
An assessment of the degree to which rural businesses access national mainstream employer skills and government business support programmes Evidence report

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Institute for Employment Studies

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1 Introduction

In this chapter we begin by outlining the research aims and objectives and briefly highlight the key findings. We then discuss the research design, noting briefly the methods employed and the sources used. We also reflect on the limitations of the data that were at our disposal, so that future data collection and analysis might further improve understanding of the issues in question. Finally, we set out the structure of the rest of the report.

The research findings are summarised in more detail in a separate Synthesis Report.

1.1 Research aims and objectives

In January 2013, the Institute for Employment Studies (IES), supported by the Countryside and Community Research Institute (CCRI), was commissioned by the Department for the Environment, Food and Rural Affairs (Defra), working in conjunction with the Department for Business Innovation and Skills (BIS), to examine and assess the take-up by rural businesses of national mainstream government business and employer skills support programmes. The purpose of the project was, firstly, to compare uptake of business support and skills provision among rural and urban businesses, and secondly, to identify options for improving take-up if evidence of disparity was found. It aimed to meet a commitment in the government's 2012 Rural Statement to investigate the degree to which rural businesses accessed business and skills support programmes, thereby filling a recognised evidence gap and informing the development of future policy-making by identifying business needs and effective practice. This project contributes to the government's strategy to foster thriving rural communities within a broader context of policy focus on rebalancing the economy; creating jobs through economic growth achieved by innovation; and expanding entrepreneurship in high-value-added sectors (HM Treasury, 2011).

The objectives of the project were to:

- provide a robust rural/urban analysis of available data sources covering business and skills support programmes and policies
- identify whether and how rural location affects access to skills and business support
- identify any barriers preventing rural businesses from accessing such support
- identify and map out the objectives of the skills and business support policies and their potential impact on the rural business population
- analyse how (and how effectively) skills and business support programmes reach their target audiences
- share learning from examples of successful and unsuccessful delivery.

1.2 Key findings

The key findings from the study are as follows:

- We found no substantial evidence that rural businesses are significantly less likely to be aware of, or participate in, national mainstream employer skills and government business support programmes than businesses from urban areas.
- While the take-up of national mainstream employer skills and government business support programmes does vary by location, the main factors driving any variation are business size, business sector and business age¹.
- Rural areas have proportionally more sole traders than urban areas. While there are a greater proportion of small businesses (excluding sole traders) in urban areas in terms of the number of enterprises, a higher proportion of the rural workforce are employed in small and medium-sized enterprises (SMEs) than the urban workforce.
- Rural businesses are more likely to be in the land-based, retail and distribution, construction, and professional, scientific and technical services sectors than urban businesses (who in turn are more likely to be in sectors such as finance or public service). It is this difference in the make-up of rural businesses that is the

¹ Other factors may also be important but the surveys examined only had a limited number of categorical variables that could be built into the statistical model.

primary driver of any differential take-up of skills and business support programmes.

- Access to national mainstream employer skills and government business support programmes among rural businesses may be improved if:
 - information and advice on how to apply for support is proactively provided (ideally face to face or by telephone) by a stable set of intermediaries
 - businesses can see a quick return on the time or resources invested in accessing and engaging with support and/or see the opportunity costs that might result from not taking up support
 - local or sectoral (possibly virtual) forums, informal networks and champions are used to relay positive experiences of engaging with support
 - support is tailored to the characteristics of the business (for example, size and sector) to make it simple to understand, with clear eligibility requirements and application processes
 - marketing literature presents those businesses that take up support as ‘canny, savvy’ businesses that are ‘in the know’ and have managed to access ‘something worth having’.

1.3 Methodology

The intention behind the project design was to use a range of existing datasets combined with new qualitative information to unpick the barriers that rural businesses may face in accessing business support. In analysing the data, we have used the Mindspace framework and behavioural change theory (eg Cox et al., 2012; see also Appendix 2) to provide insights into how relevant business support and skills policies may be reframed, designed, and delivered in ways that will optimise their impact in rural areas.

The key elements of the methodology included:

- a series of initial stakeholder interviews with relevant policy makers and interest groups to identify the key issues and relevant data sources
- a search of potential survey sources for relevant data and enquiries to the policy officials managing business support programmes to see what administrative data might be available. Once data were obtained, analysis focused on rural/urban differences in awareness and take-up
- a review of relevant policy and research literature

- telephone interviews with rural and urban-based businesses to discuss their knowledge and experience of using business and skill support services.

1.3.1 Stakeholder interviews

At the start of the project eight interviews were conducted with policy officials from Defra and BIS and representatives from rural business organisations, and organisations representing sectors with a high proportion of rural businesses. The interviews focused on the factors affecting rural businesses' awareness and take-up of business and skills support programmes, including the support available, barriers affecting awareness and use, and the needs of rural businesses.

1.3.2 Survey and administrative data analysis

At the outset of the project we conducted a review of all relevant survey datasets and potential sources of administrative data, primarily to assess their utility to the current research. Useful sources were those that met the following criteria:

- measured activity at employer or establishment level
- contained sufficient number of cases to enable layered cross-tabulations and significance tests, and multivariate analyses
- identified whether businesses were located in a rural or urban location
- contained unique and up-to-date data on awareness of, and engagement with, national business and/or skills support programmes.

Survey data

The key survey data sets examined were the following:

- **The Small Business Survey (SBS)** – this regular survey of around 4,000 small businesses (with fewer than 250 employees) in the UK conducted for BIS looks, inter alia, at respondents' awareness and involvement (within the past 12 months) with business support programmes and also issues such as access to finance. We initially obtained and analysed a copy of the 2010 dataset and, once it became available, we obtained and analysed a copy of the 2012 dataset. The 2012 dataset had additional variables of interest to the research and provided an updated list of support programmes.
- **Employer Perspectives Survey (EPS) 2012** – this regular (biennial) survey of 15,000 UK employers of all sizes conducted for the UK Commission for Employment and Skills (UKCES) asks questions, inter alia, about respondents' awareness of and involvement with apprenticeships, Investors in People, other

training/development initiatives and recruitment services (including Jobcentre Plus). A copy of the 2012 dataset was obtained and analysed.

- **Employer Skills Survey, 2011** – this regular (biennial) survey of 75,000 UK employers of all sizes conducted for UKCES asks questions, inter alia, about respondents' skill needs and includes questions about their involvement with Investors in People. This dataset added little to those already being analysed and so a copy was not obtained.
- **Jobcentre Plus Employer Satisfaction and Experience Survey** – this regular survey for the Department for Work and Pensions (DWP) looks at employers' use of and satisfaction with Jobcentre Plus employment services. It was decided that this dataset added little to those already being analysed and so a copy was not obtained.
- **Apprenticeships Evaluation Survey of Employers, 2011** – this survey conducted for BIS looks at employers' use of the National Apprenticeship Service and employment of apprentices. A copy of the 2011 dataset was obtained and analysed, although it added little to the data provided by other surveys.

Administrative data

We made preliminary enquiries about the data collected to support the management of a range of national business support programmes, mainly provided by BIS. In most cases either the numbers of participants were too small to facilitate detailed analysis or data were not collected in sufficient detail to allow an analysis by rural/urban location. We did, however, obtain summary data on the take-up of the GrowthAccelerator (GA) initiative by rural/urban classification of local authority district.

1.3.3 Analysis approach

The analysis included only businesses in England. Where possible, we used the most recent data. The key predictors used in the analyses were rural/urban location; the size, sector, and age of business; and (when looking at the Small Business Survey), whether businesses worked on public sector contracts, and whether they were exporters. We selected these predictors on the basis of existing evidence that indicated these variables were of importance. The outcome variables used in the analyses were access to skills support provision and perceived skills need; use of external staff training; awareness of other business (growth) support; use of other business support, particularly governmental support such as Business Link; level of business funding sought; and access to business funding and success in obtaining funds.

We used bivariate analysis and tests of statistical significance (to determine the likelihood of differences detected being true relationships or pure chance findings) to examine the variables listed above. In addition, multivariate analyses were undertaken to ascertain which variables were driving the relationships identified in the bivariate analyses (when holding other factors constant). The multivariate models derived allow us to investigate what drives awareness or use of support services, and to isolate whether this is driven by location of business or other factors.

Defining rurality

To analyse the Employers Perspective Survey (EPS) 2012 and the Small Business Survey (SBS) 2012, the rural/urban categories in the datasets were amalgamated to produce a dichotomous variable (a two-way measure of location). The groupings used in the analysis followed the Defra and Office of National Statistics (ONS) rural/urban definition for Output Areas. Survey respondents are situated in Output Areas according to postcode. This measurement system defines settlements with fewer than 10,000 inhabitants as rural. We treat only the 'urban less sparse' and 'urban sparse' categories as urban¹.

1.3.4 Literature review

The review of the literature drew mainly on sources from three online academic search engines: *The International Bibliography of the Social Sciences*, *Ingenta Connect*, and *Google Scholar*. Databases were scanned using combinations of the search terms included in Table 1.1, in addition to the term 'England', to focus on evidence falling within the geographical remit of this project. Non-English sources were excluded. While we were prepared to look at sources comparing England and other nations, in practice our search yielded no appropriate research of this nature.

¹ There is disagreement as to how truly urban a settlement in a sparse area can be, yet the datasets analysed contained very few cases classified as such so, in practice, whether this group is deemed rural or urban makes little difference.

Table 1.1: Search terms used in the review

Primary search term	Secondary search term	Tertiary search term
Rural	Business/SME/ (support/advice/finance/guidance/skills/training/ advice/finance/development)	Barrier
Countryside	Apprenticeships	Access
Agricultural		Awareness
		Information
		Uptake

Source: IES, 2013

We limited the search to identifying outputs containing combinations of the search terms in either the title or abstract. This was primarily to reduce the number of irrelevant hits returned, particularly by Google Scholar, which contains much useful information but also a high proportion of material which is less germane. We also searched the websites of salient organisations including academic rural research centres and government bodies, and took recommendations from stakeholders and our research partners as to potentially useful sources.

We restricted the search to outputs released from 2007 onwards to ensure the policy and economic context was contemporary for all sources. We also checked abstracts in cases of uncertainty to confirm that eligibility criteria were fulfilled, in that studies selected for further review prioritised access to business support and skills provision from the perspective of businesses, not employees or providers. Moreover, studies of educational provision with no explicit link to workplaces were not reviewed. We included no opinion pieces, and aside from policy documents we drew solely on empirical research, although this evidence varied from small-scale qualitative work to national and sector-wide statistical reports.

1.3.5 Interviews with small businesses

We interviewed representatives of 43 employing organisations (henceforth termed businesses). Of these, 29 were rural and 14 urban (see Table 1.2 for full profile of respondents). Participants were drawn from respondents to the Small Business Survey and the Employer Perspectives Survey who had agreed to participate in further research. The sample focused primarily on rural businesses but included an additional urban sample (matched by size and sector to the achieved sample of rural businesses) to provide a control group. Our sample covered a range of

sectors, sizes (although all had fewer than 250 employees), locations within England, and ages. All businesses were classified as rural or urban based on their postcode¹. None of the rural businesses were in the education and social care or financial sector, as organisations in these sectors tend to be larger and in the public sector and so ineligible for the Small Business Survey. No urban respondents were from the agricultural sector, which is overwhelmingly rural. Similarly, there were no rural respondents from the financial sector, which is mainly urban. Although the small number of interviewees makes it difficult to compare our sample to the national profile in terms of sector and region, we have included respondents from a range of locations and industries to ensure our findings are as representative as possible.

Table 1.2: Profile of interviewees

	Rural	Urban	Total		Rural	Urban	Total
Sector				Size (employees)			
<i>Retail</i>	5	6	11	<i>Micro (1-9)</i>	13	9	22
<i>Hospitality</i>	5	2	7	<i>Small (10-49)</i>	13	4	17
<i>Manufacture</i>	1	0	1	<i>Medium (50-249)</i>	3	1	4
<i>Other services</i>	12	1	13	Region			
<i>Logistics</i>	1	0	1	<i>EE</i>	5	1	56
<i>Engineering/Construction</i>	1	1	2	<i>SW</i>	7	4	11
<i>Property</i>	1	1	2	<i>SE</i>	10	4	14
<i>Education/ training</i>	1	1	2	<i>YH</i>	3	0	3
<i>Financial, legal, surveyor</i>	0	1	1	<i>NE</i>	1	1	2
<i>Care and education</i>	0	1	1	<i>EM</i>	2	3	5
<i>Farming and agriculture</i>	1	0	1	<i>WM</i>	1	1	10
Taken business advice?							
<i>Yes</i>	17	8	25				
<i>No</i>	12	6	18				

Source: IES, 2013

¹ Rural respondents were located in any of the following locations: hamlet and isolated dwelling (sparse and less sparse), village (sparse and less sparse), town and fringe (sparse).

1.3.6 Data limitations

Our report draws on evidence from a wide range of sources, analysed using a variety of techniques. This approach has enabled us to answer the key research questions with confidence and provide a comprehensive account of business support awareness and uptake among rural and urban SMEs. Inevitably, there have been some areas where the available data have not permitted us to fully explore areas of interest. These are discussed below.

Rapid evidence assessment

While our review of the literature found many relevant papers, much of this evidence had a regional focus and there was a lack of relevant outputs using data from England as a whole. Clearly it is unsafe to assume that the findings from regional level papers can be generalised to broader areas. Such research is useful for revealing trends in particular localities, but evidence based on full national coverage would have been of greater value to this project.

There is also little evaluation evidence pertaining to current policy measures, such as the GrowthAccelerator. Some of the academic research included in our review deals with relevant support initiatives but is too dated to be fully meaningful in the current policy context (such as Ilbery et al., 2010). This is an issue caused by the time lag in the publication of academic work. Furthermore, some government reports looking at specific policies germane to this investigation do not present findings according to rural and urban location (for example, North et al., 2011; BIS, 2012). These papers would have been extremely useful had the analysis included such comparisons.

Survey data

Using the Small Business Survey (SBS) 2012 and the Employer Perspectives Survey (EPS) 2012 has allowed us to address the research questions using recent datasets with sample sizes sufficient for analysing the variables of greatest importance. To the best of our knowledge, this is the first time such analysis has been conducted. Nevertheless, these surveys were not designed to address the specific research questions we are addressing and therefore present some limitations for this study.

The weighting on the EPS is grossed up to over two million cases. As a result, statistical significance is achieved in most tests when weights are applied, even though in many cases these significance levels represent type 1 errors (ie variables appear to be significantly related when in fact they are not).

Also in the EPS, respondents are asked their 'reasons for using public provision' (variable '9DB'). If the survey also asked why businesses did not or could not access such provision, it might have generated useful insights regarding barriers to uptake.

Questions directly asking about obstacles to awareness and access, and how these could be overcome, would also be relevant. Existing survey items on awareness of support sources could also ask how respondents heard of them. This would have told us more about how such support can be marketed more effectively.

It would be helpful to have more comprehensive data on uptake of specific support services to more accurately gauge the level of usage. The secondary datasets used here contain obsolete provision such as Business Link local services. It would also be useful to have better access to administrative data from relevant programmes to provide a definitive account of rural/urban variation in uptake.

Some data on accessing finance does not distinguish between government and other sources. For example, the SBS 2012 allows respondents to say that they attempted to obtain grants but does not distinguish between the sources approached. It would have been helpful to make that distinction given the focus on government support in this project.

1.4 Report structure

The following chapter (Chapter 2) outlines the nature and profile of rural businesses and how they differ from those located in urban areas. It also notes the key areas of business support and skills programmes and initiatives provided by the government to help companies to grow. This gives a context to the research findings given in the following chapters.

Chapter 3 presents findings from our analysis of the quantitative evidence on the influence of rural location on awareness of government support for business development and skills, and engagement with this support.

Chapter 4 presents emerging qualitative findings from our interviews with policy and sector stakeholders and with businesses based in rural locations.

Chapter 5 looks across the qualitative and quantitative findings to draw out some conclusions and implications for the provision of business support for rural businesses.

Appendix 1 provides references for the literature quoted in the report and a glossary of acronyms and statistical terms used.

Appendix 2 provides a brief introduction to the MINDSPACE framework used to analyse the findings.

2 Background

In this chapter we set the context for the research by examining the profile of rural businesses in England, detailing rural/urban differences in business size and sector. We then map out the business support and skills support programmes offered by the government to help companies to grow. This provides an overview of the policy environment in which rural businesses operate.

2.1 The profile of rural businesses

Before examining rural/urban differences in business size and sector, it is worth discussing the definitions of 'rural' used in this report. We use two different yet interdependent schemes:

- the Defra rural/urban classification of local authority districts
- the size of settlement definition used by ONS, which defines any settlement with 10,000 or more inhabitants as urban¹.

The Defra classificatory framework is based on the percentage of residents in a given district living in settlements classed as urban by the ONS definition (although some market towns with between 10,000 and 30,000 residents are also treated as rural when assessing the rurality of a district)². We use both in this report, as much of the data we draw upon are only available in one of the two formats. Other research reviewed as part of compiling this report also mostly uses

¹ http://archive.defra.gov.uk/evidence/statistics/rural/documents/rural-defn/Rural_Urban_Introductory_Guide.pdf

² <http://archive.defra.gov.uk/evidence/statistics/rural/documents/rural-defn/LAClassifications-introguide.pdf>

one of these two schemes. To aid clarity, we state which of these definitions is used as we discuss particular findings.

Just over a quarter (29 per cent) of businesses in England are located in rural areas if the ONS size of settlement definition is used (Defra, 2012). Using the broader Defra classification of local authority districts, 28 per cent of businesses are rural¹ (ONS, 2012).

Size

The research literature (Commission for Rural Communities (CRC), 2010) shows there to be a higher density of smaller businesses in rural areas, with workplaces of fewer than 50 employees providing half the jobs in rural areas compared with a quarter in urban areas. The latest Defra statistics find:

- **In urban areas, a greater proportion of businesses are either SMEs or large businesses, although rural areas have more sole traders.** Micro-businesses (one to nine employees) account for 72 per cent of all enterprises in England: 74 per cent of businesses in urban areas and 68 per cent in rural areas (see Table 2.1). Urban areas also have proportionally more small, medium and large enterprises than found in rural areas (although the differences here are less extreme in terms of percentage points). However, rural businesses are much more likely than urban businesses to be a sole trader or other type of enterprise and partnership (15 per cent of rural enterprises are sole traders and 10 per cent are classed as an 'other enterprise or partnership; for urban enterprises the figures are 10 per cent and four per cent).

Table 2.1: Enterprise count by rural/urban location (per cent)

	Micro (1-9)	Small (10-49)	Medium (50-249)	Large (250+)	Sole trader	Other enterprise or partnership	N
Urban	74.0	9.4	1.8	0.5	9.9	4.3	1,274,070
Rural	67.5	6.9	1.0	0.2	14.7	9.8	506,750
England	72.2	8.7	1.6	0.4	11.3	5.8	1,780,825
(N)	1,285,185	154,795	28,470	7,500	200,925	103,950	

Source: Defra Statistical Digest of Rural England, February 2013

¹ These figures come from VAT trader and PAYE employer information from HMRC. We classify rural businesses as those based in predominantly rural (rural-50 or rural-80) districts.

- **In rural areas, a much higher proportion of people in work are employed by SMEs than in urban areas.** In terms of employee numbers, large enterprises – with 250 or more staff – employ 65 per cent of the urban workforce, while only 31 per cent of rural employees work for companies of this size (see Table 2.1). Sixty-nine per cent of rural workers are employed by SMEs, with the highest proportion (29 per cent) working for micro-businesses. Comparative figures for urban companies are 35 per cent and 12 per cent.

Table 2.2: Employee count by rural/urban location (per cent)

	Micro (1-9)	Small (10-49)	Medium (50-249)	Large (250+)	N
Urban	11.7	11.7	11.7	64.9	19,962,290
Rural	28.9	22.6	17.3	31.2	2,912,410
England	13.9	13.1	12.4	60.6	22,874,700
N	3,183,690	3,002,500	2,831,310	13,857,200	

Note: excludes 'sole trader', 'other enterprise' or 'partnerships' as they do not have any employees

Source: Defra Statistical Digest of Rural England, February 2013 (taken from IDBR 2010/11)

- **The importance of micro businesses to rural areas can be seen when total employment data, including sole traders etc, are examined.** In Table 2.3, sole traders, other enterprises and partnerships are combined with micro enterprises. Over a third, 35.5 per cent, of all rural employment is located in very small enterprises compared with 28.1 per cent in large enterprises.

Table 2.3: Employment by rural/urban location (per cent)

	Micro (1-9), sole trader, other enterprise and partnership	Small (10-49)	Medium (50-249)	Large (250+)	N
Urban	13.7	11.7	11.4	63.2	20,492,510
Rural	35.5	20.9	15.6	28.1	3,234,560
England	16.7	12.9	12.0	58.5	23,726,860
N	3,951,070	3,063,270	2,843,300	13,869,230	

Source: Defra Statistical Digest of Rural England, February 2013 (taken from IDBR 2010/11)

Sector

The research literature (CRC, 2010) shows the most prevalent business sectors in rural areas are 'property/business services', 'construction' and 'agriculture'. Despite this, agriculture accounts for just two per cent of rural GVA and eight per cent of employment. The latest Defra statistics show that while 90 per cent of land-

based enterprises – ‘agriculture, forestry and fishing’ – are located in rural areas, this still only amounts to 16 per cent of rural businesses (and less than one per cent of urban businesses). This is the most common sector among rural businesses, accounting for over half of all enterprises in the most rural locations. Other prominent sectors in rural areas are ‘wholesale, retail and repair of motor vehicles’ (15 per cent of rural businesses), ‘professional, scientific and technical services’ (14 per cent), and ‘construction’ (13 per cent). There are other differences, such as a greater proportion of urban enterprises in information and communication, finance, and education, health and social work sectors when compared with rural businesses (see Tables 2.4 and 2.5).

Table 2.4: Business sector by rural/urban location

	Administrative and support services	Agriculture, forestry and fishing	Arts, entertainment and recreation	Construction	Education, health and social work	Finance	Hotels and catering	Information and communication	Manufacturing	Mining/quarrying and utilities	Professional, scientific and technical services	Property and business services	Public admin and defence; other services	Transport and storage	Wholesale, retail and repair of motor vehicles	Total
Less sparse urban	89,430	9,660	35,130	156,255	77,635	31,850	77,385	108,690	77,615	2,940	222,045	60,820	50,145	39,635	231,305	1,270,540
Sparse urban	190	160	115	450	220	40	535	80	195	10	255	180	120	120	860	3,530
Less sparse rural town and fringe	9,950	6,175	3,400	21,670	8,195	2,500	9,820	9,390	9,205	410	23,665	7,370	4,325	5,455	26,255	147,785
Sparse rural town and fringe	460	605	260	1,195	540	135	1,230	290	520	15	83	455	295	320	2,220	9,370
Less sparse village	13,720	31,815	5,545	25,590	7,580	2,430	8,800	11,145	11,240	665	29,760	6,255	6,105	6,090	26,600	193,350
Sparse village	805	4,985	425	1,745	475	65	1,235	320	650	30	1,145	320	270	455	1,830	14,760
Less sparse hamlet and isolated dwellings	8,780	30,865	3,830	15,275	3,960	1,675	4,585	5,680	7,810	540	15,600	3,730	4,260	3,565	16,375	126,525
Sparse hamlet and isolated dwellings	795	7,715	315	1,170	305	70	760	325	585	50	895	210	265	320	1,175	14,960
Urban	89,620	9,820	35,245	156,705	77,855	31,890	77,920	108,770	77,810	2,950	222,300	61,000	50,265	39,755	232,165	1,274,070
Urban row %	7.0	0.8	2.8	12.3	6.1	2.5	6.1	8.5	6.1	0.2	17.4	4.8	3.9	3.1	18.2	71.5
Rural	34,510	82,160	13,775	66,645	21,055	6,875	26,430	27,150	30,010	1,710	71,148	18,340	15,520	16,205	74,455	506,750
Rural row %	6.8	16.2	2.7	13.2	4.2	1.4	5.2	5.4	5.9	0.3	14.0	3.6	3.1	3.2	14.7	28.5
England	124,130	91,975	49,025	223,355	98,910	38,765	104,355	135,915	107,820	4,660	294,200	79,345	65,775	55,965	306,625	1,780,825

Source: Defra Statistical Digest of Rural England, February 2013

Table 2.5: Business sector by rural/urban location (aggregated)

	Administrative and support services	Agriculture, forestry and fishing	Arts, entertainment and recreation	Construction	Education, health and social work	Finance	Hotels and catering	Information and communication	Manufacturing	Mining/quarrying and utilities	Professional, scientific and technical services	Property and business services	Public admin and defence; other services	Transport and storage	Wholesale, retail and repair of motor vehicles	Total
Urban	89,620	9,820	35,245	156,705	77,855	31,890	77,920	108,770	77,810	2,950	222,300	61,000	50,265	39,755	232,165	1,274,070
Urban row %	7.0	0.8	2.8	12.3	6.1	2.5	6.1	8.5	6.1	0.2	17.4	4.8	3.9	3.1	18.2	100
Urban column %	72.2	10.7	71.9	70.2	78.7	82.3	74.7	80.0	72.2	63.3	75.6	76.9	76.4	71.0	75.7	71.5
Rural	34,510	82,160	13,775	66,645	21,055	6,875	26,430	27,150	30,010	1,710	71,148	18,340	15,520	16,205	74,455	506,750
Rural row %	6.8	16.2	2.7	13.2	4.2	1.4	5.2	5.4	5.9	0.3	14.0	3.6	3.1	3.2	14.7	100
Rural column %	27.8	89.3	28.1	29.8	21.3	17.7	25.3	20.0	27.8	36.7	24.2	23.1	23.6	29.0	24.3	28.5
England	124,130	91,975	49,025	223,355	98,910	38,765	104,355	135,915	107,820	4,660	294,200	79,345	65,775	55,965	306,625	1,780,825

Source: Defra Statistical Digest of Rural England, February 2013

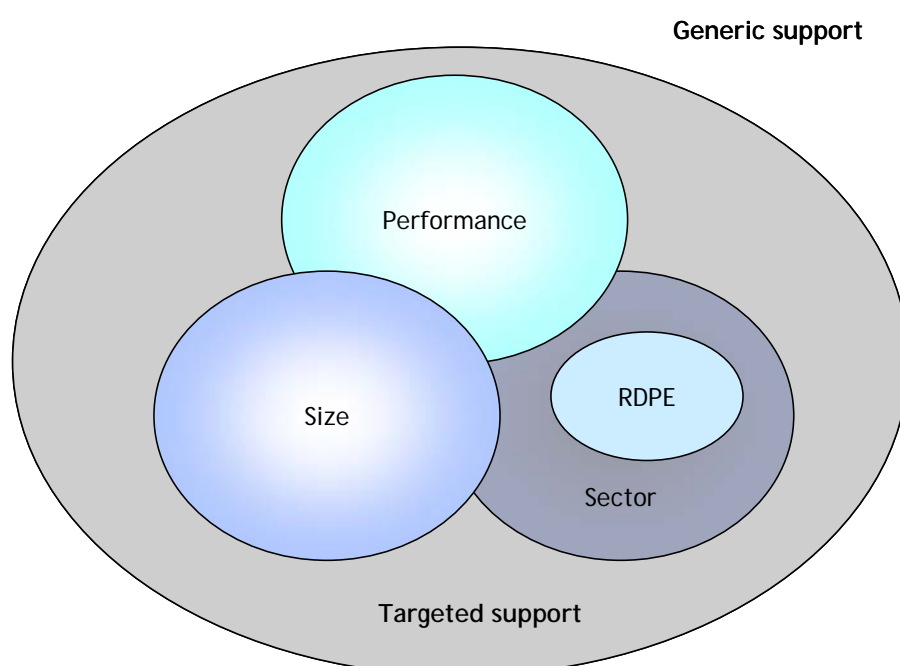
Performance

Finally the research literature (CRC, 2010) indicates that there is a higher level of business start-up activity in rural areas, albeit lower for women than men. The common sectors for start-up activity in rural areas include legal, accountancy, business consultancy and other business activities; personal and community service activities; and construction. While rural businesses have been affected by the recession, the incidence of closure is lower than in urban areas. Furthermore, a higher proportion of rural firms have been established for over 10 years, testifying to the tendency of rural businesses to survive over relatively long periods. This suggests some degree of resilience and entrepreneurialism within rural areas when compared with urban areas.

2.2 The support available to rural businesses

In general the national support provided by government is either generic, available to all businesses, or targeted, according to size, performance and potential, or sector (see Figure 2.1 for a representation of the support spheres). The support we have focused on in this research is that provided to help businesses to develop and grow. This includes financial support, business development and advice, and skills and employment support. It will also include, directly or indirectly, support directed towards businesses located in rural areas.

Figure 2.1: National support provided by government



Source: IES, 2013: Government support for SMEs (BIS, 2013)

Further support for businesses, albeit indirectly, includes schemes accessible by communities (such as the Rural Community Broadband Fund) and support aimed at individuals. These forms of support are not included in this list of business support. Throughout this report, we focus on initiatives available to businesses as opposed to those offered at the individual or area level. In doing so, we look only at mainstream, national provision intended for SMEs rather than schemes which are specific to particular sectors or locations.

A range of support is targeted towards smaller companies (see the relevant pages of Gov.UK¹). The main schemes available at the start of the study include those listed below.

SME loans

- **Enterprise Finance Guarantee:** a loan guarantee for firms lacking collateral or track record, thus facilitating additional lending – from £1,000 to £1m. It is intended for viable SMEs lacking the security or proven track record for a commercial loan, and gives a government guarantee of up to 75 per cent of the amount borrowed in the case of a default (BIS, 2012).
- **Letter of Credit Guarantee Scheme:** a guarantee between 50 per cent and 90 per cent of the value of the letter of credit, where a UK bank adds its confirmation to a letter of credit issued by an overseas bank to finance an export from the UK.
- **Business Finance Partnership:** capital for mid-sized firms via nonbank channels. The ‘Small Business Tranche’ offers finance to businesses with turnover below £75m.
- **Community Development Finance:** not direct SME funding but investment in the area – Community Development Finance Institutions (CDFIs) representing the locality make loans to new and established businesses.
- **Start-up loans:** available for those aged 18 to 30, but rural SMEs could be eligible.

Other financial support

- **Regional Growth Fund (RGF):** backs schemes that can support SMEs. Minimum bid threshold of £1m, but SMEs can bid to RGF programmes for £10,000. These are predominantly regional, such as the programmes in

¹ <https://www.gov.uk/browse/business>

Cornwall and the Isles of Scilly, and the Herefordshire Council scheme, but also include national programmes such as the Business Angel Co-investment Fund:

- The £50m Angel CoFund, created with a grant from the RGF, is able to make initial equity investments of between £100,000 and £1m to SMEs alongside syndicates of business angels, subject to certain geographical restrictions and an upper limit of 49 per cent of any investment round.
- **Growing Places Fund:** money managed by Local Enterprise Partnerships (LEPs); criteria vary between areas.

Assistance with winning and maintaining contracts

- **UK Trade and Investment:** support with business in international markets.
- **UK Export Finance:** offers various products involving credit and finance.

Advice¹

- **GrowthAccelerator:** coaching and referral to business advice providers for a joining fee set according to number of employees, so micro-businesses pay the lowest amount.
- **Manufacturing Advisory Service:** national service funded by BIS to help manufacturing businesses grow; provides free reviews and subsidised consultancies.
- **Business Link:** a national telephone helpline available to all businesses that provides a quick response service to simple questions about starting or running a business. It can also provide a more in-depth service for complex enquiries².
- **Mentorsme:** a web-site designed to put growing businesses in search of support and guidance in touch with quality-assured mentoring organisations that specialise in helping businesses at their stage of development.

¹ The advice sources listed in this chapter differ slightly to those measured in the most recent Small Business Survey (analysis of which is reported in Chapter 3), as the SBS includes awareness and use of some non-government sources of business support.

² Business Link formerly operated a website; this has since been replaced by the new 'gov.uk' website. The analysis featured in Chapter 3 uses data collected while the Business Link website was still operational. The analysis also examines awareness and use of specific online provision then offered by Business Link, namely 'My New Business' and 'Growth Improvement Service'.

2.2.1 Sector-based government support (including for rural businesses)

The support targeted towards companies in specific sectors is noted below. We have included support specifically targeted at rural businesses within this sub-group given that rural businesses have a higher propensity to be located in certain business sectors than spread across all sectors.

- **Rural Development Programme for England (RDPE):** funding administered by Defra and available through its own Rural Delivery Teams located across the country and a number of Local Action Groups – several in each region, full list available online¹. The 2007-2013 RDPE will be replaced by a new programme from 2014.

Other support aimed at specific rural sectors is outlined below.

Farming

- **Single Payment Scheme:** the principal agricultural subsidy in the EU.
- **Environmental Stewardship:** payments to farmers for effective land management to protect and enhance wildlife. Delivered by Natural England for Defra.
- Nationally, Natural England also currently offer Catchment Sensitive Farming, the Conservation and Enhancement Scheme, the Energy Crops scheme and Heritage Management grants.
- Regionally, Natural England support Local Nature Partnerships, and the Soils for Profit Project, providing advice and grants for farmers in the South West.

Forestry

- **English Woodland Grant:** delivered by the Forestry Commission for Defra.

2.2.2 Skills and employment support

Government support to help businesses with employment and skills includes:

- The **National Apprenticeship Service (NAS)** supports, funds and co-ordinates the delivery of apprenticeships throughout England and provides a service for employers (as well as learners).

¹ <http://rdpenetwork.defra.gov.uk/funding-sources/local-action-groups>.

- **The Apprenticeship Grant for Employers (AGE)** provides up to 40,000 grants of £1,500 to encourage and support employers taking on a young apprentice aged 16 to 24.
- **Investors in People** is a business improvement standard administered by the UKCES and supported by BIS.
- **Jobcentre Plus** offers a range of services to employers, including recruitment advice and help with work experience.

3 Awareness of and Access to Support: Quantitative Evidence

In this chapter we present evidence from secondary analysis of survey and administrative data to determine whether and how rural location affects awareness and uptake of skills and business support. This is supplemented by findings from the literature review.

3.1 Findings from other research

Access to business support

There is little evidence in the existing literature comparing access to business support in rural and urban areas. The few studies that do exist tend to focus on particular localities and rarely compare rural and urban areas. One study in South Yorkshire (Johnson et al., 2010) found that businesses using external advice were more likely than average to be based in densely populated urban areas, clearly suggesting that rural location leads to lower uptake of advice services. However, another study of rural businesses in North East England (Atterton and Affleck, 2010) found that businesses based in sparse hamlets and isolated dwellings were likeliest to report that they had accessed business support or advice.

Atterton and Affleck (2010) found that the size of the firm is positively correlated with uptake of external support: the larger the firm the more likely they were to access business support. This also corresponds with the findings of work by Atherton et al. (2010), who looked at use of Business Link services among

businesses in Northamptonshire, a county categorised as significant rural using Defra /Office for National Statistics Higher Geographies classifications¹.

Engagement with skills programmes

The research literature shows some evidence of differential engagement with skills support programmes, specifically training. Figures from the National Audit Office found that a higher proportion of individuals working in urban areas received on-the-job training than their rural counterparts. While this suggests businesses in rural areas are doing less to up-skill their personnel, it was also noted that in Predominantly Rural and Significant Rural districts, there was an increase in the proportion of people receiving in-work training (Defra, 2013).

There is also evidence that uptake of skills provision varies by sector, which indirectly affects rates of use by rural businesses. The 'agriculture, forestry and fishing' sector is mostly rural, and a study commissioned by Lantra (2011), using data from the Labour Force Survey, found that employees in these industries are engaged in off-the-job training less than workers from any other sector. While the measure of training does not include informal training activities, this finding suggests that in terms of accessing external skills provision, this sector is less active than any other (Breuer, 2012).

Access to finance

One element of business support (as indicated in Chapter 2) relates to access to finance. Much of the research literature here (for instance BIS, 2012) does not present findings according to rural/urban location. In the North East Rural Businesses Survey, around one-third of respondents agreed or strongly agreed that better access to private capital would also help their business to grow (Atterton and Affleck, 2010); and 41 per cent of respondents cited a lack of finance or the high cost of borrowing as a constraint on growth (Atterton and Affleck, 2010). However, while this suggests a need for finance among rural firms, it does not prove that access to such funds varies between companies based in rural and urban locations.

Recent qualitative research carried out by CRC found little difference between rural and urban businesses in terms of success in applying for credit. One factor identified as favourable to rural firms was access to land-based collateral, which

¹ <http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/rural-urban-definition-and-la/rural-urban-local-authority--la--classification--england-/index.html>

urban companies rarely have, but overall, rural and urban businesses were found to be similar in terms of ability to secure credit (CRC, 2013).

Allinson et al. (2013) examined the extent to which SMEs accessed the Enterprise Finance Guarantee (see Chapter 2). Allinson et al. did not look at rural/urban location as a factor, but the breakdown according to sector is revealing. Businesses in agriculture, fishing and forestry received fewer loans per firm than any sector with the exception of financial intermediation. When expressed as loans per employee, the sector appears to fare better as such businesses tend to be very small. Nevertheless, the sector still receives less support from this initiative than many others (Allinson et al., 2013). This sector comprises five per cent of the total number of enterprises in England, based on 2011 data. However, these account for less than one per cent of firms in less sparse urban areas, compared with 52 per cent of businesses in hamlets and isolated dwellings (Defra, 2013). It is clear that the industry is overwhelmingly rural, although not exclusively so. This indicates that access to finance could vary by sector, and this could have an indirect impact on access to financial support for rural businesses.

3.2 Measuring involvement in skills support programmes

Analysis of the **Employer Perspectives Survey (EPS)** provides us with an insight into the levels of awareness and uptake among businesses of government-funded skills advice, training initiatives and recruitment services, for example those provided by Jobcentre Plus, and access to externally provided training (some of which may be supported by government).¹

We find that rural businesses are less likely than urban businesses to have heard about labour market programmes designed to help unemployed people get jobs. For example, 57 per cent of rural businesses were aware of the government's Work Programme, compared with 60 per cent of urban businesses (Table 3.1).

¹ It is worth noting that as this is a large survey, virtually all of the differences noticed between urban and rural businesses are found to be statistically significant, even when there appears to be no real difference in percentage point terms. When describing the findings of the descriptive analysis, we therefore focus on the larger differences (in terms of the difference in percentage points) than on all those that are simply statistically significant.

Table 3.1: Awareness of initiatives to help recruitment (per cent)

Initiative	Rural	Urban	Total
Jobcentre Plus Work Programme***	57.3	60.0	59.4
Six month offer***	13.1	14.7	14.3
Graduate Talent Pool***	13.3	16.2	15.5
None of the above***	39.7	36.1	37.0
Base (N, unweighted)	2,164	7,824	9,988

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Urban businesses were also more likely than those from rural areas to know of National Skills Academies and the Union Learning Fund (Table 3.2). However, the opposite is true of Business Link, a major source of government advice which until recently consisted of an online portal and national hotline. Here nearly 96 per cent of rural businesses said that they were aware of Business Link whereas the proportion of urban businesses that had heard of Business Link was lower at 92 per cent. Again, these findings are statistically significant.

Table 3.2: Awareness of sources of skill development advice and information (per cent)

Source of advice/help	Rural	Urban	Total
Business Link***	95.7	92.1	92.7
National Skills Academy***	44.3	47.2	46.5
Union Learning Fund***	5.1	7.1	6.6
Base (N, unweighted)	2,164	7,824	9,988

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Finally the survey also looked at awareness of the Investors in People standard. Across the whole sample three in four businesses were aware of Investors in People, with no real difference in awareness between rural and urban respondents (Table 3.3).

Table 3.3: Aware of Investors in People (per cent)^{***}

	Rural	Urban	Total
Yes	75.1	75.3	75.3
No	24.9	24.7	24.7
Base (N, unweighted)	2,158	7,806	9,964

Base: all employers (excludes don't knows)

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

3.2.1 Take-up with (engagement with) skills support

All in all, a slightly higher proportion (34 per cent) of rural respondents said that they had sought or received external information, advice or practical help on skills or training issues in the past 12 months, compared with urban respondents (32 per cent) (Table 3.4).

Table 3.4: Sought or received external information, advice or practical help on skills or training issues in past 12 months (per cent)^{***}

	Rural	Urban	Total
Yes	34.0	32.2	32.7
No	66.0	67.8	67.3
Base (N, unweighted)	2,054	7,349	9,403

Base: all employers (excludes don't knows)

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Focusing on businesses with a skills need (in this case businesses with a vacancy), rural firms were less likely to have engaged with support. Indeed, the disparity in awareness of labour market programmes was reflected in employer involvement in such programmes, with 16 per cent of rural businesses saying that they had been involved in the Work Programme compared with almost 19 per cent of businesses in urban areas (Table 3.5). However, there was little real difference – in terms of percentage points – in the use of government support with recruitment between rural and urban businesses (see Table 3.6).

Table 3.5: Use of initiatives to help recruitment (per cent)

Initiative	Rural	Urban	Total
Jobcentre Plus Work Programme***	16.1	18.8	18.2
Graduate Talent Pool***	0.5	1.6	1.3
Six-month offer***	1.0	1.5	1.4
None of the above	83.3	79.5	80.3
Base (N, unweighted)	1,307	5,169	6,476

Base: all employers with a vacancy
 Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Table 3.6: Use of government support in recruitment (per cent)

Initiative	Rural	Urban	Total
Jobcentre Plus	27.4	27.3	27.3
Government programmes and schemes***	2.5	2.3	2.4
National Apprenticeship Service***	1.7	1.6	1.6
Base (N, unweighted)	1,307	5,169	6,476

Base: all employers with a vacancy
 Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Interestingly, rural businesses were more likely to say that they had been in contact with a range of sources for skills support, including universities, colleges, professional bodies and training providers (see Table 3.7). Previous research has highlighted how sectoral networks comprising such organisations can prove to be valuable to businesses in rural areas, which are otherwise lacking in similar support. Particular benefits noted were access to specialist knowledge and experts with both industry knowledge and familiarity with local contexts (Hindle et al., 2010). Again, reflecting patterns of awareness, rural businesses were also more likely to say they had sought help from Business Link in relation to skills or training (20 per cent of rural businesses compared with 15 per cent of urban businesses).

Table 3.7: Source of external information, advice or practical help on skills or training issues in past 12 months (per cent)

Source of advice/help	Rural	Urban	Total
Training provider***	37.6	34.7	35.4
College***	33.1	29.2	30.3
Business Link***	20.0	14.6	15.1
University***	13.4	12.1	12.3
LEP***	11.0	10.8	10.5
Sector Skills Council (SSC)***	7.1	6.5	6.5
Business Coaching for Growth	5.2	4.8	4.6
Professional body***	39.9	31.7	33.7
Other employers***	18.8	16.9	17.4
Chambers of commerce**	8.7	9.4	9.2
Local authorities**	22.2	21.8	21.9
No one***	4.3	6.0	5.6
Don't know***	9.3	12.6	11.9
Base (N, unweighted)	994	3,488	4,482

Base: all employers (seeking external information, advice or practical help)

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

The difference between rural and urban areas was much more marked in terms of percentage points in the data on take-up of Investors in People, with almost 18 per cent of urban businesses saying they had reached the standard compared with only 10 per cent of rural businesses (Table 3.8).

Table 3.8: Accredited to Investors in People (per cent)***

	Rural	Urban	Total
Yes	10.2	17.7	16.0
No	82.1	69.6	72.6
Don't know	7.6	12.6	11.4
Base (N, unweighted)	2,164	7,824	9,988

Base: all employers

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

Finally, the EPS indicates that rural businesses are slightly more likely to provide externally provided training, for example from a college or training provider, to their employees (Table 3.9). The SBS shows similar results (see 3.3.4).

Table 3.9: Provision of external training to employees (per cent)^{***}

	Rural	Urban	Total
Yes	47.6	46.6	46.9
No	52.4	53.4	53.2
Base (N, unweighted)	2,164	7,824	9,988

Base: all employers

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (UKCES, 2012), weighted

3.2.2 Exploring direct and indirect effects

Moving beyond simple descriptive analysis, we can undertake multivariate analysis (logistic regression models) of the EPS to take account of a range of different variables simultaneously. This enables us to determine which variables are driving awareness or use of support services, and to isolate whether this is driven by location of business or other factors.

Multivariate analysis methodology

We have used binary logistic regression in order to explore which business characteristics (independent variables or predictors) – such as size and sector – are significantly associated with the outcome variable (dependent variable) in question. We explain how these outcome measures have been defined as we discuss each model. We have used logistic regression as this technique is appropriate for analysing binary outcome variables, such as awareness/lack of awareness, or use/no use. Logistic regression can also incorporate both categorical and continuous predictor variables, although in practice we include only categorical predictors in our modelling here. The aim of this analysis is to identify predictors reliably affecting the outcome in question when controlling for all other predictors in the model. The benefit of this type of analysis as opposed to simple binary significance testing (the analysis of the simple association between two variables presented above) is that the procedure allows us to isolate the relationship each predictor has with the outcome variable all else being equal, in other words holding all other independent variables constant.

The logistic regression models are presented in tables below. These models should be interpreted by looking at the values for Exp (B). These values are the change in the odds of the ‘event’ in question – for example awareness of support, use of recruitment support – following a unit change in the predictor variable, controlling for all other predictors included in the model. For example, a unit change in predictor could be a particular case being rural, coded as ‘1’ in the dataset, as opposed to urban, coded as ‘0’. Equally, it could be a business being

primarily involved in manufacturing as opposed to not manufacturing. An Exp (B) value of 1 represents no change in the odds of event occurrence resulting from a unit change in the predictor in question, while a value of 0.5 means there is half the chance of outcome occurrence, a value of 2 means there is twice the chance, and so on. These values account for variation caused by other predictors included in the model, so values alter between models for the same variable if some of the effect is explained by other predictors introduced in later models.

It is also worth noting here that the R^2 measure of total variance explained, commonly used in the interpretation of linear regression models, is not applicable to logistic regression models. Statisticians have attempted to create an analogue of R^2 for logistic regression, and there is debate as to which of these most accurately serves the same purpose, if indeed any at all. We have included both the Cox and Snell R^2 and the Nagelkerke R^2 in reporting on our models. As doubts persist over both measures, interpretation is normally made through assessing the relative improvement of the -2 log-likelihood statistic. Smaller values of this from model to model indicate improvement in variance explained, although it can only be interpreted in relative and not absolute terms.

This can be seen as a disadvantage of logistic regression, yet the method still enables analysts to gauge the effect of both continuous and categorical predictors on the dichotomous outcome variable. That we only include categorical predictors in our models is due to data limitations as opposed to any constraint imposed by the method. Logistic regression also requires a large sample size in relation to the number of predictors entered into the model, yet the datasets we use here are sufficient for the analyses that follow.

Regression models

The logistic regression models for the EPS examine rural/urban variation in the awareness of recruitment support and also the take-up of various skills support/activities while taking account of other characteristics and factors: business size in terms of employee numbers, and industrial sector. The survey (EPS) contains several variables pertaining to individual sources of recruitment support. Some of these are not relevant to this investigation as they relate to Wales, Scotland or Northern Ireland. Those sources which are applicable to the English subsample of respondents are presented in Tables 3.1 and 3.2.

For each aspect of support investigated three models are produced: in model 1, rural location is the only predictor included (the reference category is urban location); in model 2, business size bands are added (the reference category is large, ie 250 or more employees); and in model 3, sector categories are also added as predictors. The outcome variables for each table are as follows:

- awareness: the dichotomous outcome (dependent) variable is coded as 0 (aware of no sources of recruitment support) or 1 (aware of one or more) (Table 3.10)
- recruitment support: the outcome variable is coded as 0 (used no sources of recruitment support) or 1 (used one or more source) (Table 3.11)
- apprenticeships: the outcome variable is coded as 0 (does not offer apprenticeships or currently has an apprentice) or 1 (does offer apprenticeships/currently has an apprentice) (Table 3.12)
- external training: the outcome variable is coded as: 0 (businesses that have supplied no training or done so only internally) or 1 (businesses reporting having used both internal and external training) (Table 3.13).

Modelling awareness of recruitment support

We find that rural businesses are significantly less likely than urban businesses to be aware of any source of government recruitment support. Taking account of size, rural businesses are still significantly less likely to be aware than urban businesses (although the difference, or size of the effect, is reduced): so rural businesses of a similar size to urban businesses will be less aware of government recruitment support. However, when taking account of both size and sector, rural businesses are no longer less aware than their urban counterparts. This suggests a lack of awareness among rural firms that can be partly explained by size, but that more of this variation is accounted for by sector¹.

The analysis shows that there are also clear effects regarding firm size, with large businesses most likely to have heard of at least one of the sources mentioned in the survey, followed by medium-sized firms. Micro-businesses are the least likely to be aware of recruitment support.

Also businesses operating in the agriculture, hunting, forestry and fishing sector are less likely to be aware of recruitment support than other industries (see Table 3.10). The majority of firms operating in this sector are based in rural areas (see Table 2.4).

¹ Please note that we ran models including location*sector interaction effects but the number of cases in some of the categories was too small to produce reliable estimates. As such, these models are not included our report.

Table 3.10: Logistic regression model of awareness of recruitment support

	Model 1			Model 2			Model 3			Model 4		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
<i>Location - reference urban</i>												
Rural	-.212***	.051	.809	-.155**	.052	.856	-.106*	.053	.900	-.104	.054	.901
<i>Size - reference large</i>												
Micro (1-9)				-1.316***	.135	.268	-1.181***	.137	.307	-1.169***	.137	.311
Small (10-49)				-.877***	.137	.416	-.825***	.138	.438	-.822***	.138	.440
Medium (50-249)				-.444**	.145	.642	-.407**	.146	.666	-.405**	.146	.667
<i>Sector -</i>												
Agriculture, farming and fishing							-.385*	.193	.680	-.395*	.194	.674
Other primary							.067	.156	1.069	.074	.156	1.077
Construction							-.018	.109	.982	-.017	.109	.983
Trade, accommodation, transport							.276**	.084	1.317	.278**	.084	1.321
Business and other services							.246**	.085	1.279	.246**	.085	1.279
Nonmarket services							.724***	.094	2.062	.724***	.094	2.062
<i>Business age (ref 10 years+)</i>												
ageunder1(1)										-.024	.150	.976
age1_3(1)										-.095	.096	.909
age3_5(1)										-.167	.101	.846
age5_10(1)										.049	.068	1.050
Constant	.804***	.024	2.234	1.785***	.132	5.961	1.402***	.149	4.065	1.402***	.149	4.062
-2 Log likelihood	12495.969			12218.921			12113.223			12108.749		
Cox & Snell R Square	.002			.029			.039			.040		
Nagelkerke R Square	.002			.041			.055			.056		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			1.882 (3)			10.199(8)			26.315(8)		

Notes: Base: N=9,988; Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Employer Perspectives Survey (2012)

Modelling take-up of support

When focusing solely on location, we find that businesses based in rural areas are significantly less likely to use recruitment support than urban businesses. However, when taking account of business size, this difference disappears. It is size therefore (as with the models of awareness) that exerts a significant effect on use of recruitment support. Micro firms are the least likely to use government recruitment support, while large firms are the likeliest. Taking account of sector, again we find the agriculture, hunting, forestry and fishing sector to be less likely to use recruitment support. Businesses in the 'nonmarket services' sector are most likely to use such support (see Table 3.11).

Looking at take-up of apprenticeships, location (whether in a rural or urban location) is found to have no significant relationship, and rural firms are no more or less likely to take on an apprentice than those businesses in urban areas. Instead business size is again a significant determinant of the take-up of apprenticeships. The micro businesses, with fewer than 10 staff, are least likely to currently employ apprentices or to offer such vacancies, followed by small firms, and then medium-sized. Our analysis suggests that large firms are the most likely to support apprenticeships (see Table 3.12).

Finally, exploring the effect of location on whether a business has engaged in external training to develop its workforce, we find that rural business are no more or less likely than urban businesses to use external training. However, when we look at location and business size there is a significant rural effect (suggesting an interaction with business size). So when comparing businesses of a similar size, rural businesses then appear likelier to provide external training for staff. The effect of business size is again clear, with micro firms least likely to provide external training, and large firms the most likely. These patterns persist even when controlling for sector (see Table 3.13).

Table 3.11: Logistic regression model of use of recruitment support

	Model 1			Model 2			Model 3			Model 4		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban												
Rural	-.226**	.071	.798	-.109	.073	.897	-.066	.074	.936	-.070	.074	.932
Size - reference large												
Micro (1-9)				-1.955***	.114	.142	-1.877***	.117	.153	-1.954***	.119	.142
Small (10-49)				-.920***	.108	.398	-.911***	.109	.402	-.946***	.109	.388
Medium (50-249)				-.274*	.112	.760	-.254*	.113	.776	-.269*	.113	.764
Sector -												
Agriculture, farming and fishing							-.641	.475	.527	-.571	.475	.565
Other primary							-.202	.262	.817	-.216	.262	.806
Construction							-.076	.176	.927	-.091	.176	.913
Trade, accommodation, transport							.461*	.119	1.585	.464***	.119	1.591
Business and other services							.173	.122	1.188	.160	.123	1.174
Nonmarket services							.527***	.121	1.694	.522***	.121	1.685
Business age (ref 10 years+)												
ageunder1(1)										.422*	.206	1.524
age1_3(1)										.073	.151	1.075
age3_5(1)										.271	.145	1.311
age5_10(1)										.360***	.089	1.434
Constant	-1.664***	.031	.189	-.612***	.098	.542	-.968***	.141	.380	-.989***	.142	.372
-2 Log likelihood	12495.969			7953.641			7896.831			7876.283		
Cox & Snell R Square	.002			.058			.064			.066		
Nagelkerke R Square	.002			.101			.111			.114		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			3.336 (3)			8.249(7)			11.795(8)		

Table 3.12: Logistic regression model of whether the business has/ever had apprentices

	Model 1			Model 2			Model 3			Model 4		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban												
Rural	-.101	.059	.904	.024	.061	1.024	.004	.063	1.004	.001	.063	1.001
Size - reference large												
Micro (1-9)				-2.444***	.107	.087	-2.404***	.109	.090	-2.485***	.111	.083
Small (10-49)				-1.531***	.104	.216	-1.506***	.105	.222	-1.539***	.105	.215
Medium (50-249)				-.993***	.110	.370	-.985***	.110	.374	-1.001***	.110	.367
Sector -												
Agriculture, farming and fishing							-.609*	.293	.544	-.552	.294	.576
Other primary							-.352	.191	.704	-.380**	.192	.684
Construction							.313**	.121	1.367	.299**	.122	1.349
Trade, accommodation, transport							-.409***	.094	.664	-.412***	.094	.662
Business and other services							-.416***	.096	.659	-.428***	.096	.652
Nonmarket services							-.109	.097	.896	-.113	.097	.894
Business age (ref 10 years+)												
ageunder1(1)										.163	.189	1.177
age1_3(1)										.453***	.115	1.574
age3_5(1)										.161	.126	1.175
age5_10(1)										.255**	.079	1.290
Constant	-1.170***	.027	.310	.479***	.097	1.615	.715	.125	2.043	.701***	.125	2.016
-2 Log likelihood	10708.506			9888.891			9808.834			9785.634		
Cox & Snell R Square	.002			.080			.087			.090		
Nagelkerke R Square	.002			.121			.132			.135		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			5.211(4)			22.087(8)			9.115(8)		

Table 3.13: Logistic regression model of awareness of whether the business has provided external training for employees in past 12 months

	Model 1			Model 2			Model 3			Model 4		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban												
Rural	.010	.050	1.010	.163**	.053	1.177	.141*	.057	1.152	.141*	.057	1.151
Size - reference large												
Micro (1-9)				-2.512***	.156	.081	-2.339***	.160	.096	-2.332***	.160	.097
Small (10-49)				-1.328***	.157	.265	-1.182***	.161	.307	-1.184***	.161	.306
Medium (50-249)				-.372*	.169	.689	-.288	.173	.750	-.289	.173	.749
Sector -												
Agriculture, farming and fishing							.293	.198	1.341	.294	.199	1.342
Other primary							.552**	.166	1.736	.565**	.166	1.760
Construction							.349**	.115	1.418	.348**	.115	1.416
Trade, accommodation, transport							-.494***	.088	.610	-.489***	.088	.613
Business and other services							.341***	.090	1.407	.341***	.090	1.406
Nonmarket services							1.384***	.106	3.992	1.388***	.106	4.009
Business age (ref 10 years+)												
ageunder1(1)										-.446**	.162	.640
age1_3(1)										-.115	.100	.891
age3_5(1)										.029	.106	1.029
age5_10(1)										.118	.071	1.125
Constant	.424***	.023	1.528	2.132***	.153	8.435	1.819***	.171	6.163	1.813***	.172	6.129
-2 Log likelihood	13403.134			11930.608			11205.587			11192.716		
Cox & Snell R Square	.000			.137			.197			.199		
Nagelkerke R Square	.000			.186			.267			.269		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			1.500(4)			19.967(8)			19.716(8)		

3.3 Measuring involvement in Business Support Programmes

3.3.1 Awareness of government support

Several sources of government support are available to businesses, and **the Small Business Survey** includes questions about whether potential recipients are aware of the support on offer. Our analysis is restricted to determining rural/urban variation in awareness of assistance which is, in principle, accessible by all SMEs irrespective of location.

In general there exists little rural/urban variation with respect to awareness of different forms of government business support (see Table 3.14). For example, although urban businesses appear more likely than rural businesses to be aware of UK Trade and Investment (UKTI), this difference is not statistically significant (31 per cent compared with 29 per cent of businesses reporting awareness). The difference might be expected to be more pronounced as urban businesses are more likely to be engaged in exporting and overseas trade than their rural counterparts (see Table 3.15). Exploring further, and taking account of business size, micro-businesses in rural and urban areas are equally aware of UKTI, with 30 per cent of firms having heard of it. However, small and medium-sized firms are significantly more likely to be aware of UKTI if they are based in an urban location (Table 3.16).

Table 3.14: Awareness of government business support, by rural/urban location (per cent)

Which business support are you aware of?	Rural	Urban	Total
UK Trade and Investment (UKTI)	29.4	31.3	30.7
BusinessLink.gov website***	90.8	84.6	86.5
Business Link Helpline***	80.9	74.9	76.7
Growth Improvement Service	8.6	7.6	7.9
MentorSME**	9.7	13.4	12.3
My New Business	7.7	9.5	9.0
The GrowthAccelerator	10.3	10.6	10.5
N (unweighted)	871	2,657	3,438

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Small Business Survey (2012)

The penetration of the Business Link brand among rural businesses (noted above) is also evident from our analysis of the SBS. Here rural businesses are significantly more likely to be aware of the website and/or helpline than businesses in urban

locations (91 and 81 per cent compared with 85 and 75 per cent respectively). It is interesting to note that the businesses most likely to be aware of Business Link support are micro-businesses in rural locations.

Table 3.15: 'Does the firm sell goods or services or license its product overseas?', by rural/urban location (per cent) **

Does the firm export?	Rural	Urban	Total
Does not export	80.0	74.6	76.0
Does export	20.0	25.4	24.0
N (unweighted)	871	2567	3,438

Base: all employers

Chi square significant at **p<0.01

Source: IES analysis of the Small Business Survey (2012)

Table 3.16: Awareness of business support by firm size (per cent)

Business size (number of employees)	Micro (1-9)		Small (10-49)		Medium (50-249)	
	Rural	Urban	Rural	Urban	Rural	Urban
Which business support are you aware of?						
UK Trade and Investment (UKTI)	30.4	30.2	31.4	42.7	47.1	57.4
BusinessLink.gov website***	91.5	86.8	91.2	89.7	87.4	90.8
Business Link Helpline***	83.8	75.3	79.6	79.6	77.0	78.6
Growth Improvement Service	7.3	6.8	6.6	9.3	10.3	11.0
Mentor SME*	9.7	13.2	15.5	16.5	13.8	12.7
My New Business	5.3	7.3	6.6	7.7	5.7	7.5
The GrowthAccelerator	9.7	11.5	11.9	14.2	8.0	13.5
N (unweighted)	587	1,432	549	1,922	217	1,088

Base: all respondents, excluding those with no employees

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

3.3.2 Business advice, information and mentoring

The SBS 2012 also includes questions pertaining to business advice and information. The dataset distinguishes between two types: 'strategic advice' and 'information or advice'. There are some small differences in the behaviours of rural and urban businesses evidenced by differences in the proportion of businesses seeking different types of support and from different sources. For example, more rural firms than urban have sought strategic advice concerning e-commerce and technology, whereas more urban firms have sought strategic advice on legal issues, regulations, and training. Rural businesses are also more likely to seek information or advice on e-commerce and technology, while urban

firms are more likely to have sought information or advice on financial matters (see Table 3.17). However, among those that have received business information or advice (whether this was strategic advice or wider business information and advice), urban firms are more likely to have found it to be fully useful (see Table 3.18). If the analysis only includes government business support, we find no significant difference between rural and urban businesses on either of these two variables. Also worth noting are the low levels of uptake across the board: in total, only around two per cent of businesses have used the government support services in question (see Table 3.19).

Table 3.17: 'What did you seek business information/advice about in the past year?' by type of advice and rural/urban location (per cent)

	Strategic advice		Information/ Advice	
	Rural	Urban	Rural	Urban
Business growth	38.5	35.2	12.7	12.5
E-commerce/technology	7.3***	3.7	3.5***	2.6
Employment law/redundancies	8.8	10.9	19.3	23.4
Equal opportunities/discrimination	0.0	0.0	0.0	0.5
Exporting	2.9	3.2	1.8	1.2
Financial advice, eg how and where to get finance	9.3***	10.9	11.4**	8.9
Financial advice, eg accounting, for general running of business	26.3	27.4	32.0*	29.3
Health and Safety	2.4	3.4	11.4	6.1
Innovation	0.0	2.8	1.3	1.2
Legal issues	5.9*	9.4	14.9	16.0
Marketing	12.7	11.4	3.5	4.6
Regulations	2.4*	3.4	4.4	6.6
Starting a business	2.0	1.1	0.4	0.8
Tax/national insurance law and payments	6.8	7.7	12.3	17.9
Training/skills needs	2.9*	4.3	3.9	3.1
N (unweighted)	263	757	303	881

Base: all employers

Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

Table 3.18: 'Has the advice/information received met your business needs?' by type of advice and rural/urban location (per cent)

	Strategic advice*		Information/ Advice*	
	Rural	Urban	Rural	Urban
Yes - fully	61.3	61.5	70.8	73.6
Yes - partially	28.4	30.2	23.7	21.6
Not met	6.2	4.8	4.7	3.0
Don't know	4.1	3.4	0.7	1.8
N (unweighted)	243	668	295	857

Base: all employers receiving business advice/information
Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

Table 3.19: Whether business has used government support in past 12 months (per cent)

	K7*: Used govt sources of information or advice in past 12 months?			Q90a*: Used govt sources of strategic advice in past 12 months?		
	Urban	Rural	Total	Urban	Rural	Total
No	97.8	97.6	97.8	98.7	98.1	98.5
Yes	2.2	2.4	2.2	1.3	1.9	1.5
N	3,515	1,452	4,967	3,515	1,452	4,967

Base: all employers. Chi square not significant. Sources of support included: Business Link local services (not website), Business Link website, BIS, Environment Agency, Health and Safety Executive, Intellectual Property Office, HMRC, Local Authority, UKTI, RDA, ACAS, other websites.

3.3.3 Access to finance

Our analysis shows that rural and urban businesses are equally likely to report having attempted to obtain finance during the previous 12 months. Only around 15 per cent of all respondents had tried (see Table 3.20). Business size is a more important (and statistically significant) factor here, with the smallest firms least likely to have tried, and medium-sized businesses, with up to 249 staff, the most likely (see Table 3.21). There are also significant differences by industrial sector, with 31 per cent of businesses in primary industries seeking financial support, which is more than in any other sector (see Table 3.22). This sector includes occupations such as farming and fishing, which are traditionally associated with rural areas, although these comprise only a small proportion of the national – or even the rural – economy today.

Table 3.20: Whether business has tried to access finance in past 12 months by rural/urban location.

	Urban	Rural
Did not try to access finance	84.4	85.3
Did try to access finance	15.6	14.7
N (unweighted)	2,498	849

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Small Business Survey (2012)

Table 3.21: Whether business has tried to access finance in past 12 months, by business size (number of employees) (per cent)***

	No employees (sole trader)	Micro (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
Did not try to access finance	87.7	78.7	67.4	65.3
Did try to access finance	12.3	21.4	32.6	34.7
N (unweighted)	571	1,129	1,103	544

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Small Business Survey (2012)

Table 3.22: Whether business has tried to access finance in past 12 months, by sector (per cent) ***

	Primary	Manufacturing	Construction	Transport/Retail/ Distribution	Information/ Communication	Business services	Administrative services	Other services	Total
Did not try to access finance	66.8	80.1	84.4	79.7	88.5	87.5	88.9	66.8	84.5
Did try to access finance	33.1	19.8	15.5	20.2	11.4	12.4	11.0	33.1	15.5
N (unweighted)	105	429	337	784	206	593	239	745	3,348

Base: all employers

Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Small Business Survey (2012)

The SBS 2012 also includes variables relating to the outcome of applications for finance. Here, a clear and statistically significant rural/urban variation is evident. The survey permits five levels of response to this question, and looking at this variable in this most disaggregated format shows that 76 per cent of rural business that had applied for finance had obtained all they needed from the first source, compared with only 51 per cent of urban firms (see Table 3.23). Urban businesses were more likely to secure the necessary finance from alternative sources, but they were also more likely to have received no finance whatsoever. The sample here is small, as only respondents having indicated that they sought finance in the past year are included. However, as noted the difference is still statistically significant.

Table 3.23: Eventual outcome of application for finance, by rural/urban location**

	Urban	Rural
Obtained all they needed from first source	50.9	75.7
Obtained all they needed from another source	17.7	3.3
Obtained some, but not all	4.6	5.1
Obtained none	23.2	15.0
Don't know/ Still pending/ Refused	3.6	0.9
N (unweighted)	642	218

Base: all employers who sought finance (from any source) in the past 12 months
Chi square significance *** $p < .001$, ** $p < .01$, * $p < .05$

Source: IES analysis of the Small Business Survey (2012)

We have looked at this rural/urban difference from various angles. For example, one might consider obtaining finance from other sources to be a positive outcome. One might also consider securing some finance to be a success, even if the amount obtained falls short of that originally sought. However we divide the analysis here, we find that rural businesses are more successful at gaining finance than urban counterparts. In each case, the findings are statistically significant.

One possible explanation is that when urban businesses seek finance, they aim for larger amounts. The median value of loan or grant applied for by rural businesses is lower (£10,000) than that sought by urban firms (£12,000). The mean amount applied for by rural firms is higher, although this figure is distorted by outliers in the sample, with one rural respondent reporting an application for £5,000,000.

Another factor determining the outcome of finance applications is business size. Larger businesses are more likely to obtain the full amount from the first source approached than smaller firms, whereas sole traders and micro businesses are relatively more likely than other firms to have obtained no finance at all. These findings by size are statistically significant (see Table 3.24), yet there is no

significant effect of industrial sector on outcome of finance application (see Table 3.25).

Table 3.24: Eventual outcome of application for finance, by business size (number of employees)^{*}**

	No employees (sole trader)	Micro (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
Obtained all they needed from first source	57.6	56.2	64.3	80.0
Obtained all they needed from another source	15.9	11.1	7.1	10.0
Obtained some, but not all	3.2	7.5	5.4	0
Obtained none	21.2	22.1	16.1	10.0
Don't know/ Still pending/ Refused	2.1	3.1	7.1	0
N	70	241	360	189

Base: all employers who sought finance (from any source) in the past 12 months
Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

Table 3.25: Eventual outcome of application for finance, by sector (number of employees)

	Primary	Manufacturing	Construction	Transport/Retail/ Distribution	Information/ Communication	Business services	Administrative services	Other services
Obtained all they needed from first source	89.8	70.2	54.1	50.3	64.9	53.6	55.6	59.1
Obtained all they needed from another source	4.1	2.	24.0	14.2	5.4	20.9	26.7	0.7
Obtained some, but not all	2.0	0	8.2	3.1	2.7	4.6	2.2	6.8
Obtained none	4.1	27.7	13.0	30.0	24.3	20.0	15.6	22.7
Don't know/ Still pending/ Refused	0	0	0.70	2.5	2.7	0.9	0.0	10.6
N (unweighted)	48	131	81	203	42	129	65	161

Base: all employers who sought finance (from any source) in the past 12 months
Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

3.3.4 Exploring direct and indirect effects

In this section, we present findings from multivariate analysis of the SBS data, analysing the effect of rural/urban location along with business age, business size and sector on three key outcomes: awareness of business support, whether the business has accessed external training for its staff during the past 12 months, and whether the business has been successful in obtaining finance. As with the analysis of the EPS presented above, this enables us to determine which variables are driving awareness and take-up of business support, and to isolate whether this is driven by location or other factors.

The logistic regression models for the SBS examine the effect of rural/urban location, business age, business size and sector on three key outcomes: awareness of business support, whether the business has accessed external training for its staff during the past 12 months, and whether the business has been successful in obtaining finance. The outcome variables for each table are as follows:

- *Awareness*: the outcome variable is derived from the awareness of particular government support sources (see Tables 3.14 and 3.16). The outcome is coded: 0 (aware of none) or 1 (aware of one or more). The model therefore examines the chance of respondents being aware of any form of government business support mentioned in the survey. Some respondents are aware of multiple sources of support, but businesses having heard of only one are treated the same as those that report awareness of several (Table 3.26).
- *External training*: the outcome variable is defined as: 0 (has not used external training) or 1 (has used external training for staff within the past 12 months). Businesses with no employees are not eligible for inclusion in the model and so the sample size has reduced accordingly (Table 3.27).
- *Obtained finance*: the outcome variable is coded as: 0 (obtained no finance) or 1 (obtained some or all finance applied for) (Table 3.28).

Modelling awareness of business support

When focusing solely on location, we note that rural location does not exert a significant effect on the chance of businesses being aware of any form of government business support mentioned in the survey¹. This is to be expected

¹ These sources are: UK Trade and Investment (UKTI), BusinessLink.gov website, Business Link Helpline, Growth Improvement Service, MentorSME, My New Business, the Growth Accelerator (see Table 3.18).

given the findings from the bivariate analysis presented earlier, which showed that only some differences in awareness were statistically significant between urban and rural businesses, and that there was no consistent pattern (rural businesses were sometimes no less or more aware, sometimes more aware, and sometimes less aware). We can therefore conclude that location does not affect the likelihood of being aware of the business support services mentioned in the survey. However, a clear pattern emerges with regard to business size¹. Larger firms are more likely to be aware of government support when compared with sole traders (firms with no employees). For example, all firms with 10 or more employees are more than twice as likely as sole traders to be aware of at least one of the sources of government support for businesses. These effects persist when controlling for location, sector, and age of business, suggesting that business size is a major determinant of awareness.

Newer firms are also more likely to be aware of one or more sources of government business support. Those trading for no more than one year are twice as likely to be aware than the oldest firms, which have existed for 20 years or more. This could perhaps be explained by new ventures doing more to seek support than more established businesses or that new businesses may be targeted with promotional materials for business support services. We also find that businesses working on public sector contracts are more likely to be aware of government support. There are also some differences by sector; however, it is hard to discern any pattern, and there is no significant effect for the primary sector, which encompasses traditional rural industries such as farming (see Table 3.26).

¹ While business size as determined by employee numbers could be treated as a continuous variable, and the SBS 2012 provides for this, we classify businesses according to size bands which are established measures. The SBS 2012 dataset includes businesses with no employees (ie sole traders) and, although much of the analysis in the BIS report does not include sole traders, where appropriate we have included this group as a valid category in our analysis.

Table 3.26: Logistic regression model, SBS 2012, all businesses: awareness of business support

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban															
Rural	-.037	.095	.964	.035	.097	1.036	.065	.100	1.067	.079	.100	1.082	.091	.101	1.095
Size - reference no employees															
Micro (1-9)				.413***	.113	1.511	.441***	.115	1.554	.439***	.116	1.552	.406***	.116	1.502
Small (10-49)				.917***	.121	2.502	.943***	.124	2.567	.995***	.125	2.705	.891***	.127	2.436
Medium (50-249)				.963***	.147	2.619	.970***	.150	2.639	1.060***	.152	2.886	.853***	.156	2.348
Sector - reference 'others'															
Primary							.088	.260	1.092	.177	.263	1.194	.207	.266	1.230
Manufacturing							.430*	.165	1.538	.460**	.166	1.583	.247	.172	1.280
Construction							-.162	.152	.851	-.156	.152	.856	-.134	.153	.874
Transport, retail, distribution							-.122	.122	.886	-.118	.123	.888	-.117	.125	.889
Information and communications							.875	.233	2.399	.845***	.234	2.328	.616*	.240	1.852
Business services							.385	.139	1.469	.396**	.139	1.486	.337*	.141	1.400
Administration							.158	.185	1.171	.137	.185	1.147	.038	.187	1.039
Age of business - reference 20 years +															
0-1 year										.685*	.330	1.984	.745*	.332	2.107
1-3 years										.426*	.194	1.531	.486*	.195	1.626
4-5 years										.309	.191	1.362	.333	.192	1.396
6-10 years										.236	.125	1.266	.266*	.126	1.305
11-20 years										.210	.109	1.233	.198	.110	1.219

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Exporting - reference does not export															
Does export													.690	.126	1.994
Working for public sector - reference is not															
Is/has worked for public sector													.408***	.100	1.504
Constant	1.320***	.048	3.745	.733***	.094	2.081	.587***	.119	1.798	.405**	.132	1.499	.265	.136	1.304
-2 Log likelihood	3,554.95			3,480.212			3438.848			3,426.486			3,378.037		
Cox & Snell R Square	0.00			.022			.033			.037			.050		
Nagelkerke R Square	0.00			.033			.052			.057			.078		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			0.828(5)			8.026(8)			14.578(8)			4.332(8)		

Notes: N=3438. Outcome variable = aware of business support (from any of sources mentioned) . This variable has been computed from several separate sources of government support. Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

Modelling use of external training for staff

While businesses with no employees are included in other analyses reported in this section, they are obviously not eligible for inclusion here, with the sample size reduced accordingly.

Again, we find that rural/urban location does not significantly alter the probability of a business using external training for staff. Business size, however, does have an effect. In this analysis, we compare micro businesses and small businesses with a reference category of medium-sized businesses. We find that micro-businesses, employing between one and nine staff, are the least likely to access external training. Similarly, small businesses with between 10 and 49 staff, while more likely than micro firms to use external training, are still less than half as likely as medium-sized firms to use it. These size patterns persist when controlling for sector, age of business, whether the organisation is an exporter of goods or services, and whether it has public sector contracts (see Table 3.27). There are some sector differences, with businesses in transport, retail and distribution, and administration less likely to use external training, but this association disappears once controlling for other factors; instead, firms in the business services sectors are less likely to do so. However, this statistical relationship is not as strong as the association with business size and use of external training.

Table 3.27: Logistic regression model: use of external training for staff.

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban															
Rural	-.055	.141	.946	.170	.154	1.185	.209	.157	1.232	.209	.158	1.233	.213	.159	1.237
Size - reference Medium (50-249)															
Micro (1-9)				-2.518***	.259	.081	-2.574***	.264	.076	-2.596***	.268	.075	-2.515***	.269	.081
Small (10-49)				-.796**	.272	.451	-.779**	.276	.459	-.787**	.276	.455	-.734**	.277	.480
Sector - reference 'others'															
Primary							-.218	.448	.804	-.217	.451	.805	-.202	.456	.817
Manufacturing							-.221	.257	.801	-.226	.258	.798	-.260	.265	.771
Construction							.309	.285	1.362	.300	.286	1.349	.313	.288	1.368
Transport, retail, distribution							-.729***	.205	.482	-.718***	.206	.487	-.681	.207	.506
Information and communications							.029	.319	1.030	.008	.322	1.008	-.115	.333	.892
Business services							-.167	.228	.846	-.148	.229	.862	-.161*	.232	.851
Administration							-.686*	.298	.504	-.698*	.300	.497	-.711	.302	.491
Age of business - reference 20 years +															
0-1 year										-.436	.519	.647	-.362	.517	.696
1-3 years										.415	.288	1.515	.449	.289	1.567
4-5 years										-.307	.277	.735	-.268	.277	.765
6-10 years										.022	.196	1.022	.035	.197	1.035
11-20 years										.236	.176	1.266	.247	.178	1.281
Exporting - reference does not export															
Does export													.226	.171	1.253

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Working for public sector - reference is not															
worked for public sector													.408	.152	1.504
Constant	1.105***	.071	3.019	2.618***	.245	13.703	2.914***	.287	18.423	2.868***	.293	17.604	2.615***	.303	13.672
-2 Log likelihood	1,601.259			1,370.708			1,344.128			1,337.345			1,328.363		
Cox & Snell R Square	0.00			.150			.166			.170			.175		
Nagelkerke R Square	0.00			.222			.245			.251			.259		
Hosmer and Lemeshow Test Chi square (df)	.000 (0)			0.82 (3)			1.79 (8)			1.55 (8)			1.87 (8)		

Notes: N=1420, Outcome variable = has business provided external training for staff in past 12 months? Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

Modelling success in obtaining finance

Among those who have applied for finance, we find that rural businesses are more likely to have been successful in securing some finance than urban businesses. This association persists even after controlling for all other factors such as size, age of business, sector, whether the business is an exporter and/or whether the business has public sector contracts. This corroborates the findings from the bivariate analysis reported above (Table 3.23), which indicated that more rural business applicants obtained some quantity of finance, whether or not from the first source approached, and whether or not this was the full amount sought.

We also find that business size is an important factor. Medium-sized firms (the largest category of SME) were three times likelier to obtain some level of finance compared with those businesses that have no employees. The age of the business also emerges as an important factor, with enterprises trading for under one year standing the lowest chance of securing finance (see Table 3.28). This probably reflects reservations from lenders and investors toward taking risks with firms that are less well established.

Table 3.28: Logistic regression model: success in obtaining finance

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Location - reference urban															
Rural	.498*	.230	1.646	.627**	.234	1.871	.540*	.240	1.715	.508*	.243	1.661	.497*	.243	1.644
Size - reference no employees															
Micro (1-9)				-.038	.327	.963	-.040	.330	.961	-.048	.335	.953	-.085	.337	.919
Small (10-49)				.357**	.321	1.429	.382	.326	1.466	.201	.335	1.222	.187	.339	1.205
Medium (50-249)				1.365***	.401	3.917	1.405**	.407	4.077	1.159**	.418	3.187	1.124**	.426	3.077
Sector - reference 'others'															
Primary							1.047	.574	2.848	.848	.578	2.336	.807	.580	2.241
Manufacturing							.387	.325	1.472	.352	.329	1.422	.181	.350	1.198
Construction							.581	.370	1.788	.667	.378	1.949	.648	.378	1.912
Transport, retail, distribution							.410	.279	1.507	.428	.283	1.534	.377	.285	1.458
Information and communications							.664	.492	1.942	.740	.499	2.096	.594	.513	1.812
Business services							.271	.305	1.311	.320	.309	1.377	.231	.315	1.260
Administration							.336	.395	1.399	.375	.400	1.455	.372	.401	1.450
Age of business - reference 20 years +															
0-1 year													-.990*	.487	.372
1-3 years													-1.009*	.488	.365
4-5 years													-.693	.369	.500
6-10 years													-.678	.392	.508
11-20 years													-.677*	.265	.514
													.020	.263	1.022
Exporting - reference does not export															
Does export														.319	.255
Working for public sector - reference is not															
Is/has worked for public sector														-.120	.207

	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Constant	1.416***	.103	4.119	1.025***	.292	2.786	.676*	.343	1.966	1.047**	.386	2.850	1.102***	.396	3.010
-2 Log likelihood	757.779			733.208			727.020			714.052			711.962		
Cox & Snell R Square	.006			.036			.043			.058			.061		
Nagelkerke R Square	.010			.059			.071			.096			.100		
Hosmer and Lemeshow Test Chi square (df)	.000(0)			0.857(4)			3.164(8)			12.516(8)			7.006(8)		

Notes: N=814 (respondents who had applied for funding in past 12 months). Outcome variable = has business obtained funding (from source first approached or other, for full amount sought or less) in 12 months? Chi square significance *** p<.001, ** p<.01, * p<.05

Source: IES analysis of the Small Business Survey (2012)

3.4 Administrative data on use of the GrowthAccelerator

As part of the research we sought data on the take-up of the programmes of support listed in Section 2.2, by rural and urban location. In most cases such data were not collected or readily available. However, we did receive data from the GrowthAccelerator (GA), a service designed to help SMEs achieve growth through offering guidance and access to finance. Eligibility for assistance from GA is determined by three criteria: applicants must be based in England, have a turnover of under £40 million, and employ fewer than 250 people. The data supplied by GA are in aggregate format, presenting raw totals of GA clients according to Defra rural/urban classification of the local authority in which the businesses are based.

As at the end of March 2013, 4,712 businesses had been assisted by GA, of which 1,175 (24 per cent¹) were based in rural areas (see Table 3.29).

Looking at the size of the beneficiaries of the GrowthAccelerator programme, there appears to be little difference between those beneficiaries who are in rural areas and those in urban areas, as seen in Table 3.30 (turnover) and Table 3.31 (number of employees).

We have used ONS data on VAT registrations, broken down by local authority of residence and business size (in terms of employee numbers) to gauge levels of GA use in relation to rural/urban classification. This calculation is approximate as not all firms are VAT registered. We also note that employee numbers and turnover are factors in determining GA eligibility, and as the data are in aggregate format we cannot identify cases fitting both criteria with complete certainty. However, assuming that business size is the primary indicator of qualifying for GA support, considering numbers of GA clients in relation to VAT registrations in rural and urban districts, it appears that GA uptake is slightly higher in urban areas. Around 0.27 per cent of urban businesses have benefited from GA, compared with 0.23 per cent of rural businesses (see Table 3.32).

¹ Of those with known location.

Table 3.29: Take-up of GrowthAccelerator support by rural/urban location

Defra classification	GrowthAccelerator clients	
	Count (N)	%
Major urban	1,530	31
Large urban	669	14
Other urban	689	14
Significant rural	649	13
Rural 50	718	15
Rural 80	457	9
#N/A	213	4
Total	4,925	100

Source: BIS, GrowthAccelerator MI (as at 03.04.13)

Table 3.30: Take-up of GrowthAccelerator support by turnover within rural/urban location categories (per cent)

Classification	Turnover bands for previous year turnover					Grand total
	under £49K	£49k to £249k	£249k to £999k	£1m to £9.9m	over £10m	
Major urban	30	18	27	23	2	100
Large urban	30	18	30	19	2	100
Other urban	26	22	25	24	2	100
Significant rural	25	20	29	24	2	100
Rural 50	26	19	28	26	2	100
Rural 80	22	20	30	26	3	100
#N/A	28	28	19	21	3	100
Total	27	20	27	23	2	100

Source: BIS, GrowthAccelerator MI (as at 03.04.13)

Table 3.31: Take-up of GrowthAccelerator support by size within rural/urban location categories (per cent)

Classification	Employee numbers by band			Grand total
	1 to 4	5 to 49	50 to 250	
Major urban	40	55	5	100
Large urban	42	52	6	100
Other urban	41	56	3	100
Significant rural	38	57	5	100
Rural 50	40	55	5	100
Rural 80	40	55	4	100
#N/A	43	55	2	100
Total	40	55	5	100

Source: ONS and BIS, GrowthAccelerator MI (as at 03.04.13)

Table 3.32: Take-up of GrowthAccelerator service, by size of employer population

	Eligible businesses	Clients	Uptake (%)
Urban	972,715	2,888	0.3
Rural	869,965	1,824	0.2
Total	1,842,680	4,712	0.3

Source: ONS and BIS, GrowthAccelerator MI (as at 03.04.13)

4 Factors Affecting Access to Skills and Business Support: Qualitative Evidence

4.1 Introduction

In this chapter we explore the perceived challenges facing rural businesses and the barriers preventing them from accessing government skills and business support. This chapter is primarily informed by the interviews and the sample of rural and urban businesses. We also add findings from other research where appropriate.

The stakeholder interviews focused on the support needs of rural businesses and on the extent to which being in a rural area affects businesses' ability to access general business services, government-provided business support programmes, skill development and wider services. The interviews with representatives of rural and urban businesses explored:

- the difficulties and challenges faced by their organisations
- their awareness of business support services and who provides these
- their take-up of external advice, information and support and how this met their needs, or their reasons for not seeking or receiving external support
- the barriers they face in finding out about and accessing support
- what could be done to improve support services and access to, and delivery of, provision.

A copy of the topic guide used by the interviewers is included in Appendix 3.

4.2 Challenges and support needs

4.2.1 Challenges

Businesses reported facing a number of difficulties and challenges that they felt could affect the success of their businesses.

The economy

A common theme from the employer interviews was the economy and current market conditions. Businesses spoke of how the recession had negatively affected sales (with spending on leisure particularly affected), consumer confidence and their ability to plan ahead; how it had increased competition; and how it had increased costs, squeezed prices and therefore reduced profits. These issues were voiced by rural and urban businesses alike.

The rise of online retailing was one specific impact mentioned. This had helped one rural organisation (a sub post-office), but also contributed to declining high street footfall, highlighted as a concern by some respondents. Another general issue which arose was the poor weather over the past few years which, for example, had reduced profits for a hospitality company and affected an agricultural manufacturing firm by damaging their clients' incomes (a point also raised by a stakeholder talking about the farming industry). Overall we cannot identify a distinctly rural or urban character to the challenges posed by the economy to businesses in our sample.

Finance

Finance was an issue mentioned by several businesses and stakeholders. This centred on the difficulties of obtaining money to invest in their businesses (such as access to finance) and difficulties with cash flow (such as managing income). Businesses spoke of not being able to get the finance needed; having to provide personal guarantees to secure loans or not being able to get a business overdraft due to poor personal credit history; the removal of subsidies upon which they were heavily reliant; and large clients extending their payment schemes.

Businesses also noted difficulties regarding financial regulation and the costs of running their business. Businesses were concerned about the levels of VAT, National Insurance and business rates that they faced. Again, these difficulties were expressed by rural and urban respondents alike, suggesting these concerns apply to SMEs irrespective of location. Some felt that their business rates were especially high for the rural locations they were in, even after small business rate relief. Business rates were also cited as a challenge by urban participants, however.

Skills issues

Some businesses felt they had neither skills gaps nor skills shortages within their workforce. These businesses felt they had the right number and right quality of staff, or were able to recruit and train them when necessary.

Other businesses did report skills issues. These businesses talked of:

- difficulties employing reliable staff (for example, those willing to undertake the work and the hours required)
- getting applicants of suitable quality; being able to afford to take on extra staff (one employer felt that apprentices were not affordable)
- concerns over taking on and training younger workers who then leave (an issue stakeholder interviewees also felt troubled businesses)
- having to train new recruits in-house due to a lack of suitable courses nearby.

Several urban respondents also used only in-house training, with existing external provision deemed unsuitable for their specific purposes, or because they simply could not afford to release staff. These reasons for not accessing skills provision, while perhaps more common among SMEs, did not have a distinctly rural dimension, whereas other factors did.

Some skills challenges have a clear rural element, with businesses and stakeholders talking about the problems of attracting staff to work in sparsely populated areas, exacerbated by the difficulties for staff in travelling to and from the workplace or classroom (for training) due to the lack of public transport and the large geographical distances involved, or the lack of (affordable) local accommodation.

For example, one employer in a small rural hotel talked of how he has to employ people from outside the local area, even looking to recruit from overseas, as he felt that local people did not want to work in the hospitality industry. He also noted that he has to teach the front-of-house skills he needs because the local college does not provide relevant training courses. Another rural employer in the hospitality sector noted how the lack of public transport made it harder to recruit workers and attract customers.

The owners, managers and directors interviewed tended not to report any skills needs themselves but this was an issue raised by the stakeholders consulted. Here stakeholders talked about the need to support the upskilling of small business leaders in IT (including using social media), business skills (such as book-keeping, business planning and succession planning), recruiting and people management and development skills, and leadership and management skills. In terms of IT skills needs, one stakeholder noted how in her sector the largest group of

businesses were farmers, who tended to be older, geographically isolated, with few or no additional employees and thus time poor, and how these individuals might access necessary technology via other (younger) family members.

The review of literature also found that rural businesses can have difficulty in recruiting workers of appropriate skill levels and that this can be a major challenge for rural businesses across a range of sectors. Newbery and Bosworth (2010) found that 83 per cent of construction firms in rural areas identified staffing as a constraint on growth. Among rural home-based businesses, half saw staff availability as an obstacle to growth, along with 47 per cent of enterprises in business and domestic services, and 31 per cent in retail. Similarly, Atterton and Affleck (2010) found that recruiting skilled staff locally was identified as a problem by 29 per cent of rural businesses.

In addition, for businesses looking to provide staff with external training, travel time and distances from training providers can be a barrier. Breuer (2012) found that travel times and distances can serve as a disincentive to businesses in the agriculture, forestry and fishing sector. Owen et al. (2012) examined travel-to-learn distances in East Lindsey (a district that falls into the 'rural-80' category), finding that travel-to-learn distances for all types of training were around four times longer than the average for England overall.

Other challenges including poor infrastructure

Other difficulties mentioned by businesses and stakeholders included difficulties gaining permission from local authorities to expand business premises (although availability of suitable premises did not seem to be a problem for the businesses consulted¹), keeping up to date with employment regulations (including health and safety), and being too busy to develop strategies to expand their business ('being time poor').

Other issues affecting rural businesses were poor electronic/broadband connectivity and transport links. Indeed, several businesses spoke of the difficulties they had with broadband speed in their localities, and stakeholders also mentioned the poor mobile phone coverage in some rural areas. One stakeholder also noted that some rural businesses faced challenges due to the dispersed nature of rural settlements, leading to difficulties in physically getting to the workplace and for customers and suppliers to reach them. However, another stakeholder mentioned research

¹ Indeed, as one stakeholder noted: 'farmers tend to have loads of space so they always have opportunities to grow'.

indicating that rural businesses are quicker and better at exploiting digital technologies than companies in other areas, evidenced by their usage of search engines.

SMEs in rural areas can rely on IT for developing non-local business (Ellis, 2010), so a lack of broadband access can be a disadvantage. However, difficulties with broadband access were also noted in the research literature. The Rural Businesses Survey, conducted in the North East of England, found that 83 per cent of respondents had broadband access. Eighty-two per cent thought their current broadband service was sufficient for meeting business requirements, but only 65 per cent believed it would be adequate for future needs (Atterton and Affleck, 2010). Rural broadband access has been a long-standing concern, featuring regularly in policy debates. The government's 2010 broadband strategy is one example of an attempt to address this issue. More recently, the Rural Statement (September 2012) pledged to extend rural broadband access through the Rural Broadband Programme, the Rural Community Broadband Fund and the Mobile Infrastructure Project. Rural Growth Networks, established in 2012, also emphasise the availability of high-speed connections in the selected areas.

4.2.2 Support needs

Related to the challenges businesses discussed, they also talked about what would help them – specifically what the government could do to support them and help them to grow. Here businesses spoke of:

- wanting help with accessing finance (one employer noted how too much capital input was required to secure funding)
- grants to support marketing activities
- reduced regulation (for example, around the new pension scheme, or more generally around employing staff) or at least support/reassurance to ensure that they are compliant
- improved electronic connectivity, especially broadband.

Business interviewees also wanted better information about available support, and help with accessing this support such as guidance for application processes. Other support needs noted by stakeholders included business development needs such as help with identifying opportunities and getting into new markets, increasing market share and exporting, researching new products and getting products to market.

4.3 Awareness of programmes and initiatives

Businesses were asked whether they were aware of the support available to them to help them grow and develop, and particularly to help with building skills, recruiting new staff, accessing finance, business development and networking, aspects that many businesses had described as challenges facing their businesses. As shown in Chapter 2, there are a number of national government programmes designed to provide support in these key areas. In the main these are programmes available to businesses whatever their location but may be targeted towards sub-groups of businesses.

There appeared to be three distinct groups of businesses in terms of their awareness of these government programmes:

- One group reported that they were aware of the support available to businesses, although this was of 10 after prompting or after discussion of support received¹. For many within this group of aware businesses, this awareness was just a general perception that the government provided support initiatives. However, where businesses were able to name specific services, this tended to be either Business Link or National Apprenticeship (and the National Apprenticeship Service), and sometimes even these businesses felt they would like to know more about these specific services. Rarely did businesses have a comprehensive knowledge of the range of government-funded business support services available to them.

For example, one rural business (very small catering company) told of how she had heard of apprenticeships but would not know where to start to hire one:

'When you are running your own small business, trying to find the time to understand what [support] is available and what fits your industry is very difficult...I find it much better to speak to somebody face to face. I'll make time to listen if someone has taken the trouble to come to see me and it is easier to take it all in.'

- Another very small group of **businesses** were unaware of the support services but felt that they really did not need this support. This group comprised both rural and urban businesses.

¹ For example, an employer may have claimed that they were unaware of the support programmes but then went on to discuss taking on an apprentice or trying to access a government-funded or supported loan.

- A third group were unaware of the support but also reported that they would not know where to look for it or for information about the services open to them. Some of this group of businesses felt that they would not be eligible for support or had had previous negative experiences with trying to access support and so this would deter them from looking for support now or in the future. Businesses unaware of support were both rural and urban. These included firms that had successfully sought support in the past but no longer knew where to look. Several respondents said that if they chose to seek support they would look online and expect information to be readily available. On the other hand, some interviewees noted that the internet was an increasingly important resource for discovering opportunities for support, and that as people who were not technologically competent, their business was automatically disadvantaged. This viewpoint was made by both urban and rural respondents. While rural/urban differences in internet access are well documented, we have seen no evidence that similar variation exists in terms of computer competency.

One employer (a florist) talked about how she was not aware of any programmes suitable for her at all, and how all the interaction she had had with any sort of government information and advice was *'top heavy and bureaucratic and had little resemblance to real business life'*. Preferential treatment for new businesses was also suggested, although our analysis shows that the newest firms have a lower chance of success when applying for finance (see Table 3.27).

4.4 Take up of support

4.4.1 Lack of engagement

There was little reported take-up of support services among our sample of rural and urban businesses, but again there did not appear to be any rural effect (see Section 3.2).

Stakeholder views were mixed in terms of whether they felt rural businesses were more or less likely to take up support. One stakeholder believed there was greater take-up of government business support among rural businesses, and that the government was careful to ensure the coverage of all geographies in planning support programmes. However, another felt that the businesses in her sector did not tend to access business support, and the programmes and related brands (such as Business Link) were not well recognised. She felt this was due to: a) the actions of Business Link, which (at least in the early days) were targeted at large businesses; b) the location of Business Link offices, which tended to be in towns rather than rural areas (before the service switched to purely online and telephone provision in November 2011), and c) the focus of support on businesses that were exporters or having the potential for growth (whereas businesses in her sector

tended to be focused on survival rather than growth). The survey evidence (Section 3.4) shows high level of awareness of the Business Link website.

The employer interviews indicated that low take-up was also driven by a perceived lack of need, distrust of government schemes or from failed attempts to access support.

4.4.2 Poor experiences

There were examples of businesses engaging with national programmes of support (now and in the past) but with varying levels of success. For some, the support provided was useful and at least partially met their needs. For example, a small manufacturing employer spoke of gaining support from Business Link some years ago to help them prepare for an ISO standard. A butcher's shop sought support from Business Link 'about six years ago' when attempting to gain finance, and was very impressed with the help they received. They also noted that following the closure of the local Business Link office, they would not know where to go now for such assistance. A family-run restaurant described how they had used the National Apprentice Service (accessed via their local college) to recruit two employees. They had used the service because they were having difficulties with staff retention and concluded that it would be easier for them to recruit a young person and train them so they would stay longer.

For others (a larger group) the support failed to deliver to their expectations:

- Several businesses were critical of Jobcentre Plus and were particularly unimpressed with the standard of candidates referred to them (although it must also be noted that some respondents has successfully filled vacancies by this means).
- The owner of a small hotel spoke about the mentoring support he had received. He described it as *'a waste of time, because it was all about compliance to some industry standards and not about actually developing my business'*. Also, a dairy farm owner used mentors to help with marketing but found them to be *'unimaginative'* and *'error-prone'*.
- The owner of a small florist described how she had been visited by someone to advise about NVQs but had found their advice was not suitable for her business, unfocused and generally a waste of time.

Again we found no discernible connection between the interviewees' experiences and whether they were from a rural or urban location.

4.4.3 Other sources of support

Businesses used other sources of support to help with business development, skill development or recruitment. They reported using private agencies or word of mouth to recruit new staff, private training services to develop specific skills (such as health and safety), sector bodies to provide funds for training (for example, Engineering Construction Industry Training Board), and banks for business financing (although in this case the bank had demanded a prohibitive rate of interest). One employer (catering services) noted how she uses private recruitment agencies, not Jobcentre Plus, as she requires staff for occasional work and for limited hours only; and that she needs experienced workers quickly (without waiting for the end of a lengthy interviewing period). A key source of support appeared to be local and national trades groups and networks, including the Chambers of Commerce and the Federation of Small Businesses. These could be formal and well-established groups or more informal networks of neighbouring or similar organisations (often personal contacts).

4.5 Barriers to awareness and take-up

4.5.1 Key barriers

Businesses spoke about the barriers to accessing government support for business and skills development. These concerns and experiences were also echoed in the feedback from stakeholders.

Scheme design and application processes

A common barrier raised by businesses and stakeholders was the level of bureaucracy involved in applying for finance or funding and other forms of skills or business support. The administrative process was perceived by interviewees to be too long and complex, the conditions excessively stringent, the eligibility criteria confusing. A couple of stakeholders felt that difficulties understanding eligibility and dealing with application processes could be exacerbated by a lack of consistency across the regions in how some past schemes were accessed and administered, an issue that another stakeholder felt the government has been trying to address. One employer (owner of a small hotel) noted how even if support was available, accessing it and navigating the complex administrative process was a major issue. He felt that the support process needs to be quick and simple and straightforward.

Another employer, the owner of a small plant hire firm, described how he had tried to access money from the Regional Growth Fund in order to expand his business. He had been told there was money available and so prepared a

submission, but when he was ready to apply, he found that the money had all gone. He felt that bigger businesses are able to dedicate resources to accessing the funding, and that smaller businesses struggle to complete applications quickly enough. He had also tried to work in partnership with a local education provider to access the fund but noted how the regulations around use of the money were too strict. He also pointed out that if a small business already has personal resources tied up with guarantees, they will be unable to access further funding.

Stakeholders noted that where support had been successful, the amounts that could be accessed were often small and thus the accompanying paperwork had been simple and straightforward, and the criteria for eligibility and support provided had been broad. One stakeholder noted that application forms now tend to be completed online, therefore requiring some familiarity with IT. Some sector stakeholders helped individual businesses within their industries, advising on grants, licensing and the application process.

The interviews would suggest that this barrier is not exclusively rural, but appears to affect smaller rather than larger businesses.

The difficulties reported by rural businesses applying for funding is also noted in other research identified through our literature review. The Rural Businesses Survey saw 43 per cent of respondents agree or strongly agree that better access and adjustments to national and regional business development programmes and grant funding would be the most helpful government intervention for their growth (Atterton and Affleck, 2010). The CRC's recent study into thriving rural SMEs found that government funding available to micro-businesses was not pitched at an appropriate level. Some mentioned that the minimum amount offered was £50,000, while £10,000 was suggested as a more reasonable amount. There was also a view that local authority economic development programmes are more likely to focus on a populous urban location than a rural area where there are comparatively few people or businesses to benefit (CRC, 2013). These factors clearly disadvantage the smallest and most rural businesses, and prohibit access to financial support.

The competitive nature of some initiatives was seen as a discouraging factor. Successful applications were likely to have been professionally crafted. Many small firms lack the experience or expertise in bidding for funding, placing them at a disadvantage throughout this process. Some used consultants to help with developing proposals, paying £4,500 in some cases. Others were deterred by this initial expense. The chance of success was considered too slim to risk the investment of time and money with no guaranteed return (Ilbery et al., 2010). However, Ilbery et al. (2010) focused on two specifically rural policies and the extent of uptake among rural businesses. While their findings are illustrative of the more general barriers encountered by rural firms seeking support, similar

issues can also affect urban SMEs. In a study commissioned by BIS, 44 per cent of businesses that had not accessed external support said it would be too expensive, and 44 per cent also said it would be difficult to find the time to seek such assistance (North et al., 2011). This study does not divide the sample by rural/urban status and offers no information about where respondents are based. However, these findings suggest that constraints on time and money can be prohibitive to SMEs regardless of location.

Lack of information (and thus awareness)

Another barrier to take-up mentioned by businesses and stakeholders in our interviews was a general lack of information about what is available to businesses or about who is eligible for support (with some businesses dismissing support out of hand because they believed they would not be eligible). Knowing where to look for information may be a particular problem for businesses that are not connected to wider employer networks and/or have poor or limited internet access.

The expansion of online information was mostly deemed positive, with respondents regarding this as a great opportunity, including the move towards providing generic support for businesses primarily online (such as the Business Link website, which has migrated to the gov.uk website), the use of online application processes (such as the growth mapper online diagnostic tool that forms part of the GrowthAccelerator initiative screening process), and other web-based resources and tools to help businesses (such as Lantra's Course Finder and the Farmers Weekly Interactive Academy). However, some stakeholders felt that online approaches might not suit more insular/small-scale companies that will not see the relevance of national web-based material.

Stakeholders also noted how they used local groups, employer networks, trade associations and business communications to help increase awareness of available support (for example the National Farmers Union, the Country Land and Business Association and the Horticultural Trade Association). These were particularly useful for promoting support aimed at particular sectors or types of organisations (such as high-growth companies), although one stakeholder noted how it can be difficult to reach the businesses targeted. Indeed, word of mouth is considered to be important in raising awareness.

Other sources of promotion mentioned by stakeholders included Twitter, the trade press, the local press, local organisations such as county councils and, in some circumstances involving intermediaries by, for example, employing local independent sector-based consultants to spread the word. One stakeholder noted that uptake of assistance is better if brokers are used. Another stakeholder felt that Business Link had an important role in promoting support for businesses and that awareness among businesses of government support will have fallen with the

move to the helpline service. He felt that Local Enterprise Partnerships (LEPs) could perhaps help with raising awareness, as could other new structures such as the Rural Growth Networks. He voiced concern that the removal of regional structures had a negative impact on awareness and knowledge of support among businesses, feeling that this has led to uncertainty about what is available and patchy coverage of business support.

Access to information may be affected by rurality in two ways: poor electronic connectivity or limited involvement in networks.

One employer felt that rural isolation could have in the past caused problems for businesses in getting information about support services but that with the increasing reliance on the internet for communication, geography should not impact upon access to information. However, another employer (on a rural dairy farm) spoke of the problems she had with broadband and how for the past few years she had to go to the local library for internet access to be able to do her accounts. This experience was echoed by the owner of a private club, who complained of poor internet connection, which was a major problem for him as the vast majority of his bookings came from the internet. It was also a concern raised by several stakeholders.

Rural businesses can find it difficult to get involved in business networks (or at least be able to meet regularly) due to their remote location, and lack of time. These networks and the opportunities they offer for interaction can act as an informal source of business support and a route to accessing government programmes, and so rural businesses that are not networked may be at a disadvantage.

The research literature also highlighted the importance of informal support. The rural businesses survey found that while more respondents had consulted Business Link, family members were found to be more useful (Atterton and Affleck, 2010). The availability of free support from unofficial sources could reduce uptake of formal support (Johnson et al., 2007). However, North et al. (2011) found that almost half (47 per cent) of SME businesses had used informal assistance over the past three years. Unfortunately, the analysis does not extend to exploring rural/urban variation, and we cannot rule out the possibility that the trend of informal and formal support being used together varies according to location.

Lack of time and money

In the interviews, businesses reported that they lacked time to seek information about support provision. They also lacked time to use services such as skills training. The lack of resource to invest in researching support opportunities was mentioned by both rural and urban businesses, indicating that this is an issue applicable to SMEs in general as opposed to a problem attributable to location.

Businesses also spoke about their lack of finances to be able to take up business support initiatives or to engage in business growth activities, for example investing in better IT (specifically broadband connection), or taking on apprentices, which one employer felt was too costly. The cost of apprenticeships was a point also made by a stakeholder interviewee who spoke of sector-based funding that he was piloting to support the costs involved.

Some business support, such as the GrowthAccelerator initiative, is not wholly government funded and so requires businesses to provide some financial input/commitment. This approach is taken to combat deadweight but may prevent or discourage some businesses from being able to take part. Indeed, another stakeholder noted how many businesses in her sector operated within very tight margins and so unless they could easily see the benefits they would not be encouraged to invest in support.

Again, this barrier is likely to be a small business issue (and small businesses in specific sectors) rather than a rural issue.

The research literature also identified the cost of training as a barrier to accessing skills development support for smaller businesses and those in specific sectors. Lantra (2011) found that in land-based and environmental occupations, expenditure per trainee was greater than in any other sector. This could reflect the type of training in the sector (for example, the use of high-risk or expensive machinery) which would involve greater costs. Similarly, businesses operating in the trees and timber industries, in the horticulture, landscape and sports turf industries and in environmental conservation reported the cost of training to be a barrier – the direct costs (such as expensive external courses), lack of funding or not wanting to spare their staff for the necessary time (Sutcliffe et al., 2011b; Sutcliffe et al., 2011a).

Overall the literature illustrates how businesses could be deterred from using formal training not only because of barriers to access, but because they doubt the suitability of provision on offer.

4.6 Ways to overcome barriers: what might help

The discussions with businesses indicated a number of areas where improvements could be made to increase awareness and take-up of support. These, however, were not specific to rural businesses.

Businesses felt they needed more information, and information that they would trust, about the services available to them. This needs to be the following:

- **Targeted to business characteristics.** Indeed, one employer noted how she received emails for rural businesses but that most of these were not relevant for her as she is in the hospitality sector.
- **Simple to understand.** Many respondents were deterred by the language used in promoting the support available, and were often confused by eligibility criteria and application processes.
- **Concise,** as some businesses already complained of information overload, but providing an additional point of contact to follow up for further information.
- **Delivered by trusted intermediaries or independent brokers** – for example, via existing employer networks, or individuals that businesses feel have an understanding of their own business needs and challenges. One stakeholder spoke of a successful scheme giving support and advice to businesses in her sector that used a network of business advisers with specialist sector knowledge. Another stakeholder spoke of the importance of role models and how businesses prefer to have someone who they can relate to, perhaps only marginally more senior with recent and relevant experience, someone who understands their sector, their locality, and (for women) their family situation.
- **Delivered through an appropriate channel.** For some businesses this needs to be delivered via email but for others this information needs to be delivered in person. One stakeholder mentioned how she felt that face-to-face communication was important as lots of rural businesses are too insular or small-scale to get involved with national web-based material.

These ideas could also apply to the **delivery of the support** itself rather than just to information about support. Businesses felt the support needed to be easier to access with simpler application processes and wider eligibility criteria. Indeed, one stakeholder talked about a successful yet simple programme aimed at providing specific training for the sector, training that tended not to lead to full qualifications as there is a general mistrust of training leading to qualifications in the sector, with businesses fearing it can lead to difficulties with retention. Another successful programme brought together groups of local businesses and funded an individual adviser to support the businesses to undertake training needs analysis and helped them to find or set up appropriate training. It worked well because it was very local and tailored, and used a trusted intermediary. A report by CRC (2013) highlights a further example from Dorset, where business experts based in the area provided advice and mentoring on a bespoke basis to firms in need of assistance. The authors argued that offering support tailored to the local context and the business in question could increase uptake and promote growth.

5 Conclusions

This study aimed to examine the degree to which rural businesses access national skills and business support programmes. It has also looked at ways in which the design, delivery and marketing of such programmes could be improved to further facilitate take-up by rural businesses.

In so doing the study focused on three main research questions:

- Does rural location affect access to skills and business support?
- Do rural businesses face particular barriers to accessing support?
- How could skills and business support programmes more effectively reach their target audiences?

We obtained and analysed two large survey datasets, one covering organisations' involvement in general business support programmes and another looking at businesses' involvement in training and skill development programmes. We have also examined the available administrative data, reviewed the relevant literature and conducted a series of telephone interviews with relevant stakeholders and rural businesses. A number of clear findings have emerged from the analysis.

5.1 Key findings

Rural businesses are more likely than urban businesses to be very small or to be sole traders. Most of those working in rural firms are in small businesses. Also, rural businesses are most likely to be in the following sectors: agriculture, forestry and fishing; wholesale, retail and repair of motor vehicles; professional, scientific and technical services; and construction. Thus any findings relating to small businesses or to the sectors in which rural businesses are more commonly located are likely to have a greater relevance for rural businesses than their urban-counterparts – in essence to have an indirect effect. In analysing the qualitative

and quantitative data we have gathered evidence on direct and indirect effects of rural location on awareness and use of government business support services.

5.1.1 Size and sector are more important influences than location in affecting businesses' access to skills and business support

While awareness and take-up of individual programmes varies between businesses from rural and urban areas, overall we have found no significant evidence that rural businesses are less likely to be aware of, or participate in, government business and skills support programmes. Instead, many of the patterns are driven by size and/or sector. The one exception is access to financial support, and rural businesses that apply for funding are more likely to be successful than their urban counterparts. Our detailed analysis of the survey data so far indicates the following:

- **Being located in a rural area does not appear to affect the likelihood of a business being aware of business support**, although there is evidence that firms in rural areas are more likely to have heard of Business Link.
- **The evidence relating to seeking and receiving business development support is mixed.** There are indications that rural businesses are more likely than urban businesses to need some forms of business support and to have a poorer experience of this support. Multivariate analysis confirms that awareness of business development support is not driven by location. Newer firms are more likely to be aware of one or more sources of government business support as are those working on public sector contracts, but business size is a more significant determinant of awareness, with larger firms more aware than their smaller counterparts.
- **Rural businesses are as likely as urban businesses to have attempted to access finance in the past year.** Of those applying for financial support, a significantly higher proportion of rural businesses received full funding from their first port of call. This could perhaps be explained by relatively smaller median amounts sought by rural firms compared with urban businesses. Rural businesses are more likely to have been successful in securing some finance than their urban counterparts, even after controlling for all other factors (such as sector and age of business). Indeed, size and age of business are more important influences on the likelihood of obtaining financial support. Larger firms and those that have been trading for more than one year have greater odds of obtaining finance than other businesses.
- **Rural businesses appear to have a greater need for external support with skills and training issues and are more likely to have contacted a range of sources for information, advice and support**, including learning providers

(universities, colleges and private providers), professional bodies, local authorities and Business Link. They are also more likely than urban businesses to turn to other businesses (informal networks) for this kind of information and advice, and relatively less likely to use formal networks (for example, Chambers of Commerce).

- **Rural businesses were less likely than urban businesses to have engaged with some forms of recruitment and skills support** such as the Jobcentre Plus Work Programme and Investors in People. However, this relationship is largely driven by business size. It is size that exerts a significant effect on the use of recruitment support. Again, rural location has an indirect effect on uptake of skills and recruitment support through size of business. Size of business is also the primary predictor of take-up of apprenticeships and use of external training (there is no independent effect due to location), with the odds of taking on apprentices/undertaking training increasing with business size.
- **Rural business are no more or less likely than urban businesses to use external training.** When comparing businesses of a similar size, rural businesses appear likelier to provide external training for staff. The effect of business size is also clear, with micro firms least likely to provide external training, and larger firms the most likely. These patterns persist even when controlling for sector and other factors such as age of business.
- **Rural firms are less likely than urban businesses to be aware of labour market programmes supporting the unemployed into work.** The exception, however, is Business Link, where penetration of the brand appears to be particularly successful with rural businesses. This lower awareness can be partly explained by size (as smaller firms have lower awareness) but more of the variation is accounted for by sector. The lowest awareness of these forms of support was found among businesses in the agriculture, hunting forestry and fishing industries, so rural location has an indirect effect on awareness through sector.

5.1.2 Rural businesses face few unique barriers to accessing support

- **Rural businesses generally face similar challenges to urban businesses.** The key challenges facing rural businesses are the state of the economy and their own product markets; difficulties obtaining money to invest in their businesses and difficulties with cash flow; challenges in dealing with financial regulation and the costs involved in running a business; difficulties employing reliable staff of suitable quality; the costs and responsibilities involved with recruiting and/or training staff (and concerns about retention); keeping up to date with employment regulations; being time poor; and difficulties with broadband

access. However, these are not challenges faced by rural businesses alone; instead, they are likely to be challenges for small businesses in general.

- **Rural businesses do face some particular challenges.** The challenges that did appear to be specific to rural businesses related to difficulties attracting staff to work in sparsely populated areas with limited public transport and affordable accommodation; difficulties reaching customers and suppliers; and poor mobile and broadband connectivity.
- **Take-up of mainstream business and skills support is generally low.** There was little reported take-up or use of government business and skills support among the rural businesses interviewed but this was not driven by rural location. Feedback suggests this was driven by a lack of awareness, a perceived lack of need, a distrust of support provided by government, and a lack of time or money, or arose from failed attempts to gain support.
 - Indeed the application process was considered a major barrier to take-up of support: the level of bureaucracy, the complex administration process, the overly restrictive conditions of the funding, the competitiveness involved, the long lead time, and the strict and confusing eligibility criteria. This would appear to be a small-business barrier and so affects rural businesses indirectly.
 - We identified three distinct groups of businesses in terms of their awareness of supporting business and skills support programmes: Aware, Unaware (with no needs) and Unaware (with needs). The interviews indicated a need for improved promotion and greater awareness of the services available to businesses, and the related eligibility requirements. A lack of information and thus awareness was a barrier to take-up. Although this is an issue facing many small businesses, access to information may be affected by rural location – restricted by poor electronic connectivity (as much information is now provided online) and by rural businesses’ restricted involvement in (formal) networks.
 - Businesses lacked time to find information about support or to engage with support programmes, and/or lacked the finances to take-up business support initiatives and growth activities (as the support provided often had a cost element). A common example given was the cost and time involved in taking on an apprentice. This a small business issue but also one facing firms in specific sectors (for example, those that have expensive and dangerous equipment, in which new staff require substantial training and supervision) – so could affect rural businesses indirectly.
- **Rural businesses also use non-government business and skills support services.** Businesses appeared to approach other sources of support for

information and support with business development, skill development and recruitment such as private recruitment and training agencies, sector bodies and banks (for funding support), and local and national trades groups and networks of similar businesses. These sources were trusted, and considered to be understanding and responsive. Again, these issues are not location-specific, although there was some feedback that rural businesses find it more difficult to get involved in business networks due to their dispersed geography and lack of time.

5.1.3 Maximise access through consistent entry points and simplify eligibility rules to broaden take-up of skills and business support programmes

To explore how programmes and initiatives are designed, delivered, and marketed, and to identify business needs and effective practice, we have applied the MINDSPACE¹ framework to the findings from research, to draw out implications for the future design of business support programmes.

Implications for the provision of business support programmes

- Awareness is an issue and many businesses simply do not know about the support they can access and even where to look for information. The range of support available (breadth), and complexity of specific support programmes (depth) and the evolving nature of support (change), mean that the volume of information that rural businesses may have to find and assess is too vast given the constraints on their time and difficulties with broadband.
- Rural businesses tend to be small and thus time poor. They are also experiencing difficulties with the current economic climate and perhaps focusing on survival rather than growth.
- Among rural businesses there appears to be a distrust of government support and a perception that support comes from other spheres – and so government support is not for them. Rural businesses often look to the actions and experiences of their neighbours, often through their informal networks.
- For many rural businesses the starting point is non-engagement (either through a perceived lack of need or attitudinal opposition) and so it will be hard to shift them towards openness to engagement.

¹ For a short introduction to MINDSPACE, see Appendix 2.

- Again the complexity of multiple (and changeable) support offerings and lack of willingness, time or ability to search for/interpret information means businesses may not recognise the relevance or importance of what is available to them.
- Businesses do not appear to be primed/provided with subconscious cues about business support. This may be due to the changing nature of the support programmes and initiatives, although the Business Link brand appears to be well known and well received.
- Some rural businesses have had poor experiences of applying for support, and the application process, particularly for funding support, is considered to be complex, confusing, competitive and bureaucratic. This can damage the self-confidence that businesses need to engage with support programmes, especially now that many are contestable through bidding processes.
- Support tends to require some form of commitment from businesses but rural businesses are reluctant to commit time and money to engaging with support unless they can be assured of a return.
- There is a perception that needing or receiving business support may be seen as a sign on weakness, is at odds with a positive business self-image, and that 'going it alone' appeals to entrepreneurial spirit.

Ideas for improving take-up among rural businesses

Mapping the challenges onto the MINDSPACE framework would suggest a number of areas that could be explored to improve take-up – some actions and activities may be easier and more desirable than others from a policy perspective:

- Provide information, advice and guidance to help guide businesses towards support rather than waiting for businesses to express an interest. This guidance needs to be delivered by phone or face to face as probably too much tailoring is needed to deliver this online. This could be delivered by trusted intermediaries. However, it is important that the messenger (providing information, advice and guidance) is not changed too often as stability and consistency is needed. Small businesses do not need support all the time and do not want to have to find new access points each time they do need support. For instance, Business Link is a strong and recognised brand among rural businesses. Sectors are very important in shaping behaviour and so messages about the support that is available to rural businesses need to be delivered through and targeted appropriately to sectoral organisations.
- Ensure businesses see a concrete and relatively quick return on any time or resource investment in engaging with support, and alongside emphasise the

losses that might result from not taking up support. Similarly, ensure that the process of finding out about and accessing support is low cost and simple, with little call on businesses' limited resources.

- Tap into or encourage the development of local or sectoral (possibly virtual) forums and use champions to relay positive experiences of engaging in support.
- Provide businesses with perhaps only a small tailored menu of choices for information and/or support so that businesses can 'go with the flow' of pre-set options rather than be faced with a difficult decision or too much choice. This could include building on the Business Link brand.
- Tailor the support to the characteristics of the business (size, sector and to a certain extent age) and, as noted above, make it simple to understand; in particular, be very clear about the eligibility requirements, the commitment required and how the application process works. In addition, provide straightforward guidance throughout the application process.
- Stress the targeted nature of the support, and the commitment from government both to helping those most deserving, and to helping businesses through tough times, so putting the onus on businesses to make the most of the support available. Also in marketing programmes, present those businesses that take up support as 'canny, savvy' businesses that are 'in the know' and making the most of what is on offer, in order to attract others to getting 'something worth having'.

Appendix 1: Bibliography and Glossary

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Glossary

Glossary of acronyms

Acronym	Description
AGE	Apprenticeship Grant for Employers
BIS	Department of Business, Innovation and Skills
CDFI	Community Development Finance Institution
CCRI	Countryside and Community Research Institute
CRC	Commission for Rural Communities
Defra	Department of Environment, Food, and Rural Affairs
DWP	Department for Work and Pensions
EPS	Employer Perspectives Survey
GA	GrowthAccelerator
IDBR	Inter-Departmental Business Register
IES	Institute for Employment Studies
LEP	Local Enterprise Partnership
NAS	National Apprenticeship Service
ONS	Office of National Statistics
RDA	Regional Development Agency
RDPE	Rural Development Fund for England
RGF	Regional Growth Fund
SBS	Small Business Survey
SME	Small and Medium-sized Enterprise
SSC	Sector Skills Council
UKCES	UK Commission for Employment and Skills
UKTI	UK Trade and Industry

Glossary of statistical terms

Term	Description
Bivariate analysis	Analysis of two variables, for example rural/urban location and employee numbers.
Chi-squared test	A statistical test examining differences between categorical variables using observed and expected counts for column and row data contained in a table.
Exp (B)	These values are the change in the odds of the 'event' in question - for example, awareness of support, use of recruitment support - following a unit change in the predictor variable, controlling for all other predictors included in the model. For example, a unit change in predictor could be a particular case being rural, coded as '1' in the dataset, as opposed to urban, coded as '0'. Equally, it could be a business being primarily involved in manufacturing as opposed to not manufacturing. An Exp (B) value of 1 represents no change in the odds of event occurrence resulting from a unit change in the predictor in question, while a value of 0.5 means there is half the chance of outcome occurrence for the variable at hand, a value of 2 means there is twice the chance, and so on. These values account for variation caused by other predictors included in the model, so values alter between models for the same variable if some of the effect is explained by other predictors introduced in later models.
Multivariate analysis	Analysis of more than two variables within the same statistical test, for example rural/urban location, employee numbers and sector.
Standard Error (SE)	Standard deviation of the sampling distribution, which is calculated by dividing the standard deviation of the variable in question by the square root of the sample size. In regression models, this indicates the amount of variation between values, so smaller SE values denote a tighter spread of values, in relation to the number of observations contained in the data. Smaller values indicate a more accurate estimate of the B coefficient.
Statistical significance	A measure of the likelihood of a statistical test result occurring by chance. A significance level of .05 indicates a one in 20 probability of the result occurring by chance, .01 indicates a one in 100 probability, and .001 indicates a one in 100 probability.

Appendix 2: Introduction to MINDSPACE

The MINDSPACE framework is a behavioural economics tool developed by public policy makers to understand how actors (be they individuals, businesses or communities) think, act and react to policy, and to help change behaviour or ‘nudge’ them into new ways of acting. The tool aims to change contextual cues and change the ways choices are made in order to influence behaviour, rather than to change minds. It brings together nine robust and non-coercive influences on behaviour. They are expressed under the pneumonic MINDSPACE (see Table A2.1).

Table A2.1: MINDSPACE: a checklist of influences on behaviour when making policy

Messenger	We are heavily influenced by who communicates information
Incentives	When responding to incentives, we are loss averse and strongly discount the future
Norms	We tend to do what those around us are already doing
Defaults	We ‘go with the flow’ of pre-set options
Saliency	Our attention is drawn to what is novel and seems relevant to us
Priming	Our acts are often influenced by sub-conscious cues
Affect	Emotional associations can powerfully shape our actions
Commitments	We seek to be consistent with our public promises, and reciprocate acts
Ego	We act in ways that make us feel better about ourselves

Source: Dolan et al., 2010

Appendix 3: Topic Guide for interviews with small businesses

Research aims:

To explore and understand:

- whether rural businesses have problems accessing skills and business support
- what the nature of any problems is
- what might help increase participation among rural businesses.

Note to interviewer:

All employers will have taken part in the Small Business Survey (summer 2012). The sample has been selected because they are deemed to be rural, are located in England, are willing to be re-contacted for research and are not currently participating in any follow-up research. We hope to interview a mix of employers - of different sizes, geographies and sectors, and to include users and non-users of state business/skills support.

Introduction

- Thank you for taking part.
- Introduction to researcher/IES: Institute for Employment Studies is a research organisation that is independent from government and has no political affiliations.
- Explanation of research: Research is being undertaken for the Department for Business, Innovation and Skills and the Department for Environment, Food and Rural Affairs, which are the government departments responsible for providing support for businesses, and for championing rural communities respectively. The aim of this research is to explore the degree to which rural

businesses are accessing national employer-led skills programmes and government programmes aimed at supporting business growth, and to identify options for improving take-up (if required).

- Participation is voluntary.
- Participation is anonymous and confidential.
- Ask for permission to record.
- Interview will last around 30 minutes.
- Questions?

1: Background

This section is to confirm firmographics and the state of the business. Although we do have a small number of key variables from the SBS (rural/urban category, size band, 4 digit SIC, age band, region, whether sought external support or not, and IMD code) we cannot access any further linked data. We therefore need to gather this background data particularly history, recent business performance (employment, sales, turnover, profits etc, recent successes/challenges).

- a) To begin with, could you tell me a little about your business?
- What is the main product or service of the business?
 - Do you mainly sell your products/services locally, regionally, nationally or internationally? (*probe for market scope/whether exporter*)
 - For how many years has the business been trading?
 - How many employees does the business employ (across all sites)? [excludes owners/partners, excludes self-employed, includes all others]
- b) Could I just check..
- whether you have internet access that you use for businesses purposes?
 - whether you (and/or your other partners/directors) are a member of any employer networks (eg local Chamber of Commerce, sectoral bodies, professional bodies etc)? If so, which?

2. Business challenges

a) What difficulties/challenges does your business face (if at all) challenges that could affect the success of your business? (*probe for: economy, obtaining finance/cash flow, tax, recruiting staff, regulations, availability/cost of premises, competition, leadership, skills shortages, pensions*)

b) What would help your business to grow? (*probe for: bank finance, government grants, other finance, information/advice, better economy, less bureaucracy, better transport links, better digital connection, better skills, more staff, better premises*)

c) Do you currently have any skills needs:

- in relation to vacancies/need to recruit staff? If so, how do you recruit staff?
- requiring development of existing staff or new employees? If so, what training is needed, and who will provide it?

3: Awareness of business support services

Now a few questions about your use and awareness of **national government programmes to support businesses**.

a) Do you know what advice, information and support is available to businesses like yours to help them (grow and develop) with:

- **building skills** within your workforce/developing the skills of your employees? *(unprompted at first. Then check if aware of: National Apprenticeship Service)*
- **recruiting new staff?** *(unprompted at first. Then check if aware of: JobCentre Plus, Work Programme)*
- **business development, mentoring and networking?** (By this we mean obtaining new equipment and IT services, moving into new markets, developing new products, developing and implementing a business plan/strategy, operational improvements, dealing with regulation etc) *(unprompted at first. Then check if aware of: Business Mentors, Business Coaches via GrowthAccelerator, Business Link Helpline)*
- **accessing finance?** *(unprompted at first. Then check if aware of: Start-up Loans, Rural Development Programme for England, Regional Growth Fund Growth voucher scheme, Enterprise Finance Guarantee)*

b) If yes to any:

- Who provides this support?
- How did you hear about this support?

c) Where (else) would you tend to go for external support (to help you grow your business? Why is this?

4: Access to/use of government business support services

Have you sought external advice, information or support on matters affecting your business at any point in the last two to three years from national or local government or other publicly funded body? *(ie we are NOT primarily interested in help from accountants, banks etc at this point)*

If SOUGHT external support:

a) Why was this?

- What did you need advice/info/support with?
- What was/were your reason/reasons for seeking this advice/info/support?
- Where did you look for this advice/info/support?

b) Did you actually receive some advice/info/support? If yes: can you tell me about this?

- What forms/types of support have you actually used? (*probe for whether government/national programmes, probe for name of programme or area/focus of the support ie what did you need the support for?*)
- Who provided this support? (*probe for: government, accountant, bank, lawyer, neighbour/fellow business man etc*)
- How did you find out about this support?
- How did you access the support? (*probe for: face to face at their premises, face to face at your premises, by phone, by email, online, combination*)
- Was this advice/info/support one off or over a period?
- Did you have to pay for this?

c) (if accessed support) Did the support meet your needs?

- In what ways did it meet your needs?
- What were the best things about the support you received?
- What could have been better? (*probe for aspects of the service that did not work well*)

If NOT sought external support or NOT received external support:

d) Why did you not receive any advice/info/support? OR Why didn't you seek external support? Was this because ...?

- Need: Not needed, no longer needed
- Accessibility: Lack of time, cost/expense involved, not convenient
- Trust: Lack of confidence/trust in advice/info/support, question the benefit
- Availability: did not know what was available, right type of info/advice/support does not exist, didn't know where to find it

e) What might encourage you to seek external advice? (*probe for issues around: awareness, accessibility, trust and availability*)

f) Where would you go for advice/info/support if you needed it in the future? Why is this?

5: Barriers

a) What difficulties do businesses like yours face in *finding out* about the sort of support you need?

b) What difficulties do businesses like yours face in *accessing* the sort of support you need? (*probe for issues around: eligibility; complexity of application process, length of time to get a decision, expense, lack of time, distance*)

c) Do you think that some businesses get more support than others? If so, which ones and why?

- d) What can be done to improve access to support for businesses in your location/situation?
- e) What can be done to improve delivery of support to businesses in your location/situation?
- f) [ask at end of section to check whether rurality is an issue] Do you think that being located in a rural [less urban] area means that you are in a similar, better or worse position to access business support? (*probe for different types of support: ie developing skills, recruiting, accessing finance, business development*)

6: IF TIME: Additional questions on support needs

- a) How well would you say your business is doing?
- In the last financial year did you generate a profit/surplus?
 - In the last financial year did your turnover increase/stay the same or decrease? (compared with the year before)
 - How would you describe your current business outlook: pessimistic or optimistic? Why is that?
 - What are your current key business priorities?
- b) How do you see the future for your business?
- Do you expect your turnover to increase/stay the same or decrease in the next 12 months?
 - Do you aim to grow your business over the next 2 to 3 years? (OR do you expect your business to grow over the next 2 to 3 years?)
 - How do you expect/plan to do this? (*probe: new markets, more/better staff, new products, new processes*)
- c) What could the government do to help your business grow?
- d) How should this support be designed so that it would best meet your needs? (*probe for CONTENT/focus of the support*)
- e) How should this support be delivered? How would you like to get this type of support? (*probe for how this could be accessed, eg online, face to face, telephone*)
- f) How should this support be marketed so that businesses like yours will get to hear about it? (*probe for specific means/channels*)

7: Final question [please ask in every case]

- Is there anything else you would like to add about improving access to business or skills support for businesses like yours?
- Any further feedback for BIS/Defra?

Thanks and Bye