

## **Briefing 1096**

# **Commercial counterurbanisation**

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## **Summary**

In the North East of England, in-migrants own over half of rural microbusinesses and they are more growth-oriented than businesses owned by locals. Commercial counterurbanisation can be a two-stage process - the decision to work in a rural area or run a rural business may occur several years after a residential move. These later start-ups were more similar to local businesses but they also retain extra-local connections. So the commercial activities of rural in-migrants, particularly those who become embedded into rural communities, form a key mechanism in local development, bringing in new ideas but also understanding and valorising local resources and local characteristics.

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This paper is summarised from '*Commercial counterurbanisation: an emerging force in rural economic development*' by Gary Bosworth of the Economic Research and Development Unit, University of Lincoln. The research was done whilst Gary was a PhD student at the Centre for Rural Economy, Newcastle University. It is published in *Environment and Planning A* 2010, volume 42, pages 966 – 981. Subscribers can download the article at: <http://www.envplan.com/A.html>. Otherwise email [gbosworth@lincoln.ac.uk](mailto:gbosworth@lincoln.ac.uk) for a copy.

## **Introduction**

The economies of rural areas increasingly mirror those of more urban areas. Popular perceptions of the rural economy may be influenced by the closure of traditional retail services, declining farm incomes, and the out-migration of younger people who cannot afford to live in the countryside. But economic statistics paint a more positive picture. The number of rural businesses is growing, rural employment is increasing, and a rising proportion of GVA (Gross Value Added) in England and Wales derives from rural activities.

Commercial counterurbanisation is an extension of earlier economic and demographic trends. It is defined as the growth of rural economies stimulated by inward migration. This may take the form of business creation by rural in-migrants, their employment in other rural firms, or their promotion of other businesses through local trade, knowledge exchange, and cooperative working.

The paper reports findings from a survey of almost 1300 rural microbusinesses in the North East of England.

## **Counterurbanisation**

Between 1991 and 2001, some 839,400 people moved into rural areas and it has been calculated that this resulted in the main conurbations losing 5% of their population.

Rural districts grew by 5.7% between 1993 and 2003, compared with 2.5% for urban districts, and they contributed to well over half of England's population growth during this period.

A preference to live in the countryside is reflected in house prices, which in turn have affected which people have the ability to move into rural areas.

Urban to rural migration is especially high at retirement and preretirement ages and during prime working and child-rearing ages.

Of the reasons that lead individuals to move into rural areas - employment is particularly significant but in many cases the residential move significantly predates the business start-up. Only 40% of rural in-migrant microbusiness owners had moved to their new location with the express intention of starting a business. For the other 60% a range of influences from contacts in business and home life, both before migration and after determined their future business choices.

## **A growing rural economy**

Rural England supports 5.4 million employees, 74% of these are full time. There are, however, only 4.6 million people actually working in rural areas demonstrating that the trend of counterurbanisation is happening more quickly in terms of population than it is in terms of employment.

Although the national economy is dominated by its urban centres, some 28% of all small businesses are in rural areas compared with approximately 19% of the overall population.

Between 1995 and 2004, rural districts saw an increase of over 7% in the number of new businesses registering for VAT, and this was marginally higher than the rate of increase in urban or mixed authorities.

There were also significant differences between sectors, with agriculture and fishing, manufacturing and retail, and wholesale all losing firms while hotels and restaurants, real estate, and health and education saw the greatest increases. Nevertheless, rural firms are found in every sector of economic activity, and perhaps unexpectedly, in 2006 rural areas supported more than the national share of workplaces in energy and utilities, construction, transport and communications and manufacturing.

Furthermore, over the three years to 2005 the greatest growth of turnover in percentage terms was achieved by enterprises in isolated hamlets which saw a total growth of 83%.

Net commuting accounts for an estimated 17% of all rural residents, but with rates of rural employment increasing, especially in the knowledge-intensive sectors, we might expect this percentage to decrease over time.

In recent years the increases in GVA from the most rural districts has been higher than all other parts of the economy, including London. By 2005 rural areas were responsible for 19.4% of England's total GVA.

## **The business activity of rural in-migrants**

Nearly twice as many entrepreneurs in rural areas were not born locally compared with those in urban settings and up to two thirds of new rural firms are created by people moving from urban to rural areas.

Rural areas have been colonised by professional and managerial classes who represent a potentially valuable source of human capital to participate in local development. These new arrivals have relatively high disposable incomes, above-average education qualifications, and valuable networks of contacts.

Although this human capital is valuable, there is little evidence to what degree the indigenous population are benefiting and to what degree they are being displaced by increased competition, rising house prices, and the participation (and perhaps domination) of in-migrants in other local organisations.

Also inward investment tends not to reach the areas that most need it, and the jobs created are generally in the service sector and require skills very different from those associated with traditional rural economic activities.

In the rural microbusiness survey more than half of the respondents were in-migrants. The hospitality sector particularly was dominated by in-migrants, with 60% in-migrants and a further 11% classed as return migrants. Excluding hospitality 40% of owners are in-migrants and 9% are return migrants.

For each self-employed in-migrant, an average of 1.9 additional jobs was created.

Local business owners are likely to be in retail and construction, sectors that typically have a strong local market. Conversely, in-migrants are much more likely to enter the hospitality sector where many firms will be targeting non-local markets. Although the difference is less pronounced, the same could be said for manufacturing. The other sector with a significantly higher proportion of in-migrant owners is business and domestic services. This can cover a range of possible work, but as in-migrant owners tend to have higher education qualifications than indigenous business owners, we can perhaps surmise that many of these are professional, knowledge-based firms.

Through both education and extra-local work experience, in-migrants are introducing additional human capital to the rural economy which can increase innovation capacity and provide new services to benefit other local firms.

Local microbusiness owners create a similar number of jobs as in-migrants and they also have higher financial turnovers. In-migrants, however, are more likely to report a desire for business growth so this suggests that their significance in the rural economy is increasing. Also, commercial counterurbanisation is not simply about rural in-migrants setting up businesses: it concerns the potential for all rural businesses to expand as in-migrants, as consumers, provide markets. These new opportunities require different attitudes and skills among rural business owners.

More recently, counterurbanisation has been characterised by a broader demographic which includes more households with younger children. This is having a short-term effect on the age structure of rural areas but, as school leavers increasingly move away, the parents tend to become 'empty nesters' and age in place. These older groups are significant contributors to the rural economy both in employment and as customers.

In the UK pre-retirement in-movers may be self-employed, under-employed or flexibly employed, with time available to devote to voluntary service. Older rural residents in the 50 to 64-year-old and over-65-years categories are more likely to be in employment than are their urban counterparts.

An increasing proportion of in-migrant business owners are making the move into business some time after their residential move. The survey data illustrate that out of 693 in-migrant business owners, 60% had no plans to start their business at the time of the move. Further analysis, shows that in-migrants who planned to run a rural business at the time of their move generated higher annual turnovers, were more growth oriented, and created more jobs compared with in-migrants who moved with no such plans and with local business owners.

## **Commercial counterurbanisation as a two-stage process**

The large number of in-migrants starting their businesses some time after their residential move demonstrates that, unlike urbanisation, this is not economic migration in the traditional sense. For unplanned start-ups employment may be an important influence for moving but the initial occupation will not necessarily be in the immediate locality. The initial move can be viewed as the start of a process that sees in-migrants becoming embedded into the local community and developing links with other actors which can lead to their starting a rural business in the future.

Planned and unplanned start-ups display different characteristics. Unplanned start-ups were more similar to local business owners, an indication that their owners were becoming embedded into their local communities. But they also retain extra-local connections. They made 20% more of their sales and 10% more of their purchases beyond the local region (defined as a 30-mile radius). As a group, although they tend to be smaller and less ambitious than planned start-ups, they represent almost one third of the microbusinesses surveyed (planned start-ups 22%; local business owners 46%).

One reason behind the greater economic contribution of planned start-ups is that their owners are often more willing to take risks. The interviews with this group of businesses owners illustrated a clear sense of planning that was not always evident among other business owners. Those people already familiar with an area can use local contacts and experience and even test out a business idea on a small scale,

whereas those moving with a clear business intention tend to be more entrepreneurial, both in developing their business and in developing valuable local networks to support their business.

With the modern global economy placing a premium on innovation and learning, associations of many small firms deeply embedded in local societies and cultures are essential for sustainable rural development. The commercial activities of rural in-migrants, particularly those who become embedded into rural communities, form a key mechanism in local development, bringing in new ideas but also understanding and valorising local resources and local characteristics.

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Alan Spedding, 30 July 2010

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