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

Synthesis report

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Introduction

The 2012 Rural Statement said that the government ‘will ensure that all government policies designed to promote business and support economic growth benefit rural communities’. As part of that commitment the government said it would ‘research the degree to which rural businesses are accessing national employer skills programmes and government business support programmes and identify options for improving take-up if evidence shows that rural businesses are not accessing programmes that might benefit them’.

This report summarises the main findings of that research.

The study

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 employer skills programmes and government business support programmes. The study took place between January and June 2013 and drew on a range of primary and secondary evidence including:

- a review of relevant policy and research literature, although we found little evidence in the existing literature that systematically compared access to business support in rural and urban areas
- an examination of existing survey and administrative data that focused on rural/urban differences in awareness and take-up of mainstream employer skills programmes and government business support programmes. Prior to this study, analyses of the main survey datasets covering employers ‘access to and use of mainstream employer skills programmes and government business support programmes have not examined take-up by rural/urban location. This gap has now been filled. Data from only one business support programme (Growth Accelerator) was available for analysis. The numbers of participants in other programmes¹ tended to be too small to facilitate detailed analysis or data were not collected in sufficient detail to allow rural/urban analyses.
- interviews with relevant policy makers and interest groups

¹ Such as Enterprise Finance Guarantee, Business Angel Co-investment Fund and the Regional Growth Fund

- interviews with rural- and urban-based employers about their knowledge and experience of using mainstream employer skills programmes and government business support programmes.

While the evidence available (not just from the main survey datasets, but triangulated by the literature review and the interviews) is sufficient for us to be confident of the robustness of our main findings, the evidence base would be stronger if:

- all government programmes and surveys regularly report results on awareness, access, take-up, satisfaction and outcomes from mainstream employer skills and government business support programmes by rural/urban location
- surveys ask non-participating respondents why they did not or could not access mainstream employer skills and government business support programmes to find out more about the barriers to access
- surveys ask participating respondents how they had heard about mainstream employer skills and government business support programmes. This would have told us more about how such support can be marketed more effectively.

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 age².
- Rural areas have a higher density of small businesses and proportionally more sole traders than urban areas. 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 primary driver of any differential take-up of mainstream employer skills programmes and government business support programmes.

² 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.

- Access to national mainstream employer skills programmes 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 (eg 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’.

The results in detail

Rural businesses differ from urban businesses

Detailed analysis of the survey data shows the following:

- **A greater proportion of businesses in urban areas are either small and medium-sized enterprises (SMEs) or large businesses, while rural areas have more sole traders** (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).
- **In rural areas, a much higher proportion of people in work are employed by SMEs than in urban areas.** 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. If sole traders, other enterprises and partnerships are combined with micro enterprises, over a third, 35 per cent, of all rural employment is located in very small enterprises compared with 28 per cent in large enterprises
- **Of land-based enterprises – ‘agriculture, forestry and fishing’ – 90 per cent are located in rural areas, although only 16 per cent of all rural businesses are in this sector (compared with less than one per cent of urban businesses).** 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). A greater proportion of urban enterprises are in the information and communication, finance, education, health and social work sectors when compared with rural businesses.

Rural businesses face similar challenges to urban businesses

The interviews with rural business people indicated that 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
- 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
- difficulties with broadband access.

However, our interviews with urban businesses showed that 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
- poor mobile and broadband connectivity.

Take-up of mainstream business and skills support is generally low

The take-up or use of mainstream employer skills programmes and government business support programmes among rural employers is generally low but this is

not driven by rural location and is broadly similar to that among urban businesses. Reasons for the low take-up include lack of awareness, a perceived lack of need, a distrust of support provided by government, a lack of time or money, or failed earlier attempts to gain support.

Three distinct groups of businesses emerged among the range of employers interviewed, relating to their awareness of mainstream employer skills programmes and government business support programmes:

- aware – who knew the sort of support available and may or may not have applied for support
- unaware (with no needs) – did not know what was available but could not identify any areas where they felt they could do with support
- unaware (with needs) – did not know what was available but did feel they could do with support.

Among those who had applied or thought about applying for support, particularly financial support, application processes were 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 particular barrier for small businesses and so affect rural businesses indirectly.

The employers interviewed 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). This a small-business issue but also one facing firms in specific sectors (for example, those which have expensive and dangerous equipment, in which new staff require substantial training and supervision), so could affect rural business indirectly.

Awareness and take-up of business support programmes varies between businesses from rural and urban areas

The surveys examined covered employer's awareness and use of a range of mainstream employer skills programmes and government business support programmes. The analysis found that, compared with urban businesses, rural businesses are:

- more likely to be aware of and to have sought help from Business Link
- are more likely to have contacted professional bodies, local authorities and learning providers (universities, colleges and private trainers)
- just as likely to have tried to access financial support (from any source) but more successful in actually obtaining the amount of financial support being sought
- slightly more likely to provide externally provided training to their staff
- less likely to be accredited as Investors in People, although urban and rural business are equally aware of the existence of the standard
- less likely to be aware of labour market programmes such as the Work Programme.

However, some of these patterns of behaviour are driven more by factors such as the size, sector and age of the business, rather than its location.

We found no significant evidence that rural businesses are less likely to be aware of, or take part in, government business and skills support programmes

Many of the patterns of differential take-up are driven by size and/or sector rather than location. The one exception is access to financial support, and rural businesses who apply for funding are more likely to be successful than their urban counterparts.

Being located in a rural area does not appear to affect the likelihood of a business being aware of business support

Detailed analysis of the Small Business Survey shows that awareness of business development support is not driven by location. The age of the business and in particular its size are more important influences. Newer firms, those trading for no more than a year, are more likely to be aware of one or more sources of government business support, as are those working on public sector contracts.

Business size is an even more significant determinant of awareness, with larger firms more aware than their smaller counterparts.

However, there are indications that rural businesses are more likely than urban businesses to need some forms of business support. For example, more rural firms than urban are more likely to seek information or advice on e-commerce and technology, while urban firms were more likely to have sought information or advice on financial matters.

Rural businesses are more successful than urban businesses in obtaining the level of financial support they want

Rural businesses are just as likely as urban businesses to have attempted to access finance from any source 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 smaller median amounts sought by rural firms compared with urban businesses. However, rural businesses are more likely to have been successful than their urban counterparts in securing the sums they are looking for, even after controlling for all other factors (such as sector and age of business).

However, data on take-up of the GrowthAccelerator programme, a service designed to help SMEs achieve growth through offering guidance and access to finance, suggests greater take-up by urban than by rural businesses. This may reflect factors such as sector or age rather than location but the available data is in aggregate form and contains no information on these variables.

Rural businesses are no more or less likely than urban businesses to use external training or take on an apprentice

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 no more or less likely to take on an apprentice than businesses in urban areas. Instead, business size is again a significant determinant of the take-up of apprenticeships. 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. Large firms are the most likely to support apprenticeships.

Rural employers are less likely than urban employers to have engaged with some forms of recruitment and skills support

The surveys also look at engagement with skills programmes such as Investors in People and employment and labour market services such as the Jobcentre Plus and the Work Programme.

Rural firms are less likely than urban businesses to be aware of programmes supporting the unemployed into work. This lower awareness can be partly explained by size but more of the variation is accounted for by sector. The lowest awareness of these forms of support was found among employers in the agriculture, hunting forestry and fishing industries, so rural location has an indirect effect on awareness through sector.

We also found that rural employers are less likely than urban employers to engage with such programmes, yet this relationship is largely driven by business size. Rural location has an indirect effect on uptake of skills and recruitment support through size of business.

Rural employers also use non-government business and skills support services

In our interviews we found that employers use a range of 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 employers. 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 employers find it more difficult to get involved in business networks due to their dispersed locations and lack of time.

Improving take-up of business and skills support programmes among rural businesses

Based on our analysis of all the data collected, access to support programmes among rural businesses could be improved by the following:

- Providing 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 by trusted intermediaries who do not change too often, as stability and consistency is needed. Business Link is a strong and recognised brand among rural businesses and fits this bill. Sectors are very important in shaping behaviour and so messages need to be delivered through, and targeted appropriately to, sectoral organisations.

- Ensuring businesses see a concrete and quick return on any investment in engaging with support, alongside emphasising the opportunity costs from not taking up support. Similarly, ensuring that the process of finding out about and accessing support is low-cost and simple.
- Tapping into or encouraging the development of local or sectoral (possibly virtual) forums and using champions to relay positive experiences.
- Providing businesses with 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.
- Tailoring support to the characteristics of the business (size, sector and to a certain extent age) and making it simple to understand; in particular, being very clear about the eligibility requirements, the commitment required and how the application process works.
- In marketing programmes, presenting those businesses that take up support as 'canny, savvy' employers that are 'in the know' and 'making the most of what is on offer', in order to attract others to getting 'something worth having'.