

# RURAL ENTERPRISE

## Summary and Implications for Policy

### 1 Introduction

This is the report of a background study for the National Spatial Strategy (NSS) regarding Irish rural enterprise. The objectives of the study were to:

- examine particular case studies of successful rural enterprise, in all its senses (tourism, agri-business, employment generally, forestry and fisheries) in order to determine the relevant components that contribute to that success;
- identify the factors that have led to rural areas not realising their full potential for the development of rural enterprise;
- utilise the information gathered above in order to identify the potential of various rural areas to initiate and develop rural enterprise.

In consultation with the Spatial Planning Unit, rural areas were generally defined as District Electoral Divisions (DEDs) which did not have a population centre of 1,500 people or above in the 1996 Census. Regarding rural enterprise, the study deals with all non-farming enterprises in rural areas, but with a focus on indigenous enterprise. The emphasis in the analysis was placed on where enterprises are located, as distinct from the more conventional focus on where the employees are located.

The main research involved an examination of literature on rural enterprise, statistical analysis regarding the level and nature of rural enterprise in Ireland and a series of seven area-based case studies of rural enterprise development.

Seven areas were selected for case study purposes:

- Kiltimagh, Co. Mayo – as a small previously declining rural town in the west of Ireland with strong, locally based development activity and a track record of major reversal in socio-economic fortunes;
- Co. Offaly – as a midland location, with a mix of rural areas and the full range of nationally funded enterprise supports;
- Duhallow, Co. Cork – as a “classic” remote rural area with a strong rurally-based local development group, applying “bottom-up” approaches;
- Gweedore, Co. Donegal – as a rural Gaeltacht area, with the distinct feature of a relatively large Údarás industrial estate in a peripheral area;
- Co. Waterford – as a relatively large rural area in the South-East region, with relatively high levels of rural deprivation in West Waterford and a Partnership and LEADER company;
- Ballinamore-Ballyconnell, Co. Cavan/Leitrim – as an area in the relatively deprived “black triangle” of West Cavan, Leitrim and North Roscommon,

proximate to the border, and with the distinct features of major public investment (the Shannon-Erne waterway) and major private investment (manufacturing and hotel);

- Co. Clare – as an area in the Shannon Development region, with a relatively weak rural economy despite a tradition of various local development models and of proximity to the Limerick/Shannon/Ennis urban area.

## 2 Spatial Distribution of Enterprise in Ireland

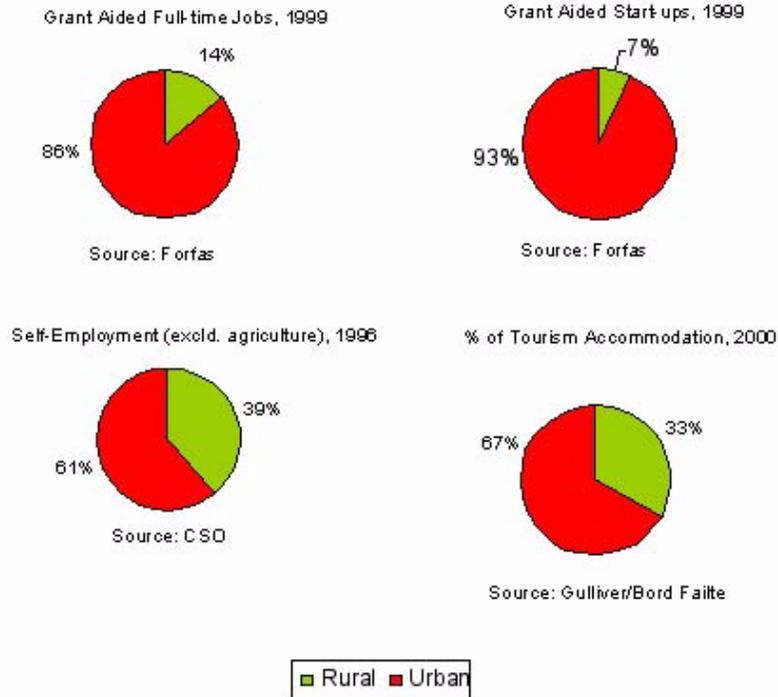
This analysis explored the spatial distribution of enterprise in Ireland, with particular focus on rural areas. The principal questions being addressed were:

1. how much enterprise is located in rural areas?
2. what are the characteristics and trends in this enterprise?

With regard to all economic activity in Ireland (measured by Gross Value Added - GVA), no precise information is available on how much of this is located in rural areas. However, it is possible to examine how much is located in individual counties and to compare this with the level of “rurality” (ie percentage of the population in centres below 1,500) of these counties. Key findings are:

- as would be expected the level of economic activity (enterprise, agriculture and public services) is negatively correlated with the levels of rurality, but not completely so. A number of relatively rural counties have high levels of economic activity, usually associated with the presence of a small number of relatively large foreign-owned manufacturing companies;
- in terms of GVA per capita, four of the top five counties are also the four most urban counties (Dublin, Louth, Kildare and Cork), the exception being Tipperary S.R. which has the highest GVA per capita but is not a particularly urban county. The list of the six counties with the lowest GVA per capita contains four of the five most rural counties (Leitrim, Roscommon, Mayo and Donegal). There is a notable exception here in the case of Donegal, which is the second most rural county in the state, yet is placed “mid-table” in terms of GVA per capita.

Figure 1: Rural/Urban Split of Enterprise

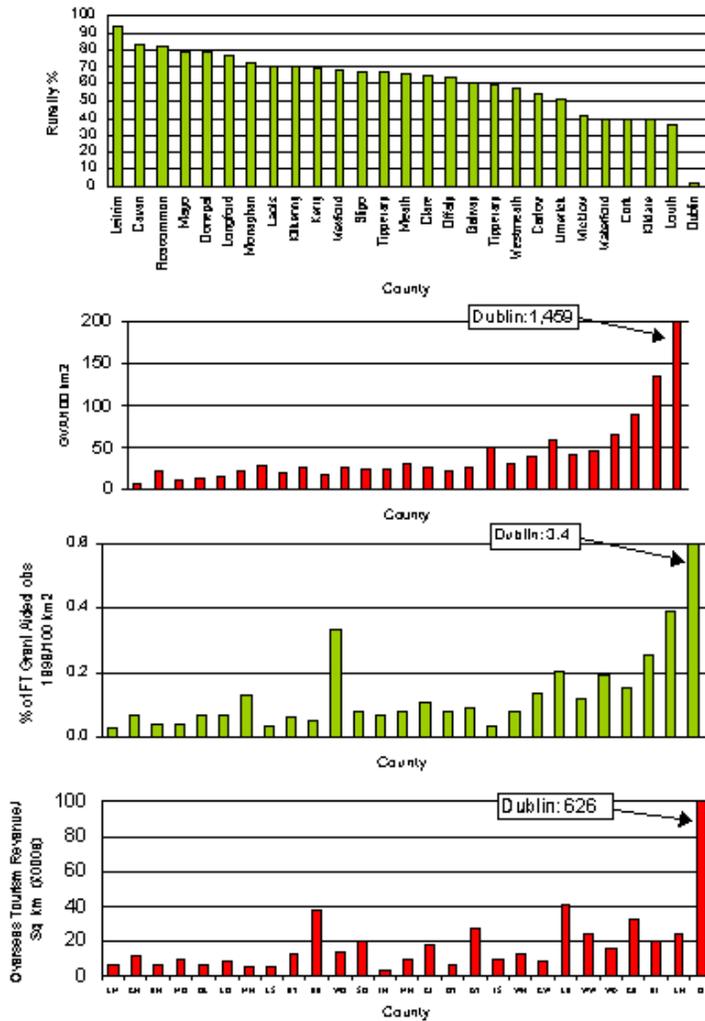


1. Rural is defined as settlements with populations of less than 1,500

In the case of manufacturing, good information is now available in relation to its spatial pattern. Key findings are:

- in 1999 rural settlements (below 1,500 people) accounted for 14% of all grant-aided full-time jobs, and 16% of all grant-aided enterprise (the largest shares (61% and 56% respectively) were in centres with above 10,000 people);
- rural manufacturing enterprises are smaller, owned by indigenous entrepreneurs and are more concerned with activities in traditional sectors than enterprises based in urban centres;

Figure 2: Rurality and Enterprise Intensity



1. The rurality index is based on the proportion of the population living in settlements with a population of less than 1,500.

- this spatial pattern is broadly mirrored at county level. The more rural the county, the less its share of all national manufacturing and the more important rural enterprise tends to be within it. These relationships, however, become almost tautological since the degree of urbanisation and the presence of enterprise are almost different sides of the same developmental coin.

It is also possible to examine in some detail the spatial pattern of self-employment in Ireland. While this is based on residency, as per the Census of Population, it is likely that for many self-employed people their primary place of work is at, or near, their place of residence. Key findings are:

- in 1996, the latest year for which information is available, there were approximately 154,000 self-employed people in Ireland (excluding farming). Of this, about 60,000 (39%) were located in rural areas while the balance of 94,000 (61%) were in urban areas;
- these shares are similar but not identical to the rural-urban split of the workforce as a whole. Some 16% of the non-agricultural workforce in rural areas is self-employed, compared to 12% in urban areas. These patterns appear to be consistent across counties;
- the sectoral structure of non-agricultural self-employment is quite similar in urban and in rural areas, ie in sectoral or occupation terms there is no distinct pattern of rural as opposed to urban self employment;
- the findings, of course, change if farming is included since most farmers have self-employed status. Including farming, rural self-employment accounts for about 60% of all self-employment, and about 30% of the total rural workforce is self-employed.

In the case of tourism, a mixed picture emerges. On the one hand, tourism is second only to farming in terms of the degree to which it is “spread” across the physical space of Ireland. Furthermore, a number of relatively rural counties figure prominently in tourism. The industry is, however, still quite heavily concentrated in a number of such locations.

A total of five counties (Dublin, Cork, Kerry, Galway and Limerick) accounted for about 70% of all overseas tourism revenue in 1999, while the bottom five counties (Leitrim, Longford, Laois, Carlow and Monaghan) accounted for just 2.5%. Measured in terms of tourism bednights the sector is also spatially concentrated within the

relatively strong tourism counties, eg within the county borough in the Dublin area, in Galway city, Cork city, Killarney and Tralee. It is clear that rural tourism, while significant for individual locations, remains a relatively small niche activity in the overall tourism context.

### **3 Lessons from the Case Studies**

As required in the Terms of Reference, the case studies examined a number of issues:

- the components of successful rural enterprise in the areas involved;
- the constraints to rural enterprise;
- the potential for rural enterprise.

While some quantification was possible, the case studies relied heavily on qualitative information and on consultations.

In relation to components of success, key findings were:

- the role of individual entrepreneurs is seen as crucial, since quite obviously enterprise development ultimately requires entrepreneurs;
- across the areas, public assistance in the form of both financial and soft supports was important;
- related to this, the presence of a reasonably proximate enterprise development agency also emerged;
- the availability of skilled labour was seen as crucial;
- the issue of accessibility and transport was mentioned as important;
- the benefits of clusters and critical mass were also mentioned;
- networks and linkages among enterprises were emphasised as very important.

In relation to key constraints, issues raised across the case-study areas were:

- the issue of transport and accessibility in general, and of remoteness. Interpretations of its significance were mixed, partially depending on the actual remoteness of the areas and on the nature of the enterprises. Issues of remoteness also tended to relate not just to access transport, but to wider issues of access to services and general feelings of proximity to, or distance from, information and influence;
- the low skill base of many rural areas emerged as very important;
- the lack of sufficient funding continues to be perceived as a major constraint;
- the low enterprise base in many rural areas is seen as a key issue, and there is a general feeling of being caught in a vicious circle where an existing lack of enterprise contributes to a low degree of enterprise potential;
- absence of facilities and services both for enterprises and for their workforces emerged as important;
- competition from larger centres was seen as crucial in a number of areas. In some cases it was suggested that the proximity to such areas can to some extent be a disadvantage from this perspective;
- issues of planning and zoning were seen in some areas as significant, as was the fact that it may be more difficult to obtain planning permission for certain types of enterprises in rural areas.

In relation to potential, this was generally seen in sectoral terms within local resource context. Sectors and other aspects of potential emerging were:

- tourism, around which there is a broadly-based consensus regarding its potential;
- e-commerce and IT generally were seen as both potential sectors in themselves and also as potentially important enablers which can reduce the significance of distance and remoteness;

- the presence in some rural areas of a relatively well-skilled labour force is seen as an important aspect of potential. In particular, with increasing importance being placed on quality of life factors, it was perceived that rural areas are now attracting more skilled residents;
- the food industry, and particularly value-added products, are seen as important sources;
- population growth in many rural areas is seen as giving rise to both potential labour forces and to markets;
- opportunities for craft industries were also cited as of potential.

## 4 Implications for Policy

### 4.1 Introduction

We set out the possible implications for policy under five headings: overall policy goals, the overall nature of policy, sectoral issues, policy instruments and delivery mechanisms. Given the nature of the research, what is presented here essentially reflects the consultants' interpretations of the implications that emerge from discussions with key actors in study areas. These are also seen as issues to which policy consideration needs to be given, rather than constituting, at this stage, firm policy recommendations.

### 4.2 Overall Goals

- goals for enterprise in rural areas must fit within a wider spatial vision for rural Ireland. Enterprise goals cannot be developed in the abstract;
- both generally and for enterprise, goals should be as clear as possible and should be defined in relatively operational terms rather than being overly aspirational;
- there is a broadly-based consensus that a key objective of rural development policy, as per the rural development White Paper, is to maintain rural populations. However, the role that rural enterprise can play in this will need refinement and in many cases rural enterprise alone will be insufficient to overcome wider forces at play;
- rural enterprise can contribute to overall rural sustainability by aiding the development of a diversified local economy, involving locally-based employment, both farming and non-farming, and commuting outside rural areas to work;
- an important goal of enterprise in rural areas can be to reduce unsustainable long-distance commuting;
- in keeping with the overall aims of the NSS in terms of facilitating areas and people who live in them to realise their potential, a key objective of policy must be to ensure that rural enterprises are not unnecessarily or inadvertently disadvantaged purely by being rural;

- the relationship between rural enterprise policy and spatial policy needs consideration and articulation. One key issue which emerges from this study is the distinction between a policy of spatially rebalancing economic activity at national level, ie essentially away from Dublin and the east coast and towards the rest of Ireland, and one of promoting rural enterprise on the other. The experience of the tourism industry in particular shows that a spatial dispersion policy might be a very significant contributor towards the former objective, but simultaneously much less successful at the latter.

### **4.3 Policy Towards Rural Enterprise**

Likely appropriate rural enterprise policy features are:

- the nature of the enterprise encouraged to locate in rural areas must be appropriate to those areas in economic, social and environmental terms, eg location of overly large enterprises in rural areas should probably be avoided;
- that enterprise policies must be flexible to facilitate local circumstances rather than being rigid national ones;
- that policy towards enterprise must involve features which go beyond the bounds of traditional enterprise policy, eg in relation to social infrastructure to attract and retain the necessary workforce;
- that policies in relation to enterprise in rural areas and in smaller towns (1,500-5,000) should be seen as an integrated package. There must also be flexibility in relation to how smaller towns' enterprise functions are perceived. These may vary depending on the nature of the area;
- policy towards rural enterprise should encompass all rural enterprise and not just traditionally grant-aidable manufacturing, ie in a rural context any rural enterprise is in principle equally desirable (with due consideration of deadweight and displacement effects);
- there is a need to focus on new rural enterprises other than tourism. There is a danger that an overly heavy burden in terms of expectations is being placed on the shoulders of rural tourism as the only viable alternative to farming;
- there will need to be consistency and co-ordination regarding the choice of rural enterprise locations among the various bodies involved, rather than each having its own unilaterally chosen list.

### **4.4 Policy Instruments towards Rural Enterprise**

- the case studies generally provide support for the types of policy instruments currently available in terms of grant-assistance and soft supports such as advice, training and mentoring;
- the case studies do, however, place emphasis on a number of potential policy instruments which need more specific attention in a spatial context:

- network and cluster arrangements among small firms in rural locations and between large and small firms;
- the role of industrial space and industrial property and public policy towards this. There is a widely held view that the withdrawal of the industrial development agencies from this area may be detrimental to a policy in terms of spatial rebalancing of enterprise;
- the potential for small micro-enterprise centres appropriate to locations of different sizes may need more exploration and more rationalisation of existing, relatively diffuse policy towards enterprise centres and enterprise space;
- outside immediate “enterprise” instruments, flanking policies will also be important. Notably:
  - consistency between policies towards spatial distribution of enterprise and land use planning. In some instances, at the moment there are perceived inconsistencies in this regard and a feeling that spatial planning policies have in the past been devised largely in isolation from socio-economic and enterprise objectives.

#### 4.5 Delivery Mechanisms

- a distinction between instruments and who delivers them is a useful one. In particular, the study suggests that there is more satisfaction with the instruments than there is about the actual delivery mechanisms. Mechanisms of delivery that are less “vertically integrated”, ie where different entities may be still able to deliver the same policy instruments in different areas, needs to be explored. (Ireland has a tradition of “vertically integrated” agencies and systems which tend to direct, fund and deliver their own interventions on a “top-down” basis);
- there is a desire in rural areas for local delivery, ie the point of contact and at least some level of decision-making, to be as close as possible. “Close” here reflects both the physical proximity and also the psychological proximity. Particularly in larger counties, there is a feeling of isolation in more remote areas and this can be as great in relation to the county capital as to regional centres or to Dublin. The use of more localised delivery structures may therefore be worth exploring, eg in terms of existing locally-based development organisations, and of local authority one-stop-shops;
- some of the feelings of remoteness also relate to policy “ownership” and control. There is a widespread feeling that many policies, even rural and local enterprise development policies, remain relatively “top-down” and have limited scope for local flexibility. The response that is seen as necessary is that mechanisms must be found to ensure that such flexibility exists on the one hand, and that it can be introduced in response to local situations on the other;

- given the multiplicity of agencies both directly involved and the roles for other interventions, local level enterprise policy co-ordination – including spatial co-ordination – is seen as essential. The CDBs and their planned strategies seem now to be ready-made vehicles through which this issue should be addressed, ie that each CDB should develop a strong “county enterprise strategy”, and that this in turn should have a rural enterprise policy that is both clear and agreed among the respective stakeholders (who are all either on the CDB itself, or can easily be involved in sub-committees). These county enterprise strategies must in turn be nuanced at a sub-county level to reflect differences in types of areas.