

Aberystwyth University

Recovery and Restructuring

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The Rural Economy – Recovery and Restructuring!

The Covid-19 pandemic has had major economic and social implications, while the rural economy has not been exempt from these implications; the reliance of rural communities on particular sectors has resulted in a different pattern of impact. Many individuals have used the lockdown period to re-assess their priorities and adapt the way they work. For businesses, especially those in the tourism and hospitality sector, the timing of lockdown could not have been worse, striking at the end of the quiet winter period and just before the start of the peak season. Whilst Brexit is no longer a continuous item on our news channels, in the background the debates rumble on. Many are using the term 'perfect storm' to describe the potential impact of Brexit and the Covid pandemic facing business in the UK. While financial institutions, large retailers and manufacturing have attracted the bulk of attention, concerns remain regarding the viability and sustainability of the rural economy and rural communities. Understanding the "rural" is further hampered by differing definitions and measurements of what rural means. What is clear is that the impact of Covid has been different on accessible rural areas such as the Vale of Glamorgan and Monmouthshire compared to remote rural areas such as in the Cambrian Mountains or Snowdonia, where access to infrastructure and services is patchier.

Wales is predominantly a rural country with over 80% of its landmass used as farmland. Its rural, agricultural heartland reflects a Welsh identity supporting Welsh language, culture and community. It provides shelter, local amenities, food and water. However, many of the goods and services produced, for example wood, meat, and dairy, have little value added to them within these areas. More often than not, more value is added outside Wales than inside. A similar position exists for renewable energy generation where rural areas in Wales have lost the opportunity to capture the value from large-scale projects ([Mundy et al., 2011](#)). The potential of water resource activities/generation in rural Wales provides debate for another day!

The rural economy of Wales is associated with low employment growth and dominated by a small number of low-wage sectors such as agriculture, tourism and hospitality. These sectors are often interlinked, and face significant challenges from Brexit and Covid-19. Opportunities for young people in rural Wales are limited, and there are concerns of a continued brain drain from Welsh rural communities as young people search for secure and well-paid opportunities. This outflow of young talent leaves rural economies with a more aged population, and worsened by migration into rural communities by retirees who then over time start to impose a significant burden on local services. It is clear that rural development plans have failed to deal with the needs of the rural economy. This is particularly true for digital connectivity ([Bowen and Morris, 2019](#)), a lack of which has hampered local businesses. As more people work from home this issue becomes increasingly problematic and a brake on employment opportunities and growth. Many have found, in recent months, that home working is possible: however, connectivity, and the speed and reliability of this connectivity are critical to facilitate this shift in working patterns.

Support for growth deals such as the Mid Wales Growth Deal will be important in facilitating change and growth for local needs in rural areas. Within this rural context, there are a handful of essential sectors that are crucial for rural economy resilience. Rural development needs to have an awareness of a different set of sectors, which are often lower wage, lower productivity but employment creating.

Tourism - the recent upturn in “staycations” forced by the Covid-19 pandemic has allowed coastal areas to recapture some of the losses made during the past 4 months of lockdown. It remains to be seen, if this demand is enough to sustain these businesses through the coming winter. Whilst the long-term trend in “staycationing” is yet to be understood (and will likely depend on future Covid conditions) it is encouraging that the current situation has permitted Wales to sell itself as a destination of choice. The influx of visitors has not been without its problems and tensions, in particular between visitors, local authorities and locals. Whilst there are clearly economic advantages to the influx of visitors to Wales a balance must be found to protect those local communities. We have seen that supporting infrastructure in these predominantly rural coastal communities has been creaking. Investment in infrastructure is required to support these locations and ensure that rural communities can take advantage of the new demand without being exposed. There is also a danger that locals are priced out of the property market. There is a requirement to look more broadly in terms of tourism’s capabilities to answer the economic needs of rural locations, where there are contrasting opportunities between coastal, inland upland areas. However, opportunities exist in non-coastal locations, for example from the increase in adventure based destination tourism, as has been witnessed in some key post-industrial areas of the North and South of Wales provided by businesses such as [Zipworld](#).

Hospitality and retail - the hospitality sector has been fundamentally and negatively impacted by Covid-19 and the existing restrictions will have long lasting effects and has forced some businesses to cease trading. There have been severe short-term effects for the high-end high-quality food market. The effect on hotels and restaurants has been somewhat alleviated by the business support schemes and schemes such as “eat out to help out” however, the long term effects are yet to be understood. Business owners have adopted different strategies based on their individual position and vision. Sadly, some have simply closed their doors for good. The true extent of this is will be seen when the furlough scheme ends and at a time where business in small rural towns will be facing further financial pressures. Some mothballing has occurred. This is a process of reducing the business to maintain viability until the business environment becomes more favourable. However, other business owners have been more entrepreneurial in adapting their businesses. For example, local pubs shifting their business model by offering a take away service. Large retailers have adopted a disinvestment strategy closing some outlets. The impact is likely to be worse in rural towns as we witness a desertification of the high street. The outcome of this may be the resetting of currently unrealistic retail rents and high business rates; factors which are also limiting small independents and start-ups.

Agriculture – the long production cycles have prevented any significant changes to date. However, it is likely that Brexit will pose a greater threat to Welsh agriculture than the Covid-19 pandemic. In the Welsh context, recent research: [diversification-](#)

and-resilience-of-welsh-farming-prospects-after-brex reports that agricultural opportunities to build resilience in Wales are less favourable due to remoteness, land quality and limited opportunities for diversification. However, it could be argued that these businesses are more resilient due to their “take it on the chin” attitude, with many individual farmers owning their farms therefore free from tenancy rents or mortgage debt. It is apparent that a common diversification strategy into tourism has not assisted business resilience during the pandemic. Opportunities to seek other more stable income streams such as renewable energy generation may be more secure. Sustainability and agricultural technology will be key drivers within the industry therefore adoption and managerial mind-set is key.

It is apparent from analysing these key sectors within the rural economy there is no one dominant strategy that can help all rural areas. It is apparent that the management of rural businesses and the entrepreneurial attitude of business owners are more influential in their response and resilience than the policies. The pandemic has afforded some business owners time to assess their businesses and in particular their costs of production and cash flows. It has also encouraged technology adoption and staff training with many individuals undertaking courses and improving their skillset during lockdown. Other business owners are pre-occupied with business survival and we have witnessed some manufacturing businesses shifting production to PPE, other industries within the rural sector may need to consider their agility. Agriculture for example may need to adopt a resource-based view in terms of outputs, where by farmers consider the resources on the farm and the potential revenue streams.

There is a need for policy makers and industry to work with our Universities and organisations such as Menter a Busnes to develop young people with appropriate skills and develop opportunities to assist them to remain within the rural economy. Our current understanding as to how rural Wales ‘works’ is sorely lacking. With the bulk of Welsh economic analysis focussing on large towns and cities, and with these latter areas dominating national averages, efforts to understand rural areas are pushed to the back of the queue. It is therefore important that rural areas are recognised and decisions on the rural economy are evidence based. There is a need for a deeper up-to-date conceptual understanding supported by better quality data. It is critical that researchers are allowed access to datasets concerning rural economies.

The recent establishment of the Wales Rural Research Network is an important step forward where academics from differing institutions and disciplines have come together to tackle the research needs of rural Wales. Please get in touch for further details regarding the Wales Rural Research Network.