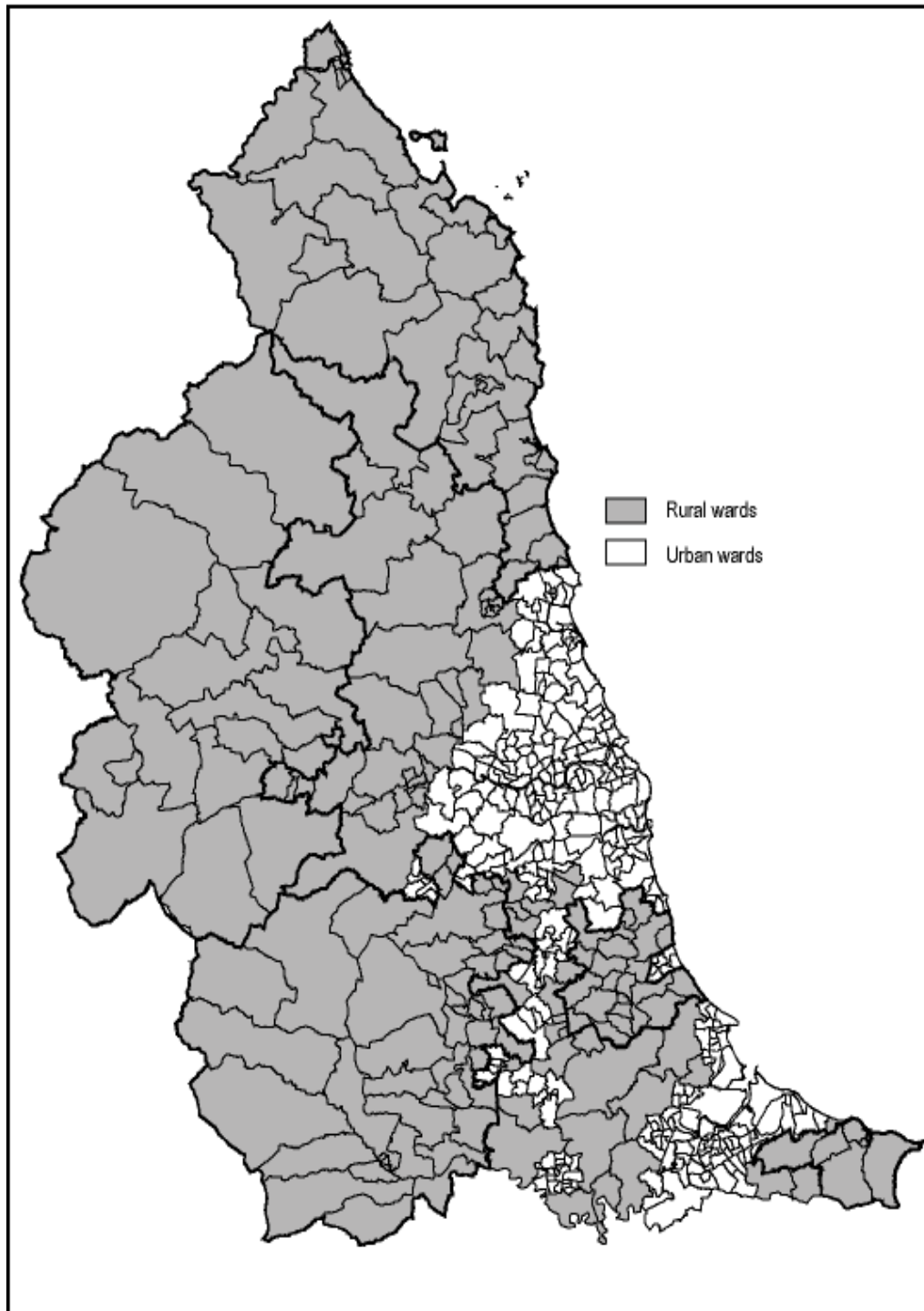
	Recorded Unemployment (Per cent)		Real Unemployment <sup>1</sup> (Per cent)	
	Male	Female	Male	Female
<b>County Durham RDA</b>	11.9	4.0	25.9	15.3
<b>Northumberland RDA</b>	10.2	5.2	14.1	8.7
<b>Cleveland RDA</b>	16.2	5.9	23.6	13.8

Source: Beatty and Fothergill, 1997.

<sup>1</sup>Defined as the percentage of the economically active plus the hidden unemployed.

However, actual unemployment is under-represented in rural areas by the traditional measure of the claimant count. Recent research has drawn attention to the growing trend of male detachment from the labour market in rural areas, where many men are classified as long-term sick or

Figure 3.2 Rural Development Areas





disabled, unemployed or early retired (Beatty and Fothergill 1997, 1999). Table 3.5 gives figures for the North East RDAs adjusted to include measures of hidden unemployment. The resultant ‘real’ unemployment levels are significantly higher than those recorded in the claimant count. The apparent lower levels of rural unemployment disappear. The worst levels of real unemployment are in the rural areas of County Durham.

### *Income Levels*

Income levels are important outcomes and determinants of the prosperity of an area. The average earnings levels for County Durham, Northumberland and Redcar and Cleveland are presented in Table 3.6. The statistics are not specific to the rural areas. They are presented alongside North East and England-wide comparators. The earnings for all three areas are considerably less than the English average and only Redcar and Cleveland receives more than the North East average due to the influence of industrial incomes. Northumberland has the lowest male earnings figure and County Durham the lowest female earnings in the region. Overall, Northumberland has the lowest wage levels amongst English counties apart from Cornwall.

**Table 3.6 Gross Weekly Full-Time Earnings (£) by Local Authority Areas, April 1997.**

	Average Gross Weekly Full-Time Earnings (£)						
	Male			Female			All persons
	Average	Bottom 10 per cent	Top 10 per cent	Average	Bottom 10 per cent	Top 10 per cent	
County Durham	356.6	187.7	537.1	260.8	141.1	418.0	322.1
Northumberland	332.2	177.5	507.4	266.1	140.0	417.5	304.4
Redcar and Cleveland	406.7	201.4	571.1	na <sup>1</sup>	na	na	330.2
North East	380.1	184.3	557.2	269.0	143.3	431.2	327.6
England	414.0	200.0	667.1	301.3	156.1	479.9	372.7

Source: ONS Regional Trends, 33 (1998).

<sup>1</sup>Not available due to small sample size

### 3.4 Aggregate Output per Head

During the 1980s and 1990s GDP per head in the North East has dropped below 90 per cent of the EU average and has stayed there subject to some variation over time. The peaks and troughs reflect variations between the business cycle in the UK and other main EU economies but with a ‘natural’ position of around 87 per cent. Aggregate GDP is officially estimated for counties. The GDP per head for Northumberland is 81 per cent of the UK average, and for County Durham is 74 per cent. There are no published measures of GDP below this level. Aggregate GDP for the rural Region has therefore been estimated for this study by apportioning each county GDP between its rural and urban workforces according to their relative size (Table 3.7). This implicitly assumes that GDP per head is the same in the rural and urban areas of the region - an arguable assumption.

**Table 3.7 Estimated GDP, North East Region and Rural North East (1995)**

	Total GDP £ million	Labour force		Estimated Rural GDP £ million	Rural as per cent of Total	Estimated Rural GDP £ per head
		Rural Region	Whole Region			
<b>Northumberland</b>	2,549	50,000	146,000	872.9	34.2	5,310
<b>Durham</b>	4,862	60,100	279,000	1,047.3	21.5	4,708
<b>Redcar &amp; Cleveland</b>	5,130	21,900	235,000	478.1	9.3	6,959
<b>Tyne &amp; Wear</b>	8,610		505,000			
<b>Total</b>	21,151	132,000	660,000	2,398.3	11.3	5,265

Source: Regional Trends and NOMIS.

The estimated £5,265 for the rural North East GDP is well below the North East regional average of £8,641 and even further behind the UK

estimate of £10,166 for 1995 (Regional Trends, 1998). Such estimates should be interpreted carefully as they are crudely derived. Although the ranking of Local Authority Areas they indicate in terms of income per head is plausible, the absolute levels of income in the rural areas seem low. This may be because those commuting out of the rural areas tend to be highly paid whilst those travelling into the rural region are lower paid (Section 4.3). It also reflects the somewhat lower activity rates and larger family sizes in the rural areas. Fundamentally it also reflects the fact that the region's GDP is relatively concentrated in the urban areas of the region, for example, in the capital-intensive industry in Cleveland or the high value-added services in Newcastle.

## 4 SOCIAL AND GEOGRAPHICAL DYNAMICS

### 4.1 Distribution of Employment by Gender and Employment Status.

This section analyses the composition of rural employment in the North East. Tables 4.1 and 4.2 present the distribution of jobs by sector, gender and employment status. In 1991, 55 per cent of employees were men and 72 per cent of jobs were full-time. Male employment dominates in primary and secondary occupations including agriculture and fisheries, energy and water, construction, transport and communications and manufacturing. Employment in these sectors is also predominantly full-time. Female representation is high in the tertiary sector, for example in sales and food, public services and consumer services. Part-time employment is also more significant in these sectors.

**Table 4.1 Sectoral Distribution of Employment in the Rural North East, by Gender and Employment Status, 1991**

Sector	Male	Female	Full-Time	Part-Time	Male per cent	Full-Time per cent
<b>Agriculture &amp; Fisheries</b>	10,300	2,400	10,700	2,000	81	84
<b>Energy and Water</b>	7,600	200	7,800	0	97	99
<b>Manufacturing</b>	15,900	8,000	22,500	1,500	66	94
<b>Construction</b>	6,600	500	6,800	300	93	96
<b>Sales and food</b>	8,700	14,600	11,600	11,800	37	49
<b>Transport and communications</b>	4,700	1,000	4,800	800	83	85
<b>Producer services</b>	3,900	3,800	5,500	2,200	51	71
<b>Public services</b>	9,500	23,400	18,900	14,000	29	57
<b>Consumer services</b>	1,800	2,400	2,300	1,900	42	55
<b>Total</b>	69,000	56,300	90,900	34,500	55	72

Source: Census of Employment, 1991. NOMIS 1999.

Changes in the employment distribution (Tables 4.1 and 4.2) reveal certain trends. The number of full-time jobs is falling along with the

number of male employees while part-time working and levels of female employment are growing. Men predominate in all the declining sectors in the rural North East. Women predominate in most of the expanding sectors. The expanding sectors are also those with the greater proportion of part-time workers.

**Table 4.2 Sectoral Distribution of Employment in the Rural North East by Gender and Employment Status, 1996.**

Sector	Male	Female	Full-time	Part-time	Per cent Male	Per cent Full-Time
<b>Agriculture &amp; Fisheries</b>	9,800	2,300	7,700	4,400	81	64
<b>Energy and Water</b>	4,000	200	4,100	0	96	99
<b>Manufacturing</b>	18,000	7,500	23,500	2,000	71	92
<b>Construction</b>	5,800	700	6,000	500	89	93
<b>Sales &amp; food</b>	9,700	16,100	12,800	13,000	38	50
<b>Transport and communications</b>	3,800	1,100	4,000	800	78	83
<b>Producer services</b>	4,600	7,200	6,800	5,000	39	58
<b>Public services</b>	9,900	25,700	21,700	13,900	28	61
<b>Consumer services</b>	2,300	3,200	2,700	2,800	42	49
<b>Total</b>	67,900	64,000	89,300	42,400	51	68

Source: Annual Employment Survey, 1996. NOMIS 1999.

Just because the growth in female employment or of part-time employment accounts for more than all the net growth in employment, it cannot necessarily be assumed that female employment growth is all part-time, nor that male decline is all from the full-time category. Undoubtedly, these are predominant tendencies. But the examples of manufacturing - where the proportion of both male employment and part-time employment have increased - and of the public services - where the reverse has occurred - point to other, if less powerful, tendencies.

The comparison between the rural North East, the North East Region and Great Britain (Table 4.3) reveals a number of interesting similarities but also some important differences in the distribution of employment. The feminisation of the workforce in the North East and especially the rural North East is occurring in a particularly segregated manner. Those sectors where men predominate nationally (agriculture and fisheries, energy and water, manufacturing, construction and transport and communications) are more male-oriented in the North East, and in three of these sectors (energy and water, construction and transport and communications) even more so in the rural North East. These sectors have particularly high levels of full-time work. Conversely, those sectors where women predominate nationally (sales and food, and producer, public and consumer services) are more female-oriented in the North East and in all of them (except sales and food) the rural North East is even more female oriented. These sectors have particularly high levels of part-time work.

**Table 4.3 Comparison of the distribution of Employment by Sector, Gender and Employment Status for the Rural North East, the North East and Great Britain, 1996**

Sector	Per cent Male			Per cent Full-Time		
	Rural North East	North East	Great Britain	Rural North East	North East	Great Britain
<b>Agriculture and Fisheries</b>	81	81.0	76.4	64	64.0	76.3
<b>Energy and Water</b>	96	82.6	80.6	99	95.5	96.2
<b>Manufacturing</b>	71	73.6	71.5	92	73.2	93.1
<b>Construction</b>	89	87.9	82.9	93	93.6	92.2
<b>Sales and Food</b>	38	37.1	44.6	50	48.1	56.0
<b>Transport and communications</b>	78	75.2	74.2	83	86.2	88.7
<b>Producer services</b>	39	41.1	46.5	58	64.2	70.1
<b>Public services</b>	28	30.0	30.4	61	62.8	62.3
<b>Consumer services</b>	42	43.3	44.8	49	53.6	59.7
<b>Total</b>	52	49.7	50.3	68	69.6	71.0

Source: Annual Employment Survey, 1996. NOMIS 1999.

## 4.2 Differential Trends in the Remoter Areas and the Coalfield Districts

Specific information is available for those parts of the rural North East designated as Rural Development Areas (RDAs) which are largely the remoter rural areas of the region but also include the former coalfield and industrial areas of East Durham, Central Northumberland and East Cleveland (see Figure 3.2). The rural North East overall has seen the number of jobs increase at a somewhat faster rate than the North East RDAs over the period 1991-1996 (Table 4.4). The rate for the RDAs was similar to what it had been in the mid and late 1980s, and was in keeping with the trend for the English RDAs as a whole (Beatty and Fothergill, 1997). In manufacturing - the largest employment sector in the rural North East - the Rural Development Areas have experienced stronger growth than the rest of the rural North East, although starting from a lower base. RDA policy encouraged advance factory building and British Coal Enterprise, set up in the wake of the 1980s miners' strike to bring alternative employment to coalfield areas, also focussed on manufacturing employment (Fothergill and Guy 1994). Conversely, the

**Table 4.4 Comparison of Job Growth Rates in the Rural Development Areas of the North East and the rural North East.**

	Average annual per cent change in employee jobs		
	North East Rural Development Areas		Rural North East
	1984-91	1991-96	1991-1996
<b>Total employees</b>	+0.7	+0.8	+1.0
<b>Manufacturing</b>	+3.5	+2.0	+1.3
<b>Females</b>	+2.3	+2.0	+2.9
<b>Part-time</b>	+2.8	+2.6	+3.4

Source: NOMIS, 1999.

higher growth rates in the rest of the rural North East (mainly the more accessible parts) have been much more due to non-manufacturing employment, largely in the service sector. Thus the rest of the rural North East has exhibited, more strongly than the RDAs, the trend towards more flexible working patterns with larger increases in female and part-time working.

For those areas with strong mining traditions, the closure of the mines has had a profound effect (Coalfields Task Force 1998). These areas are not necessarily geographically remote, but their historic legacy as relatively self-sufficient, single industry and socially homogeneous communities has given them an air of isolation. Many of the settlements are now shrunken, but many were thriving towns in their day. Facilities and services have declined, shops and businesses have closed down and the physical environment is scarred by the legacy of derelict buildings, boarded up shops, gap sites, deterioration of colliery housing and neglected local welfare halls. These settlements are characterised by very high levels of unemployment (particularly among men), a low skills base, low incomes and poor health. They also exhibit a vicious circle of a lack of local opportunities, poor educational and training qualifications, and alienation among young people, as well as an ageing population (LIA Consultancy 1998).

### **4.3 Commuting Patterns in the North East**

The analysis of commuting flows can provide an insight into the relationships between urban and rural areas. This section of the report explores the evidence on commuting flows in the North East from the 1991 Census. The analysis follows the distinction between urban and



rural wards laid down for the study as a whole. These distinctions are inevitably rather arbitrary. For example, the study's definition of rural areas includes several villages in County Durham that are interspersed between nearby urban areas and which are almost pre-determined to have substantial commuting flows to urban areas. To shed light on the variety of urban-rural relationships, both urban and rural areas have been grouped to emphasise some key contrasts within the region:

- the rural areas have been sub-divided so as to distinguish between the more remote areas and those which are more accessible to urban areas;
- the remote and accessible sets of rural areas have each been further broken down into three groups covering the north, the middle and the south of the region; and
- four groups of urban areas have been distinguished so that, for example, flows to Tyneside or Teesside can be measured separately.
- Appendix 2 gives the precise definitions of the Zones that make up these area groupings.

One key advantage of the Census information is that it can be disaggregated so that the flows of distinct sub-groups can be highlighted and compared. As a result, particular attention can be focused on the numbers and occupational group of long distance commuters. Appendix 3 provides the definition of the occupation groups used in the analyses.

### *Destinations of commuters*

Appendix 4 provides the raw datasets of commuting flows between the 10 Zones defined for this report, plus the rest of Britain (which is Zone 11). Table 4.5 first considers where people work - whether in the Zone where they live, and whether the Zone is urban or rural. The first data column shows the expected contrast between the three remote rural Zones and those rural Zones that are located near to urban areas - people who live in remote rural areas are much more likely to work there, compared to their accessible rural counterparts. Over 70 per cent of the workers living in each of the remote rural Zones work in the same Zone, whereas in the more accessible areas less than half the residents work locally.

The third column shows a strong flow of commuters to urban areas from the North East's accessible rural areas. Even so, the residents of these Zones still find between 40 and 60 per cent of their jobs in rural areas. This is almost always in the Zone where they live. By comparison 80 to 90 per cent of remote rural Zone residents also work in a rural area, but with rather more of them commuting to another rural Zone (NB. the large flow out from Upper Tynedale is predominantly to Lower Tynedale). Finally the fourth column shows that the more remote rural areas in Northumberland are somewhat unusual in that around 1 in 20 of their residents work outside the region - no doubt largely due to travel from these areas to Cumbria and across the Scottish border. East Cleveland experiences a similar level of out-of-the region commuting, in this case presumably into Yorkshire. While significant minorities are thus travelling considerable distances to work, others are dependent on localised employment. For example, 32% of people living in

Northumberland travel less than 2 kilometres to work and 57% travel less than 4 kilometres.

**Table 4.5 Destinations of Commuters**

Destinations of workers living in:		Per cent who work in:				Total* resident workforce
		the same Zone	(other) rural Zones	(other) urban Zones	outside North East	
<i>remote rural areas</i>	North Northumberland	<b>80.3</b>	<b>6.9</b>	8.0	4.8	21,800
	Upper Tynedale	<b>71.2</b>	<b>17.6</b>	5.9	5.3	5,630
	Upper Tees & Wear Dales	<b>74.0</b>	<b>6.0</b>	17.4	2.6	9,860
<i>accessible rural areas</i>	Lower Tynedale & Morpeth	<b>57.0</b>	<b>4.3</b>	36.4	2.2	37,680
	Rural Durham etc	<b>39.2</b>	<b>2.0</b>	56.5	2.2	87,670
	Rural East Cleveland	<b>46.3</b>	<b>0.1</b>	47.1	6.4	17,370
<i>urban areas</i>	Urban Northumberland	55.4	<b>11.2</b>	31.8	1.5	55,220
	Tyneside	88.7	<b>2.1</b>	7.4	1.9	290,020
	Urban Durham etc	76.0	<b>6.4</b>	15.1	2.6	262,310
	Teesside	89.3	<b>2.7</b>	4.6	3.3	142,670

[**BOLD: flows to rural Zones**]

\* after grossing-up the 10 per cent sample

Table 4.5 also shows the extent to which the residents of urban areas are dependent on jobs in rural areas. The second column indicates that relatively few urban residents commute to work in rural areas. The main exception is Urban Northumberland from where there is a substantial flow to the rural zone of Lower Tynedale and Morpeth: most of this, though, is accounted for by commuting from the former coalfield settlements of South-East Northumberland to the county town of Morpeth. More clear-cut cases of urban out-commuting are from the

‘Urban Durham, etc.’ zone which includes Sunderland and Hartlepool as well as Darlington and the medium-sized County Durham towns. This zone relies on rural areas for 6.4 per cent of its residents’ jobs. Thus it could be said that if the rural areas were not providing these jobs, this zone’s unemployment rates would be over 6 percentage points above the already very high levels.

### *The Origins of Commuters*

Table 4.6 reverses the analysis by expressing the flows as proportions of all those who work at each zone’s workplaces. For all the rural zones, except for Upper Tees and Wear Dales, the proportion of jobs that are taken locally is higher than the proportion of working residents that work locally. This reflects the fact that for these rural zones the resident workforce exceeds the number of local jobs (compare the final columns of Tables 4.5 and 4.6). The largest proportional discrepancies (compare the first columns in the two Tables) are for rural Durham and East Cleveland, showing their strong net dependency on urban commuting. Lower Tynedale and Morpeth, by comparison, is shown to be a very open labour market with strong flows of workers both in and out of the zone. The three remote rural areas, in contrast, have rather self-contained labour markets with limited inflows and outflows. North Northumberland’s is the most self-contained reflecting its geographical isolation which is reinforced by poor transport connections (the zone includes the only stretches of the A1 that have not been dualled). Upper Tynedale is the remote area most dependent upon commuting, largely into Lower Tynedale but also to the Tyneside conurbation and over into Cumbria. Upper Tees and Wear Dales, on this evidence, has the strongest local labour market, with greater inflows than outflows including flows from

former mining areas in rural Durham to a small number of large employers in the Barnard Castle area.

**Table 4.6 Origins of Commuters**

Workers working in:		Per cent who live in				Total* jobs at work places
		the same Zone	(other) rural Zones	(other) urban Zones	outside North East	
<i>remote rural areas</i>	North Northumberland	<b>88.3</b>	<b>5.1</b>	2.6	4.0	19,820
	Upper Tynedale	<b>83.0</b>	<b>12.2</b>	2.3	2.5	4,830
	Upper Tees & Wear Dales	<b>73.2</b>	<b>15.2</b>	10.1	1.4	9,970
<i>accessible rural areas</i>	Lower Tynedale & Morpeth	<b>59.8</b>	<b>7.7</b>	32.1	0.4	35,900
	Rural Durham etc	<b>63.9</b>	<b>1.2</b>	33.7	1.2	53,870
	Rural East Cleveland	<b>75.4</b>	<b>0.4</b>	19.2	5.1	10,660
<i>urban areas</i>	Urban Northumberland	80.2	<b>8.1</b>	11.3	0.5	38,130
	Tyneside	79.2	<b>5.2</b>	14.7	0.8	324,490
	Urban Durham etc	74.3	<b>15.8</b>	8.4	1.5	268,190
	Teesside	81.2	<b>8.1</b>	6.5	4.2	156,960

[**BOLD: flows from rural Zones**]

\* after grossing-up the 10 per cent sample Occupation groupings

Table 4.6 also shows that rural residents make up a proportion of the workforce at urban workplaces which rises from the 5 per cent across the Tyneside conurbation to over 15 per cent in Durham's urban areas. The third column is particularly interesting, showing that around a third of all the people who work in the accessible rural areas of Northumberland and Durham in fact live in urban areas.

### *Occupational Stratification of Commuting Flows*

Table 4.7 breaks the labour-force down into four broad occupational groupings (see Appendix 2). In this analysis - unlike in Tables 4.5 and 4.6 - the values in each row do not sum to 100 per cent because each percentage value shown relates to a different labour-force grouping. For example, the bottom row reveals that rural areas provide less than 1 in 30 of the jobs held in each of the four occupational groupings by Teesside residents. Three key findings emerge from this analysis. First, the stereotype of the well-paid resident of attractive upland areas commuting to far-away cities is not very relevant to the North East case. Well over 70 per cent of the managers and professionals living in remote rural Zones work in a rural area. In contrast, between 56 and 71 per cent of the managers and professionals living in accessible rural zones work in urban areas.

Second, the less well-off from the rural areas are less likely to commute, as shown by the rising values from left to right in Table 4.7 which is particularly pronounced for the accessible rural areas. The most extreme example is Rural East Cleveland where three-quarters of the low-paid 'Agricultural and other' grouping find work locally, compared with less than 30 per cent of their neighbours who have 'Managerial or (semi-) professional' occupations.

**Table 4.7 Proportion of Residents Working in a Rural Area, by Occupational Grouping**

Workers living in:		Per cent who work in a rural area			
		Managerial & (semi-) professional	Junior non-manual	Manufacturing related	Agricultural & other
<i>remote rural areas</i>	North Northumberland	79.1	89.3	90.5	95.4
	Upper Tynedale	80.3	90.2	94.1	95.2
	Upper Tees & Wear Dales	71.9	82.8	82.8	92.6
<i>accessible rural areas</i>	Lower Tynedale & Morpeth	44.4	69.6	73.6	90.6
	Rural Durham etc	36.5	39.0	43.5	54.3
	Rural East Cleveland	29.4	57.5	44.8	74.9
<i>urban areas</i>	Urban Northumberland	9.3	10.6	10.0	21.4
	Tyneside	2.9	1.5	2.2	1.6
	Urban Durham etc	6.4	4.8	8.7	6.2
	Teesside	3.1	2.5	2.9	2.2

Finally, urban out-commuting is not similarly stratified by occupation. From both Urban Northumberland and Urban Durham there are quite significant flows of workers in lower paid occupational groupings to rural areas. For example, nearly 9 per cent of Urban Durham residents with manufacturing jobs work in a rural area. Some of these jobs have been provided by inward investors who have located on green-field sites and/or near motorway junctions. In this way, accessible rural areas can have a key role to play in the continuing economic development of the region and the provision of jobs for urban residents.

Table 4.8 calculates the extent to which rural areas house those in each occupational grouping who work in each part of the region. For example,

the Urban Northumberland figures reveal that just over 5 per cent of the ‘middle ranking’ jobs in this zone are held by rural residents and 17 per cent of the managerial and professional jobs.

**Table 4.8 Proportion of workforce living in a rural area by occupational grouping**

Workers working in:		Per cent who live in a rural areas			
		Managerial and (semi-) professional	Junior non-manual	Manufacturing related	Agricultural & other
<i>remote rural areas</i>	North Northumberland	92.3	94.0	92.5	95.4
	Upper Tynedale	91.8	95.3	97.2	97.4
	Upper Tees & Wear Dales	84.5	88.1	90.7	93.8
<i>accessible rural areas</i>	Lower Tynedale & Morpeth	70.2	69.2	62.0	66.5
	Rural Durham etc	62.5	69.0	61.6	72.5
	Rural East Cleveland	66.7	78.9	73.8	87.7
<i>urban areas</i>	Urban Northumberland	17.0	5.5	5.1	2.4
	Tyneside	10.1	3.5	2.9	1.8
	Urban Durham etc	16.2	15.0	17.4	13.3
	Teesside	12.1	6.0	7.8	3.5

From Table 4.8, three key trends can be discerned. First, the much greater likelihood of longer-distance commuting by the better off compared with the lower paid is seen once again. However, the contrast is less strong in remote rural areas where rural residents take the vast majority of jobs of all types, including managerial positions. Second, for the accessible rural areas, the proportion of jobs taken by rural residents varies quite inconsistently between the occupational groupings. Significant proportions of manufacturing jobs in rural areas do not go to rural residents.



Finally, the data on jobs in urban areas indicates that Urban Durham relies on fairly substantial flows of commuters from rural areas for all types of jobs. The other urban areas conform more closely to the familiar pattern in which those with the best-paid jobs are by far the most likely to commute in from rural areas. To give a sense of scale to these percentage values, the 10 per cent of professional and managerial jobs on Tyneside which are held by rural residents amount to nearly 2,500 commuters from rural Zones into the conurbation (see Appendix 4 for detailed figures).

## **5 BUSINESS PERFORMANCE AND INFRASTRUCTURE**

This section examines aspects of business performance in the rural North East, including the formation and turnover of firms, inward investment and business development and support. Infrastructure underpins the ability of business in a region to create value, including land and premises and transport and communication networks. Finally business performance depends upon a skilled workforce.

### **5.1 Formation and Turnover of Firms**

The rate of formation and turnover of firms are indicators of the health of an economy. The most comprehensive official record of businesses, that is available to researchers, is based on VAT registrations. The lowest geographical unit presented in these statistics is the local authority district. This section presents data on new VAT registrations (Table 5.1), deregistrations (Table 5.2) and the stock of businesses (Table 5.3), for the North East Region and Rural Local Authority Districts in the Region. As only firms with a turnover in excess of a specified threshold have to register for VAT (£45,000 in 1994), these records omit very small enterprises, which may still make a substantial contribution to the economy. It is estimated that up to one half of all small businesses are not VAT registered (Daly 1991). This is a particular problem for those studying rural businesses as these tend to be smaller than urban firms and therefore less likely to be registered for VAT (Curran and Storey, 1993).

In the UK in 1997 there were 39 new VAT registrations for every 10,000 people aged 16 and over (Table 5.1). The highest registration rate was in London (66 per 10,000) while the lowest rate was recorded for the North

East (20). The long-term problem of low start-up rates in the North East persists and the region has fallen further behind the other poorly performing regions - Scotland, the North West and Northern Ireland.

**Table 5.1 Business Start-ups 1994-97 for the United Kingdom, the North East Region and Rural Local Authority Districts**

Area	Number of enterprises registering for VAT				Rate <sup>1</sup>
	1994	1995	1996	1997	1997
<b>United Kingdom</b>	168,240	163,960	168,200	182,570	39
<b>North East</b>	4,455	4,085	4,085	4,170	20
<b>NE Rural LADs</b>	1,275	1,140	1,075	1,160	21
<b>County Durham</b>	870	780	765	785	19
<b>Derwentside</b>	125	110	130	130	18
<b>Easington</b>	120	85	100	95	13
<b>Sedgefield</b>	175	170	130	155	22
<b>Teesdale</b>	85	70	55	65	33
<b>Wear Valley</b>	145	120	110	120	24
<b>Northumberland</b>	575	625	545	625	25
<b>Alnwick</b>	65	85	65	90	36
<b>Berwick-upon-Tweed</b>	60	70	55	70	31
<b>Castle Morpeth</b>	130	110	105	120	29
<b>Tynedale</b>	160	165	155	160	34
<b>Redcar &amp; Cleveland UA</b>	210	155	170	155	14

Source: DTI SME Statistics Unit, 1998.

<sup>1</sup>Registrations per 10,000 of the resident population aged 16 and over

Considering individual LAs within the North East, the three worst performers in 1997 were Easington (13 per 10,000), Wansbeck (13) and Redcar and Cleveland (14). All LAs in the region perform worse than the national average, although Alnwick (36) and Tynedale (34) are close to this average. The NE Rural Local Authority Districts overall perform slightly better than the North East as a whole, but the variations between

them are considerable: with Alnwick having almost three times the start-ups per (10,000) head of population as Easington. Indeed, there is a distinct divide between the traditional mining and industrial rural Districts to the East and South of the region, where start-ups are very low and the other rural LAs to the North and West where start-ups are relatively high.

**Table 5.2 Business closures 1994-97 for the United Kingdom, the North East Region and Rural Local Authority Districts**

Area	Number of enterprises deregistering for VAT				Rate <sup>1</sup>
	1994	1995	1996	1997	1997
<b>United Kingdom</b>	188,130	173,572	165,065	164,455	35
<b>North East</b>	5,150	5,055	4,505	4,390	21
<b>NE Rural LADs</b>	1,490	1,395	1,240	1,240	28
<b>County Durham</b>	1,010	955	865	820	20
<b>Derwentside</b>	180	160	130	130	18
<b>Easington</b>	140	145	120	120	16
<b>Sedgefield</b>	190	200	155	160	22
<b>Teesdale</b>	85	70	95	80	40
<b>Wear Valley</b>	170	135	135	145	29
<b>Northumberland</b>	665	700	630	605	24
<b>Alnwick</b>	85	75	65	70	28
<b>Berwick-upon-Tweed</b>	85	100	75	80	36
<b>Castle Morpeth</b>	120	125	105	125	31
<b>Tynedale</b>	180	165	165	165	35
<b>Redcar &amp; Cleveland UA</b>	255	220	195	165	15

Source: DTI SME Statistics Unit, 1998.

<sup>1</sup> Deregistrations per 10,000 of the resident population aged 16 and over

Regions with a consistently high registration rate also tend to have a high deregistration rate (Table 5.2). This reflects the short life span of many new enterprises: on average, ten to eleven per cent of all VAT registered enterprises deregister each year (Stanworth and Gray, 1991). So while

the North East has the lowest registration rate, it also has the smallest deregistration rate (21 per 10,000 of the resident adult population). The NE Rural Local Authority Districts as a whole also follow this trend in that the deregistration rate, like the registration rate is above the regional average. The highest deregistration rates in the region were recorded in Teesdale (40) and Tynedale (35) with the lowest figures posted for Blyth Valley (13) and Redcar and Cleveland (15).

These data can be put together to analyse changes in the stock of businesses (Table 5.3). For the period 1994 to 1997 the number of VAT registered businesses in the UK fell and this trend was replicated throughout the North East. However, considerable variations in relative falls are apparent. The negative percentage change in the North East (-4.7) is much greater than for the UK as a whole (-1.6). Within the North East only a marginal fall was recorded in Castle Morpeth. This may reflect the growth in population in this area with new service sector businesses serving the growing number of commuters. The greatest relative falls, in contrast, were in Easington, Redcar and Cleveland and Berwick-upon-Tweed, perhaps due to the knock-on effects of the closure or substantial job losses of major employers. Overall, the NE Rural Local Authority Districts performed slightly better than the North East as a whole, thanks largely to the low relative falls in Alnwick, Castle Morpeth and Tynedale, each of which did slightly better than the UK average for the period.

**Table 5.3 Changing Stock of Businesses, 1994-7 for the United Kingdom, the North East Region and Rural Local Authority Districts**

Area	Start year stock of VAT registered enterprises				Change 1994-1997	Per cent change
	1994	1995	1996	1997		
<b>United Kingdom</b>	1,629,235	1,609,335	1,600,065	1,603,200	-26,035	-1.6
<b>North East</b>	44,120	43,425	42,455	42,035	-2,085	-4.7
<b>NE Rural LADs</b>	14,845	14,615	14,350	14,185	-660	-4.4
<b>County Durham</b>	9,090	8,955	8,780	8,680	-410	-4.5
<b>Derwentside</b>	1,495	1,440	1,390	1,390	-105	-7.0
<b>Easington</b>	1,215	1,195	1,135	1,115	-100	-8.2
<b>Sedgefield</b>	1,560	1,550	1,520	1,495	-65	-4.2
<b>Teesdale</b>	1,195	1,190	1,190	1,150	-45	-3.8
<b>Wear Valley</b>	1,465	1,435	1,420	1,395	-70	-4.8
<b>Northumberland</b>	7,710	7,620	7,545	7,460	-250	-3.2
<b>Alnwick</b>	1,090	1,070	1,075	1,075	-15	-1.4
<b>Berwick-upon-Tweed</b>	1,160	1,130	1,105	1,085	-75	-6.5
<b>Castle Morpeth</b>	1,345	1,350	1,330	1,330	-15	-1.1
<b>Tynedale</b>	2,335	2,315	2,310	2,300	-35	-1.5
<b>Redcar &amp; Cleveland UA</b>	1,985	1,940	1,875	1,850	-135	-6.8

Source: DTI SME Statistics Unit, 1998.

If a healthy local economy is characterised by a high turnover but a sustained number of enterprises, then only Alnwick, Castle Morpeth and Tynedale would meet this standard. All the other rural LAs performed worse than the UK average. In Berwick and Teesdale the problem has been more to do with high deregistration rates, but in Derwentside, Easington, and Redcar and Cleveland the difficulty is more to do with low start-up rates. The rural areas that are performing badly include traditional mining and industrial areas as well as areas where major

employers have closed or substantially reduced their workforce. This reduces purchasing power in the local economy.

## **5.2 Inward investment**

The North East has for a long time been very successful at attracting mobile investment, although the investments made have frequently been in mature sectors. Although investing firms have often been very competitive themselves, in a number of cases the North East plants have been overlooked for reinvestment and then closed when the products became obsolete. The Region has been less successful in attracting new investment in the higher order corporate functions, in R&D, management and even the early stage manufacturing functions, which, once located, are much more permanent fixtures. Although this pattern is true for the old manufacturing industries, it is being repeated with the new service industries; many of the jobs created in the service sector are short-to-medium term investments in areas in which there is little local expertise used in the service delivery, and which are consequently highly mobile e.g. in call centres.

Inward investment is a vital factor in the provision of employment opportunities. The North East has been successful in attracting major inward investment totalling some £8,730m between 1990 and 1998 (ONS, 1998). The increasing trend towards globalisation of international companies means major international employers may quickly rationalise their operations in times of economic downturn. There is also tighter availability of investment globally. A more balanced approach to attracting inward investment and working to encourage the indigenous growth of key sectors reflects these factors (Durham County Council,

1999). However the rural areas have not fared well in attracting inward investment, since funding and other business support services are frequently targeted at urban locations which may have other comparative advantages. What investment there has been has tended to be in the accessible rural areas. Externally owned plants of any significant size elsewhere in the rural region - such as Sanofi in Alnwick or Glaxo in Barnard Castle - are rather exceptional.

Table 5.4 reports the total of various types of grants and loans paid to firms in County Durham (by Durham County Council) over the period 1990-1998, broken down by rural Local Authority Districts. The grants that constitute inward investment and the number of associated jobs created thereby have been separated out of the totals. In the rural Local Authority Districts some 24 per cent of total jobs and 16 per cent of the total grants are directly attributable to inward investment.

**Table 5.4 Grants and Support Payments Paid to Firms in County Durham 1990-1998**

District	Amount (£)	Jobs created	Inward Investment (£)	Jobs created from inward investment
Derwentside	1,804,500	2,853	140,500	330
Easington	1,504,000	2,760	331,200	1030
Wear Valley	896,500	1,636	124,500	290
Sedgefield	2,098,000	4,228	405,000	1065
Teesdale	146,500	246	12,600	50
Rural LADs	6,449,300	11,723	1,013,800	2,765
County Durham	7,316,500	13,740	1,152,600	3,310

Source: Durham County Council data.



A survey of firms (Wood Holmes, 1999) that had relocated into rural Northumberland covered 22 companies. The majority were in manufacturing (73 per cent), followed by consultancy, sales and marketing (15 per cent). Together they employed 807 people. The primary factors for these companies in relocating included the availability of skilled staff; the increased quality of life and environment; the space and size of available premises; and the existence of infrastructure and good communications. The availability of a reliable and flexible workforce was the main reason for companies believing themselves to be successful in Northumberland. Perceived constraints to relocating to rural areas included higher transport costs; limited business support services; lack of suitable premises; difficulty in attracting professionals or skilled workers; poor local public transport infrastructure and lack of shops and leisure facilities.

### **5.3 Business Development and Support**

The North East Region has a poor record on business development, even once the barriers to establishing a new business are overcome. Although there are some local businesses which have managed to grow and become successful in a short period of time there are many barriers to the growth and development of firms, particularly in new technological areas where there are opportunities for rapid SME growth.

Performance can be seen in the labour productivity in manufacturing figures which show that whilst the North East has quite respectable levels of productivity overall, there has been a worrying slippage in performance in 1997, on top of slow growth in the previous year. Whilst in 1995 it was the fifth highest region in the UK on this score, by 1997 it

had slipped to sixth, and would have been worse had not Scotland and Wales also slipped back to less than the North East figure. The overall productivity figure also disguises the strength of key sectors in the region such as chemicals and car manufacturing which perform significantly better than nationally for their sectors, whilst sectors dominated by smaller firms perform badly. The rural areas typically have a predominance of the lower productivity sectors, although individual productivity figures for such areas are not available.

There is certainly a problem with finance in the North East, partly due to the centralisation of the financial system in the UK as a whole. There are very few opportunities to access venture capital and small-scale equity finance, and those that there are tend to be in established market areas and directed at funding changes of ownership rather than funding rapid growth.

Another substantial weakness is in business investment in research and development, where the region has one of the lowest figures in the UK and is weaker than many comparable Objective 2 regions such as the Basque Country in Spain. The rural areas contribute little to R & D in the region with the principal exception of Sanofi Research in Alnwick.

Evidence on business performance in the rural areas is limited but some pointers may come from a study by Smallbone, North and Kalantaridis (1999) of manufacturing SMEs in the most rural areas of the North (although not exclusively the North East). The study examined SME performance from 1979 to 1990 and then to 1995. Overall the rural SMEs were found to be more resilient during the recession of the early 1990s than similar firms in more urban locations. Specifically, these firms

followed three types of strategy to adapt to the difficulties of peripherality:

- i) they adopted proactive product and market development, with an emphasis on growing non-local markets,
- ii) they followed relatively labour intensive development paths, relying on in-house training to deal with labour skill shortages, and with a focus on high value customised production,
- iii) they subcontracted relatively small amounts and retained production and hence employment internally.

SMEs are crucial to the strength of the rural economy. The SME base in rural areas covers a broad range of business activities, and support measures are needed to cater for all types of rural businesses, not just those related to agriculture. One third of rural businesses have specific skill shortages and one fifth have management skill shortages. The development of rural SMEs suffers from poor take-up of modern technology, and is often hampered by poor management skills. There are particular problems in areas such as East Durham and East Cleveland where the lack of an entrepreneurial culture has hampered the development of new, indigenous industries and job opportunities.

The problems associated with encouraging small rural businesses to develop a more strategic approach to business development, training and management are well documented, and solutions may be more labour intensive and costly to address than in more central locations. Some 75 per cent of rural SMEs in the region have fewer than 5 employees. In the main Business Links are unable to meet the extra costs involved in

offering an effective service to these smaller firms in rural areas because of the general funding constraints under which they operate and also the need to meet targets for income generation from services they offer. A specific response is required to the development needs of microfirms especially in those areas where they are central to the local economy and its regeneration. There is perceived to be poor business support to rural areas and there is no specifically rural remit in any of the business support agencies. This is an obvious area for further action.

#### **5.4 Developing infrastructure**

##### *Transport*

The North East is well served for transport infrastructure, with a well-developed road and rail network. Road links out of the region are most criticised, although to the South the main route is mainly of motorway standard. Routes North and West are of poor quality with safety problems although traffic volumes are not high by UK standards. For the rural areas access is varied, with some areas having good access to trunk roads, whilst the extreme peripherality and low population density of other areas in the North and West of the Region presents problems even of access. Rail access in the rural areas is generally poor, due to low densities and the removal over the past 40 years of many lines with only the Tyne Valley and a few locations on the East Coast main line now having service provision.

Sparsity of population in the remoter rural areas and poor provision of transport services outside larger settlements make it difficult to provide new jobs and services, except at a higher cost. The region has a large

number of small farms and their continuation depends upon the access of family members to additional business or employment possibilities in the wider rural economy to supplement their income from farming. The particular problems of remoteness and accessibility need to be overcome to ensure that those seeking work in rural areas are able to take full advantage of employment and training initiatives. For example, 24% of 'New Deal' applicants who live in rural areas of the region, saw transport as a significant problem in accessing employment opportunities.

### *IT and Telematics*

The opportunities afforded by the use of IT and telematics in the rural region are something of a conundrum. Potentially, they offer considerable scope to firms where remoteness currently adds to their costs (innovative marketing, for example) and to the creation of new jobs in IT-related industries. However, the development of the use of telematics is far more problematic for remoter firms than for those in major centres of population (Northern Informatics 1997).

Firstly, it is far more difficult to spread the word about the advantages of telematics as quickly to remoter firms: they are dispersed and very small, attending training sessions is difficult, providing business advice and support is relatively costly etc. This is exacerbated by the difficulty in providing viable local public points of access to telematics - centres that could provide both the equipment and the support that would demonstrate the advantages of the technology and provide training in its use.

Secondly, the development of telecommunications infrastructure is already lagging well behind that of more populated areas. The reception

for mobile phones is non-existent in many of the upland areas; ISDN via traditional phone lines is not possible for all firms and dwellings; there is little likelihood of fibre optic cabling reaching many of the rural towns and villages in the foreseeable future.

The first of these problems is currently being addressed in a limited way by a number of funders: the Rural Development Programme, the Northern Uplands Objective 5b partnership, Rural Challenge, etc. Examples include the 'Rural Vocational Training' project which has successfully established a series of outreach centres in rural Durham and Northumberland for the delivery of training to local businesses through the use of IT. However, funding is needed for many more such schemes and centres to have a serious impact, and the funders collectively need to develop a more strategic approach to the spatial distribution of their schemes, and to linking and sharing their support services.

The infrastructure is proving more difficult in the short term. Part of the West Durham Rural Network project, funded under Rural Challenge, will link some villages to high speed telecommunications, but this is an isolated example of success in a rural area. Longer term strategies for the provision of advanced telecommunications to remoter areas revolve around 'piggy backing' on large public purchasers, such as local authorities who need to use their buying powers to negotiate full geographical coverage for their areas. If these problems can be resolved, then it is clear that telematics could provide important opportunities for the development of rural firms and communities, by providing them access to services, training and markets that is currently denied them.

## *Premises*

Throughout the region the lack of workspace in rural areas, in particular in the size category of 3,000 sq. ft. and upwards to allow for the expansion of existing businesses, is inhibiting the growth of some of the region's brightest small businesses. This problem is particularly acute in Teesdale, in respect of 'high spec' office accommodation, and in Wear Valley where the lack of suitable premises has forced at least one major employer to relocate.

One response to the shortage of new premises is the conversion of existing rural buildings into new uses. The Rural Development Commission (now the regional development agency - ONE North East) has, since 1994, provided funding for conversion through the Redundant Buildings Grant. Table 5.5 reports the uptake of the scheme and identifies its main impacts in terms of grant expenditure and the number of jobs created. Northumberland can clearly be seen to have received the most grant expenditure and to have created the most jobs thereby.

**Table 5.5 Payments of Redundant Buildings Grant 1994-1999**

	<b>Amount of grant (£)</b>	<b>Floor Area converted (m<sup>2</sup>)</b>	<b>Jobs created</b>
<b>Rural Northumberland,</b>	523,590	14,113.7	295.5
<b>of which Tynedale</b>	302,690	4553.2	144.5
<b>Berwick</b>	87,550	4154	61.5
<b>Alnwick</b>	133,350	5406.5	89.5
<b>Tees Valley</b>	84,300	24,654	78
<b>County Durham</b>	316,175	76,940	225.5
<b>Rural North East</b>	924,065	115,707.7	599

Source: Rural Development Commission, 1999.

In East Cleveland the availability of development sites is restricted due to service investment thresholds. In turn this restricts the opportunities for indigenous growth locally (Economic Research Services Ltd. 1996). These issues are relevant across the wider rural North East where the requirements of business for good quality industrial and office premises may force expanding companies that have been based in the rural areas to relocate to where there is a range of different types and sizes of premises (Northumberland County Council, 1998). In the rural areas planning restrictions and land use designations can constrain the growth of firms in situ and contribute to a lack of premises for new or incoming firms.

## **5.5 Skills Gaps**

Investigating the skill levels in County Durham, the County Council and TEC undertook a survey to discover the reasons for recruitment difficulties and skill shortages for the county as a whole. Even during economic downturns recruitment difficulties were still evident in County Durham, especially in the areas of finding professional and technical staff (45 per cent of firms questioned), skilled manual (non-office) employees (32 per cent) and semi-skilled or non-skilled workers (22.4 per cent). These skill gaps were greatest in manufacturing and the 'other services' sector, including local and national government, education and the care sector. In East Durham a number of initiatives have been implemented to ease the problems. Historic dependency on mining, combined with low education and health levels, low expectations and a history of failed business ventures have combined to produce a low base of entrepreneurial skills on which to build.



In 1997 the TECs in the North East estimated that 14 per cent of employers in the North East, 18 per cent in Great Britain and 20 per cent in Northumberland, were experiencing recruitment difficulties. Again there is no rural dimension to these estimates but the skills shortages in the region related to manufacturing which we know to be important in the rural areas of the North East. In North Northumberland poor educational achievement and lack of access to higher education combined with lack of good quality jobs has produced low expectations.

In the Redcar and Cleveland RDA one of the key issues identified is the high level of unskilled and semi-skilled workers and the low levels of employers, managers and professionals (Redcar and Cleveland RDA Annual Review, 1998, and pers. comm.).

Accessibility problems are important factors in providing and acquiring skills and skills training across the rural areas of the region. One response to these problems has been the introduction of distance learning initiatives in the remoter parts.

## **6. SUMMARY AND CONCLUSIONS**

Urban and rural development in the North East have been closely intertwined. The traditional rural economy depended largely on supplying mineral resources and food to the industrial conurbations of the region. The rural areas have therefore suffered both directly and indirectly from the general deindustrialisation of the North East that has occurred during the past 30 years. At the same time, the rural areas have benefited from the urban-rural shift in employment. Thus, in the future while the rural areas of the region will prosper if the entire region prospers, it is also the case that the rural areas have a significant contribution to make to the revitalisation of the regional economy.

Decline in certain sectors of the regional economy has particularly affected rural areas. For example, between 1971 and 1996 employment fell by 83% in the energy and water sector and by 38% in agriculture and fishing. These losses, though, were more than offset by the growth of rural employment in light industries and services. Over the period 1971-96, rural employment grew by 13.2 per cent compared with a decrease of 4.8 per cent in regional employment.

The pattern of rural growth over the past thirty years has been very uneven. Strong net growth in employment in rural Northumberland and rural Tees Valley - in part associated with the outward movement of the population from the conurbations to the accessible parts of Southern and Central Northumberland and Redcar and Cleveland - contrasts sharply with a marked reduction in employment in rural County Durham which has suffered particularly badly from mine and factory closures.

By 1996 the rural workforce accounted for 13 per cent of the total employment in the North East, including 60 per cent in Northumberland, 31 per cent in Durham, and just 9 per cent in Tees Valley. The major sectors in which they are employed are manufacturing, with 19 per cent of the rural workforce; health and social work (13 per cent); and wholesale, retail and repair (12 per cent). Agriculture and fishing account for only 9 per cent of rural employees. The most rapidly growing sectors of rural employment in the 1990s have all been in services, including wholesale, retailing and repair; business services; public administration; health and social work; other community and personal services; and hotels and catering.

Most rural areas have benefited from the considerable growth in employment since the early 1990s, except for the coalfield areas. This is reflected in economic activity rates. These are high for the deep rural districts of the region, such as Berwick, Teesdale and Tynedale, but low for those rural districts where mining was once strong, such as Easington and Castle Morpeth which have the lowest activity rates amongst English rural districts. There is a degree of hidden unemployment in such areas, with significant numbers of people having withdrawn from the labour market, many being classified as long-term sick or disabled or early retired. For the County Durham Rural Development Area it has been estimated that the hidden unemployed actually outnumber those that are formally recorded as unemployed.

Income levels in the region are low nationally and are generally even lower in the rural areas. Northumberland has the lowest wage levels amongst English counties apart from Cornwall. GDP per head is also low being 81 per cent of the UK average for Northumberland and 74 per cent

for Durham. A crude estimate of the GDP per head for the regional rural workforce on its own is 52 per cent of the UK average and 61 per cent of the North East average. Although probably an underestimate this does reflect the fact that the region's productivity is more concentrated in its urban areas.

Rural employment in the North East is strongly structured by gender. Male employment and full-time employment dominate in primary and secondary occupations, while female representation and part-time employment are high in the tertiary sector. As the sectoral composition of employment changes so does the gender balance. Men predominate in all the declining sectors in the rural North East while women predominate in most of the expanding sectors. This feminisation of the workforce is also strongly associated with a shift from full-time to part-time employment. By the late 1990s, women made up half of the rural workforce and a third of the jobs were part-time. The trends towards the tertiary sector, female employment and part-time working have been stronger outside the Rural Development Areas than within (the RDAs include the remoter rural areas and the former coalfields).

Rural labour markets and the rural workforce are also strongly patterned by the geography of commuting. There are strong commuting flows from rural to urban areas in the North East. However, the commuter hinterlands are not that large, and those who live in remote rural areas are much more likely to work in the same area than those who live in accessible rural areas. These commuting flows are occupationally stratified being strongest for the better paid jobs. While there is a net movement into the urban areas, there are some significant flows out from urban to rural areas, but these are not occupationally stratified. Thus,

while the urban areas employ the majority of the managers and professionals living in accessible rural zones, those zones also provide quite a few jobs for out-commuting urban workers, including those in lower paid occupations.

A number of key factors reflect and determine business performance in the rural North East. The rates of turnover and formation of firms are indicators of the health of an economy. Inward investment may be a vital factor in the provision of employment opportunities. Businesses once formed may face obstacles in their effective development. Infrastructure underpins the ability of business in a region to create value, including land and premises and transport and communication networks. Finally business performance depends upon a skilled workforce.

If a healthy local economy is characterised by a high turnover but a sustained number of enterprises, then only Alnwick, Castle Morpeth and Tynedale would meet this standard in the rural North East. All the other rural LAs performed worse than the UK average in the formation and turnover of firms. The rural areas that are performing badly include traditional mining and industrial areas as well as areas where major employers have closed or substantially reduced their workforce. This reduces purchasing power in the local economy.

The rural areas have not fared well in attracting inward investment, since funding and other business support services are frequently targeted at urban locations which may have other comparative advantages. What investment there has been has tended to be in the accessible rural areas.

One third of rural businesses have specific skill shortages and one fifth have management skill shortages. The development of rural SMEs suffers from poor take-up of modern technology, and is often hampered by poor management skills.

Some 75 per cent of rural SMEs in the region have fewer than 5 employees. In the main Business Links are unable to meet the extra costs involved in offering an effective service to these smaller firms in rural areas because of the general funding constraints under which they operate and also the need to meet targets for income generation from services they offer.

In the rural areas transport infrastructure is varied, with some areas having good trunk roads, whilst the extreme peripherality and low population density of other areas in the North and West of the Region presents acute problems of accessibility. Sparsity of population in the remoter rural areas and poor provision of transport services outside larger settlements make it difficult to provide new jobs and services, except at a higher cost. Potentially, IT and telematics offer considerable scope to firms where remoteness currently adds to their costs (innovative marketing, for example) and to the creation of new jobs in IT-related industries. However, the development of the use of telematics is far more problematic for remoter firms than for those in major centres of population.

There is a lack of workspace in rural areas, in particular in the size category of 3,000 sq. ft. and upwards to allow for the expansion of existing businesses. One response to the shortage of new premises is the conversion of existing rural buildings into new uses. The availability of

development sites is often restricted due to service investment thresholds. In turn this restricts the opportunities for indigenous growth locally.

A problem in most of the rural areas is high levels of unskilled and semi-skilled workers. Accessibility problems are important hurdles in providing and acquiring skills training across the rural areas of the region.

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## Appendix 1: Rural Wards in North East England

### Rural Wards in County Durham

<b>Derwentside</b>
Burnhope
Castleside
Cornsay
Craghead
Dipton
Ebchester and Medomsley
Esh
Lanchester
Leadgate
South Moor
<b>Durham City</b>
Bearpark
Casspo-cum-Quarrington
Coxhoe
Deerness
New Brancepath
Pittington and West Rainton
Shadforth
Sherburn
Ushaw Moor
Blackhalls
Deaf Hill
Easington colliery
Easington Village
Haswell
Hutton Henry
Murton East
Murton West

Shotton
South Hetton
Thornley
Wheatley Hill
Wingate
Witton Gilbert
Shincliffe
Croxdale
<b>Sedgefield</b>
Cornforth
Fishburn
New Trimdon and Trimdon grange
Old Trimdon
Broom
Ferry Hill
Chilton
Bishop Middleham
Segdefield
<b>Tees Dale</b>
Barnard Castle East
Barnard Castle West
Cockfield
Cotherstone and Lartington
Egglestone
Etherley
Evenwood and Ramshaw
Gainford and Winston
Greta
Hamsterley and South Bedburn
Ingleton

Lynesack
Middleton-in-Teesdale
Romaldkirk
Staindrop
Startforth East
Startforth with Boldron
Streatlam and Whortlon
Toft Hill and Lands
<b>Wear Valley</b>
Coundon
Coundon Grange
Crook north
Crok South
Escomb
Howden
Hunwick
St John's Chapel
Stanhope
Stanley
Tow Law
Wheatbottom and Helmington Row
Willington East
Willington West
Wolsingham
<b>Chester-le-Street</b>
Burnmoor
Lumley
Edmondsley
Sacriston
Plaworth

## Rural Wards in Northumberland

<b>Alnwick District</b>
Alnwick Castle
Alnwick Clayport
Alnwick Hotspur
Embleton
Craster and Rennington
Longhoughton
Lesbury
Shilbottle
Warkworth
Amble West
Amble East
Hedgeley
Whittingham
Longframlington
Rothbury
Elsdon
Harbottle
<b>Berwick District</b>
Edward
Elizabeth
Sefton
Spittal
Tower
Norhamshire
Islandshire
Ford
Belford
Milfield
Wooler

Chatton
Cheviot
Bamburgh
North Sunderland
Beadnell
<b>Castle Morpeth</b>
Hartburn
Longhorsley
Chevington
Ellington
Lynemouth
Pegswood
Ulgham
Hebron, Hepscoth and Mitford
Morpeth North
Morpeth Kirkhill
Morpeth Central
Morpeth South
Morpeth Stobhill
Stannington
Whalton
Ponteland North
Ponteland West
Ponteland South
Ponteland East
Stamfordham
Heddon on the Wall
<b>Tynedale</b>
Redesdale
Upper North Tyne
Bellingham
Wanney



Wark
Chollerton with Whittington
Chesters
Warden and Newborough
Tipalt
Haltwistle
Bardon Mill
Haydon
Broomhaugh and Riding
Broomley and Stocksfield
Ovingham
Castle
Prudhoe North
Prudhoe West
Prudhoe South
Mickley
Wylam
Acomb with Sandhoe
Corbridge
East Tynedale
South Tynedale
Slaley and Hexhamshire
Allendale
West Tynedale

**Rural Wards in Tees Valley.**

**Redcar and Cleveland**

Belmont
Brotton
Guisborough
Hutton
Loftus
Saltburn
Skelton
Skinningrove and Lockwood

**Rural wards in Darlington UA**

Heighington
Whessoe
Hurworth
Sadberge
Middleton St George

**Rural Wards in Stockton UA**

Preston
Whitton

**Rural Wards in Hartlepool UA**

Greatham
Elwick

**Appendix 2 Zones for the commuting analysis**

<b>Zone</b>	<b>(part) District</b>	<b>1991 Wards</b>
<b>1</b> North Northumberland	Berwick	<i>all</i>
	Alnwick	<i>all</i>
<b>2</b> Upper Tynedale	Tynedale	Redesdale, Upper North Tyne, Bellingham, Wark, Tipalt, Haltwhistle, Bardon Mill, West Tynedale, Allendale
	Wear Valley	Stanhope, Tow Law, Wolsingham
<b>3</b> Upper Tees & Wear Dales	Teesdale	all bar wards in Zone 5
	Castle Morpeth	<i>all</i>
<b>4</b> Lower Tynedale & Morpeth	Tynedale	<i>all bar wards in Zone 2</i>
	<b>5</b> Rural Durham etc	Derwentside
Chester-le-Street		Burnmoor, Lumley, Edmondsley, Sacriston, Plaworth
Durham City		Bearpark, Cassop-cum-Quarrington, Coxhoe, Deerness, New Brancepath, Pittington and West Rainton, Shadforth, Sherburn, Ushaw Moor, Witton Gilbert, Shincliffe, Croxdale
	Wear Valley	all bar wards in Zones 3 & 9
	Teesdale	Cockfield, Etherley,

		Evenwood and Ramshaw, Gainford and Winston, Ingleton, Toft Hill and Lands
	Sedgefield	Cornforth, Fishburn, New Trimdon and Trimdon Grange, Old Trimdon, Broom, Ferry Hill, Chilton, Bishop Middleham, Sedgefield
	Easington	Blackhalls, Deaf Hill, Easington Colliery, Easington Village, Haswell, Hutton Henry, Murton East, Murton West, Shotton, South Hetton, Thornley, Wheatley Hill, Wingate
	Hartlepool	Greatham, Elwick
	Stockton-on-Tees	Preston, Whitton
	Darlington	Heighington, Whessoe, Hurworth, Sadberge, Middleton St George
<b>6 Rural East Cleveland</b>	Redcar & East Cleveland	Belmont, Brotton, Guisborough, Hutton, Loftus, Saltburn, Skelton, Skinningrove & Lockwood
<b>7 Urban Northumberland</b>	Wansbeck	<i>all</i>
	Blyth Valley	<i>all</i>
<b>8 Tyneside</b>	Newcastle-upon-Tyne	<i>all</i>
	North Tyneside	<i>all</i>
	South Tyneside	<i>all</i>
	Gateshead	<i>all</i>
<b>9 Urban Durham etc</b>	Sunderland	<i>all</i>
	Derwentside	<i>all bar wards in Zone 5</i>

	Chester-le-Street	<i>all bar wards in Zone 5</i>
	Durham City	<i>all bar wards in Zone 5</i>
	Wear Valley	Bishop Auckland Town, Cockton Hill, Henknowle, St Helen's, West Auckland, Woodhouse Close
	Sedgefield	<i>all bar wards in Zone 5</i>
	Easington	<i>all bar wards in Zone 5</i>
	Darlington	<i>all bar wards in Zone 5</i>
	Hartlepool	<i>all bar wards in Zone 5</i>
<b>10</b> Teesside	Stockton-on-Tees	<i>all bar wards in Zone 5</i>
	Middlesbrough	<i>all</i>
	Redcar & East Cleveland	<i>all bar wards in Zone 6</i>
<b>11</b> the rest of Britain	<i>all outside North East</i>	

**Appendix 3 The occupation groupings used for the analysis**

<b>Occupation Grouping</b>	<b>1 SOC Major Groups included</b>
	1 Manager & Administrative 2 Professional 3 Associate Professional & Technician 4 Clerical & Secretarial 5 Personal & Protective 6 Sales 7 Craft 8 Machine Operative 9 Other [includes Agricultural Employees]
Managerial & (semi-)professional	
Junior non-manual	
Manufacturing-related	
Agricultural & other	

## Appendix 4 Raw Datasets, with Notes on the Data

### Total labour-force

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11
Zone 1	1,750	5	0	146	0	0	53	109	10	3	104
Zone 2	1	401	0	97	1	0	2	29	2	0	30
Zone 3	0	1	730	8	50	0	0	16	145	10	26
Zone 4	96	53	1	2,148	13	0	245	1,055	72	7	78
Zone 5	3	0	151	25	3,440	4	8	479	4,001	466	190
Zone 6	0	0	0	0	2	804	0	7	23	789	112
Zone 7	28	2	0	586	5	0	3,058	1,690	61	7	85
Zone 8	18	6	7	485	93	2	397	25,715	1,615	113	551
Zone 9	6	3	90	78	1,527	6	31	2,986	19,925	909	670
Zone 10	1	0	4	2	192	196	2	88	569	12,738	475
Zone 11	79	12	14	15	64	54	17	275	396	654	2,140,772

### Managerial and (semi-)professional

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11
Zone 1	504	0	0	53	0	0	36	70	7	2	32
Zone 2	0	111	0	36	0	0	1	22	1	0	12
Zone 3	0	0	234	7	17	0	0	12	69	4	16
Zone 4	31	12	1	674	10	0	128	685	49	6	44
Zone 5	1	0	37	4	843	2	7	212	1,044	211	70
Zone 6	0	0	0	0	0	172	0	2	15	359	38
Zone 7	8	1	0	115	2	0	616	563	30	3	23
Zone 8	10	3	4	176	46	2	199	7,007	700	76	196
Zone 9	1	2	36	26	380	3	17	1,103	4,896	366	221
Zone 10	0	0	2	2	60	61	1	52	279	3,354	205
Zone 11	26	5	8	9	33	21	9	161	231	411	733,626

### Junior non-manual

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11

<b>Zone 1</b>	517	2	0	46	0	0	7	21	1	0	39
<b>Zone 2</b>	0	102	0	27	0	0	0	5	0	0	9
<b>Zone 3</b>	0	0	178	1	13	0	0	1	36	0	3
<b>Zone 4</b>	19	17	0	737	3	0	55	251	10	1	22
<b>Zone 5</b>	0	0	30	5	962	1	0	122	1292	107	42
<b>Zone 6</b>	0	0	0	0	0	302	0	1	2	198	22
<b>Zone 7</b>	4	1	0	195	0	0	1,006	648	8	1	26
<b>Zone 8</b>	4	3	0	137	9	0	57	9391	374	12	114
<b>Zone 9</b>	4	1	23	27	366	1	2	968	7,032	163	148
<b>Zone 10</b>	0	0	1	0	48	74	0	15	103	4,507	79
<b>Zone 11</b>	22	1	4	5	16	6	5	58	76	106	690,572



### Manufacturing-related

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11
<b>Zone 1</b>	436	1	0	30	0	0	9	13	2	0	25
<b>Zone 2</b>	1	124	0	18	1	0	0	1	1	0	7
<b>Zone 3</b>	0	0	209	0	17	0	0	2	33	5	7
<b>Zone 4</b>	31	16	0	433	0	0	54	98	10	0	10
<b>Zone 5</b>	2	0	73	13	1,174	1	1	120	1,323	132	62
<b>Zone 6</b>	0	0	0	0	2	202	0	3	5	196	47
<b>Zone 7</b>	14	0	0	152	3	0	1,049	411	20	3	32
<b>Zone 8</b>	2	0	3	132	33	0	130	6,553	471	23	221
<b>Zone 9</b>	0	0	24	19	635	1	11	770	5,804	323	252
<b>Zone 10</b>	0	0	1	0	63	49	1	18	162	3,443	161
<b>Zone 11</b>	22	4	1	0	11	22	3	46	77	126	534,430

### Agricultural and other

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11
<b>Zone 1</b>	293	2	0	17	0	0	1	5	0	1	8
<b>Zone 2</b>	0	64	0	16	0	0	1	1	0	0	2
<b>Zone 3</b>	0	1	109	0	3	0	0	1	7	1	0
<b>Zone 4</b>	15	8	0	304	0	0	8	21	3	0	2
<b>Zone 5</b>	0	0	11	3	461	0	0	25	342	16	16
<b>Zone 6</b>	0	0	0	0	0	128	0	1	1	36	5
<b>Zone 7</b>	2	0	0	124	0	0	387	68	3	0	4
<b>Zone 8</b>	2	0	0	40	5	0	11	2,764	70	2	20
<b>Zone 9</b>	1	0	7	6	146	1	1	145	2,193	57	49
<b>Zone 10</b>	1	0	0	0	21	12	0	3	25	1,434	30
<b>Zone 11</b>	9	2	1	1	4	5	0	10	12	11	182,144

Notes:

In each case, the name of the row is the origin Zone and the column is the Zone of destination.

The source of the data is the Special Workplace Statistics of the 1991 Population Census and Crown Copyright applies.

The statistics are all derived from the 10 per cent sample of Census records for which the person's place of work was coded, so it is necessary to 'gross up' tenfold all the raw figures above in order to estimate the absolute values of the commuter flows.