

Labour and skills availability: impacts on rural enterprise

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At the National Innovation Centre for Rural Enterprise (NICRE), we put knowledge to work for an enterprising countryside... combining research with practical innovation to find new ways of unlocking potential and supporting thriving rural businesses and communities.

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Executive summary

This report examines **skills and labour availability issues** faced by rural businesses and shows the **impacts of recruitment and retention challenges** on their activities. It draws on data from a large-scale survey of 2,001 rural firms and 601 urban firms. In three English regions - the North East (NE), the South West (SW) and the West Midlands (WM), which was conducted as part of **NICRE's 2023 State of Rural Enterprise survey**.

Key findings include:

- Skills and labour availability are a major issue - one in two rural businesses find it difficult to recruit or retain suitably-skilled staff. Slightly more rural than urban businesses find it difficult to recruit or retain suitably-skilled staff (rural 52%, urban 47%). The principal challenge concerns recruitment of staff, especially for rural businesses, though 14% of rural firms also face staff retention challenges.
- The most prominent skills needs relate to technical expertise in the business, as well as various sector-related specialist competences, with similar shares of rural and urban firms highlighting these needs. However, businesses also highlight the need for recruits with general employment skills. Fewer highlight a shortage of foundational skills, for example numeracy, computer literacy, administration and communication, or business skills in marketing, finance, or management.
- A limited local pool of suitable labour is cited as the most common reason for recruitment (and retention) challenges, which is a particular concern for rural businesses. Low wage levels and a lack of suitable opportunities for apprenticeships or training are the next two most common reasons reported by firms.
- Rural firms' recruitment challenges are particularly exacerbated by weak local services and infrastructure, notably a lack of affordable housing for employees, and poor public transport.
- A third of rural businesses with recruitment or retention challenges reported some difficulties due to the shift to remote working which enables rural residents to work for large city-based firms, highlighting an enduring effect of the Covid-19 pandemic on labour markets.
- Lack of labour availability has both short- and long-term consequences for business performance. Around two-fifths of rural firms with skills and labour shortages report losing business/orders to competitors or facing challenges in meeting customer service objectives; a third have to outsource work, withdraw some goods/services, or delay product or process innovations; and a quarter have difficulties introducing new technologies or working practices. However, the majority of such impacts are more commonly reported among urban businesses than rural firms. Rural employers facing a shortage of staff most often adapt by withdrawing, or delaying, development of their products and services, with negative effects upon business growth.

- Rural firms use a variety of strategies to overcome labour shortages and skills gaps: including targeted marketing or advertising on different types of social media platforms or bespoke networks. Very few businesses report tapping into wider national/ international labour pools, or recruiting people to work remotely. Many also invest in providing more opportunities for their new employees, for example improving in-house training programmes or apprenticeships. Frequently, this entails collaborating with other rural firms.
- By size, larger firms in both rural and urban areas are more likely than smaller firms to experience labour availability and skills challenges, but as rural firms tend to be smaller than urban ones, we note that among the smallest rural micro businesses (1-4 employees), almost 40% have difficulties recruiting. Specifically, for these firms, a lack of capacity to offer apprenticeships or training is a prominent issue. They are also significantly more likely than other businesses to be losing orders to competitors and be hindered in introducing new technologies or working practices, because of unmet skills and labour needs. Medium and large rural firms are more likely to outsource work when experiencing difficulties recruiting.
- By region, recruitment and retention difficulties appear less common for rural NE firms than those in the rural SW and WM. Recruitment and retention in rural firms in the SW is especially hindered by a lack of affordable housing, by comparison with challenges identified in the other two regions.
- By sector, rural firms in Construction are twice as likely to face recruitment or retention challenges compared to other sectors, with more severe impacts on their business activities. Recruitment and retention challenges are more often identified jointly by firms in Hospitality and Production, with those in Hospitality reporting numerous challenges, including a lack of suitable apprenticeships or training, low wage levels, seasonality of work and lack of affordable housing for staff.

Our findings highlight significant opportunities for skill improvement policies and programmes (including Local Skills Improvement Plans which have been developed for all areas of England) to take into account rural business needs, and to support a more integrated approach to advice and facilitation which can encourage collaborative action, by sector and/ or locality, to address common recruitment challenges. Significantly, greater awareness of the crucial, indirect economic constraints caused by insufficient rural infrastructure, including affordable housing and accessible and reliable public transport, is also key to targeted investment that can unlock the potential of England's rural economy.

1. Introduction



In this report, the National Innovation Centre for Rural Enterprise (NICRE) presents an overview of the findings of its **2023 State of Rural Enterprise (SORE) survey**, focusing on **skills and labour availability issues** facing rural businesses.

Labour markets are vital to regional and national economic development and are central drivers of growth, innovation and competitiveness. The availability of suitably-skilled labour is an essential prerequisite to addressing labour market needs, enhancing the productivity of enterprises and improving the inclusiveness of economic growth. Many local economies face a mismatch between the skills required by their firms and the availability of skills within the local workforce, with difficulties in the recruitment and retention of talent.

However, addressing these constraints and recruiting to hard-to-fill job vacancies are further restricted in rural areas by limited transport infrastructure and service provision. For instance,

many rural businesses might require staff having cars to access work, limiting the pool of available skilled labour (Tocco et al., 2023). Poor access to public transport further limits training and upskilling opportunities in rural areas, due to difficulties in accessing desired courses or apprenticeship training. Local further education college and training infrastructures in rural areas are either few in number, or distant, and may offer limited variety in industry courses for sectors such as construction, manufacturing, transport, and professional and business services, therefore placing higher burdens on small rural firms and their apprentices. For low-paid workers, especially, the costs of car ownership, maintenance and fuel can make rural jobs less viable.

Moreover, while rural England has witnessed long-term counter-urbanisation, this has tended to inflate rural house prices and has been skewed towards older workers and retirees. Concurrently, the out-migration of young people to urban areas is a persistent challenge for rural firms seeking to recruit or retain energetic and enthusiastic young talent (NICRE, 2021).

The SORE survey was undertaken between May and August 2023 and included businesses across three English regions – the North East (NE), the South West (SW) and the West Midlands (WM). The survey covered 2,602 firms in total, made up of 2,001 rural businesses and 601 urban businesses, covering respectively 800 firms in NE, 601 in SW and 600 in WM. The population of interest for the SORE survey is private sector for-profit and not-for-profit enterprises employing at least one person. The survey was conducted using Computer Assisted Telephone Interviewing (CATI), which has proven to be a reliable means of reaching the appropriate personnel within a business. As the sample was weighted by firm size, responses are weighted to give regionally-representative results for the rural and urban business populations. The weighting process and profile of the sample are set out in Appendix A.

This report is based on a sub-sample of 1,602 firms, covering 1,007 rural businesses and 595 urban ones¹. For the 2023 SORE survey, some thematic questions, including those relating to skills and labour availability, were only asked to a sub-sample of around 1,000 randomly selected rural firms. Table 1 illustrates the sample size analysed in this report.

SORE is first and foremost a rural business survey. Where sample size allows, we aim to bring out the diversity of rural areas using aggregated rural categories based on England's official urban-rural classification (ONS, 2013). Specifically, we distinguish between three types of rural locations: town and urban fringe; villages; and dispersed hamlets and isolated dwellings. We also include data from a reference sample of urban businesses in each region which, whilst accepting this is a simplification of complex urban geography, allows us to provide an initial comparison between rural and urban enterprises, at different points in the report.

This report focuses on staffing and labour issues for rural enterprises. Other SORE reports will address themes concerning cost-of-doing-business pressures; environmental impacts and rural business responses to the climate crisis; rural opportunities; as well as the challenges and opportunities faced by farm businesses and their responses to these.

This report is structured as follows. Section 2 presents key challenges in recruiting and retaining skilled staff. Section 3 provides a discussion of skills gaps in the workplace. Section 4 outlines the reasons for business struggles in recruitment and retention of skilled staff and Section 5 shows the impacts for such challenges on business activities. Section 6 discusses different strategies used to overcome labour shortages and skill gaps challenges, and Section 7 concludes this report outlining some policy and managerial implications.

Table 1: Numbers of interviews, rural vs urban, by region

	All regions	North East (NE)	South West (SW)	West Midlands (WM)
Total	1,602	599	492	511
Rural	1,007	401	294	312
- Town	425	224	108	93
- Village	329	98	102	129
- Hamlets	253	79	84	90
Urban	595	198	198	199

¹ The 2023 SORE survey adopted question mix rotation for some thematic areas, hence for this labour report a random sub-sample of rural firms was used.

2. Difficulties in recruiting or retaining staff

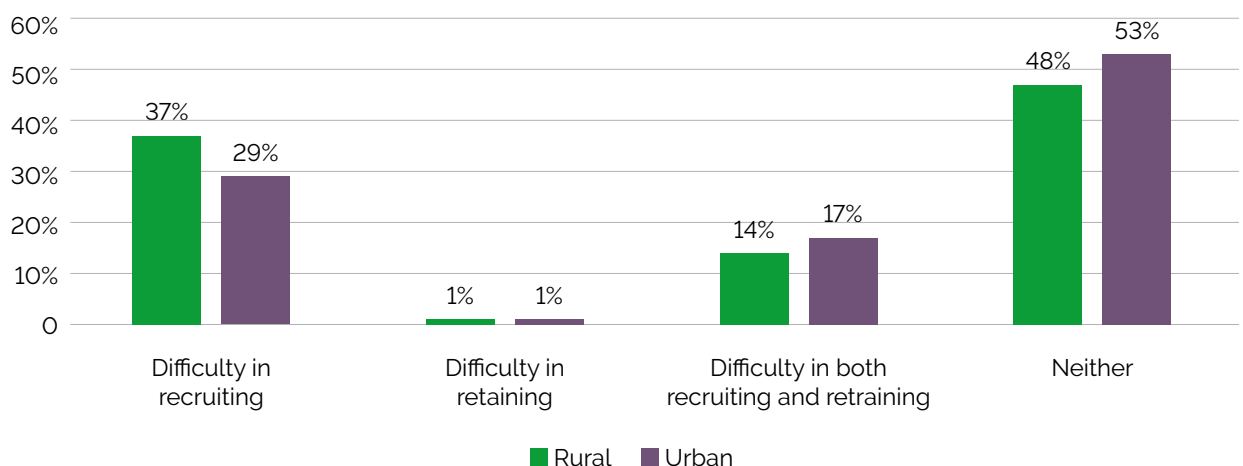


Skills and labour availability are a **particular challenge** for rural areas (Figure 1). Slightly more rural than urban businesses find it difficult to recruit or retain suitably-skilled staff (rural 52%, urban 47%).

The principal challenge is around recruitment of staff, though 14% of rural firms also face staff retention difficulties. Retention difficulties are slightly more prominent for urban firms.

Difficulties with recruitment are not necessarily accompanied by retention challenges, however, those businesses facing retention difficulties almost always also have a recruitment problem.

Figure 1: Proportion of firms finding it difficult to recruit or retain suitably-skilled staff, rural and urban

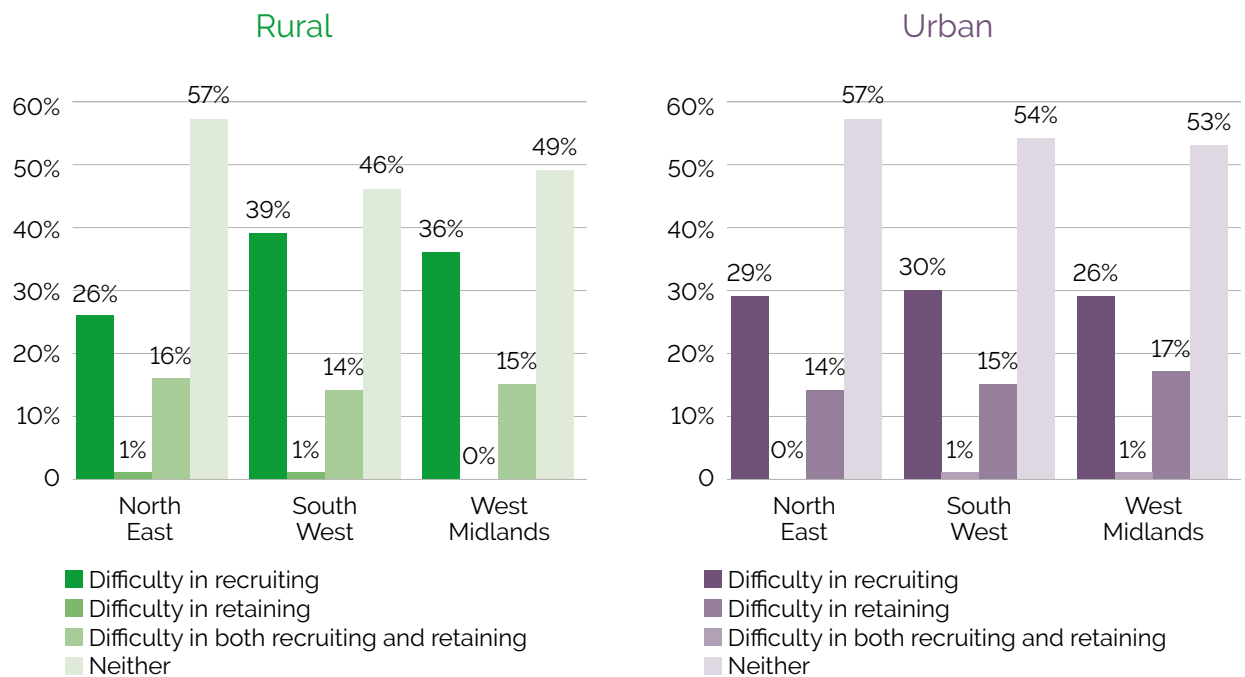


Unweighted total of 1,602 firms, 1,007 rural firms and 595 urban firms

Recruitment difficulties appear less common for NE firms than those in SW and WM. Rural businesses in the SW and WM are more likely

to mention difficulties in recruiting than rural businesses in the NE, and compared to urban firms in all three regions (Figure 2).

Figure 2: Proportion of firms finding it difficult to recruit and retain suitably-skilled staff, rural and urban by region

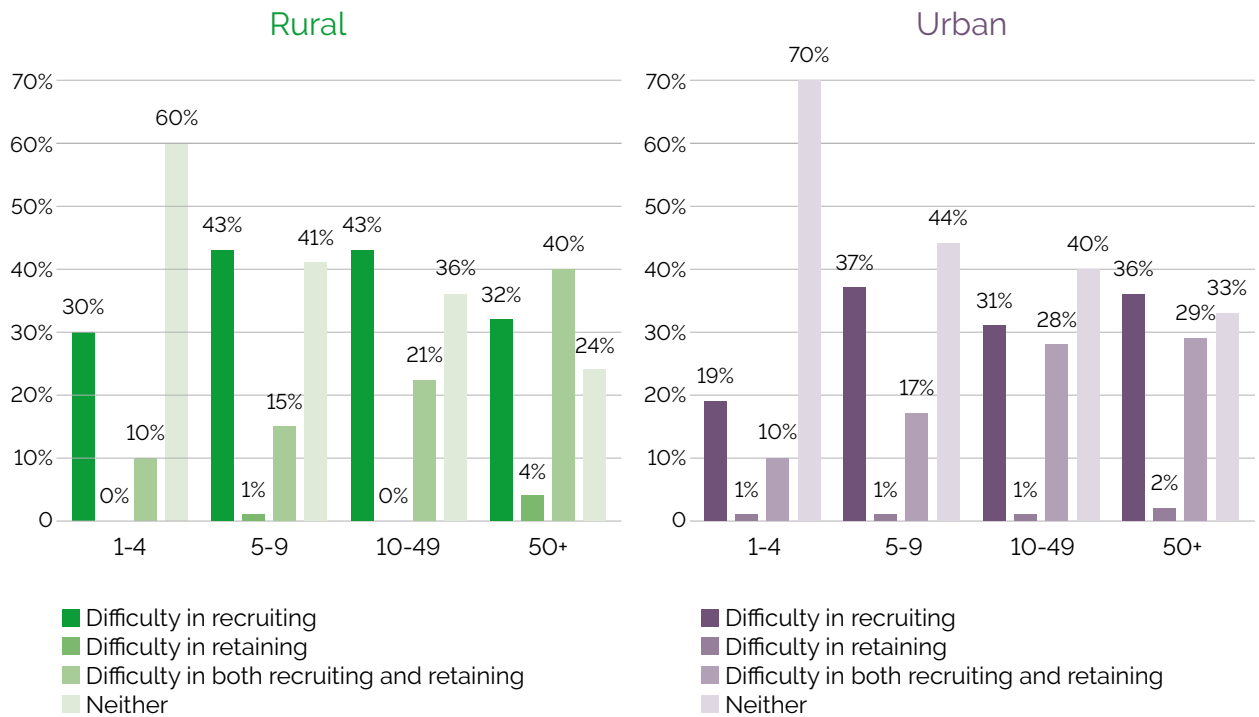


Unweighted total of 1,007 rural firms (401 in NE, 294 in SW, 312 in WM) and 595 urban firms (198 in NE, 198 in SW, 199 in WM)

Larger firms in both rural and urban areas are more likely than smaller firms to experience labour availability and skills challenges (Figure 3). Specifically, 40% of rural micro businesses with 1-4 employees report issues with recruiting or retaining staff, compared to 59% of larger micro businesses (5-9 employees), 64% of small businesses (10-49 employees) and 76% of medium and large rural firms (employing at least 50 employees). These notable differences by size are also observed for urban firms.

Among the smallest micro firms with 1-4 employees, rural enterprises are far more likely to face recruitment pressures than urban ones (rural 39%, urban 29%). In addition, while smaller firms are more likely to face difficulties solely in regard to recruitment, larger firms are more likely to face both recruiting and retaining difficulties, and this is particularly the case for rural firms.

Figure 3: Proportion of firms finding it difficult to recruit and retain suitably-skilled staff, rural and urban by size

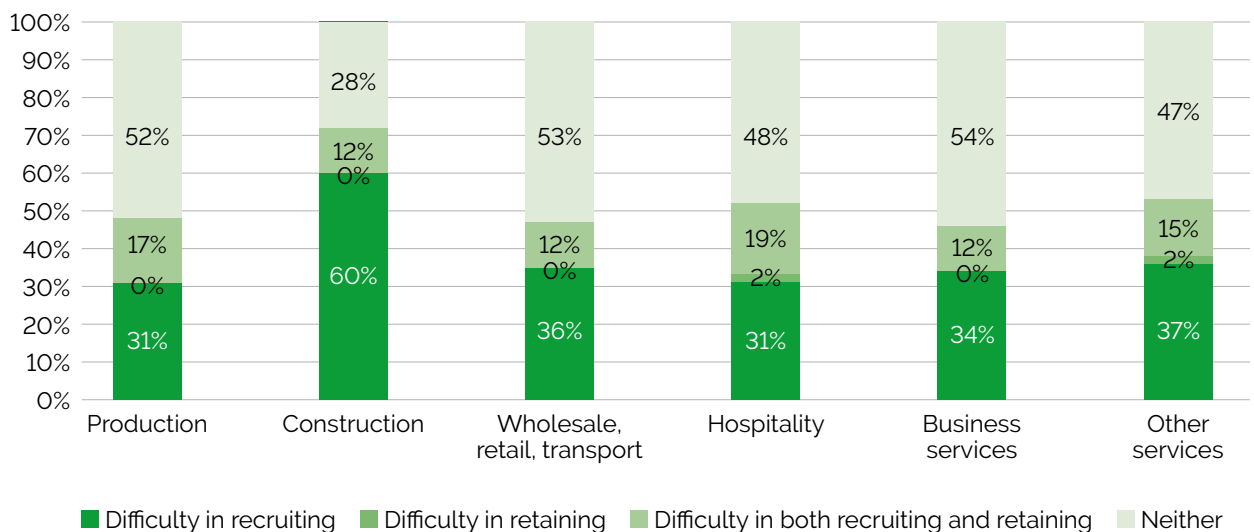


Unweighted total of 1,007 rural firms (435 in 1-4, 238 in 5-9, 288 in 10-49, 46 in 50+) and 595 urban firms (141 in 1-4, 158 in 5-9, 172 in 10-49, 124 in 50+)

There are considerable differences between sectors (Figure 4). Almost three quarters (72%) of rural firms in Construction experience difficulties in labour recruitment or retention, compared to about half of rural firms in other sectors.

Moreover, this sector also appears to face most acute challenges around recruitment alone, compared to other sectors. Meanwhile, coupled recruitment-retention challenges are more often found in the Hospitality and Production sectors.

Figure 4: Proportion of rural firms finding it difficult to recruit and retain suitably-skilled staff, by sector



Unweighted total of 1,005 rural firms (140 in Production, 82 in Construction, 255 in Wholesale, retail, transport, 130 in Hospitality, 156 in Business services, 242 in Other services)

3. Skills gaps



Firms that mentioned challenges in recruitment or retention of suitably-skilled staff were asked in an open question to comment on which **types of skills** were most problematic to find (Table 2). The most prominent skills gaps relate to **technical expertise** and **practical** skills required in the business, as well as various **sector-related specialist** skills. Generally, similar shares of rural and urban firms highlight these needs, which emphasises the importance of ensuring skills development and sector strategies embrace and reach rural areas.

16% of rural firms that experience skills gaps mention difficulties in recruiting or retaining technical expertise for their businesses, which compares to a similar scale of unmet skills gap for urban firms. 11% of rural firms with skills constraints identified a lack of engineering-related skills. 10% mentioned skills shortages for hospitality, as well as specific manual skills for mechanical/electrical and construction/building sectors. 5% of rural firms report gaps in health and social care skills. The evidence here mirrors the sectoral profile of skills gap, as reported by the 2019 Employer Skills Survey, suggesting

highest gaps in the hotels and restaurant sector (about 6.9% of the workforce), and lowest in the education sector (less than 3%) (Winterbotham et al., 2020).

Businesses also highlight gaps around general employment skills. Fewer highlight softer or more foundational skills, for example around numeracy, computer literacy/IT skills, administration and communication, or broader business skills around marketing, finance or management.

Table 2: Types of skills gaps for firms, rural and urban

	Unweighted count			Weighted %	
	Rural	Urban	Total	Rural	Urban
General employment (any/all skills, reliability, positive attitude)	57	43	100	11%	14%
Technical expertise needed in your business	81	47	128	16%	15%
Engineering (e.g. electrical, mechanical)	49	37	86	11%	10%
Mechanical/electrical manual labour skills (i.e. machinists, plumbers, technical)	43	39	82	10%	13%
Hospitality (bar/restaurant/kitchen skills, waiting skills, housekeeping, cleaning)	77	46	123	10%	11%
Construction/building manual labour skills (incl. joiners, painters, ceramists)	37	16	53	9%	5%
Care staff incl. healthcare (nursing, pharmacy, veterinary etc.), social care	30	32	62	4%	7%
Teaching/educators/tutors	9	10	19	1%	3%
Architecture/design	8	7	15	2%	4%
Other (general) manual/trade skills (e.g. hairstylists, butchers)	54	31	85	14%	9%
Management (e.g. finance, production)	29	20	49	4%	6%
Driving/logistics distribution	32	5	37	5%	1%
Numerical skills and understanding	7	1	8	1%	1%
Administration	8	4	12	1%	1%
Communication skills (e.g. speaking a foreign language)	4	3	7	1%	1%
Computer literacy/IT skills	17	11	28	3%	3%
Marketing and selling skills	13	17	30	2%	5%
Legal skills	3	2	5	1%	1%
Creativity skills (e.g. art, music, writing)	7	2	9	2%	1%
People that live locally/willing to travel	9	1	10	2%	0%
Flexibility with hours	3	1	4	1%	0%
Export administration	0	1	1	0%	0%
Management/leadership skills	1	0	1	0%	0%
Other	55	30	85	10%	7%

Addressing the full breadth of labour skill deficits is a crucial priority for driving business growth and innovation. For instance, in reporting major obstacles restricting business efforts to reduce carbon emissions, a significant proportion of firms mention a lack of relevant skills within

the firm as problematic, albeit more so for urban than rural businesses (43% urban, 30% rural) - for detail, see Figure 11 in our State of Rural Enterprise Report No 5 on environmental impacts and business responses to the climate crisis.

4. Reasons why firms struggle in recruiting and retaining staff



For those businesses reporting difficulties in staff recruitment or retention, a **limited local pool of suitable labour** is cited as the most common reason, and this is particularly the case for rural businesses, compared to urban firms (89% rural, 80% urban) - see Figure 5.

Low wage levels and a lack of suitable apprenticeships or training are the next two most common reasons noted by firms, with urban businesses more likely to highlight these issues. Rural enterprises' recruitment and retention challenges are heavily impacted by weaknesses in local services and infrastructure provision, notably a lack of affordable housing for staff and poor public transport, which were highlighted by nearly 40% of rural firms that experience recruitment or retention challenges, compared to much lower proportions of urban firms. Meanwhile, urban businesses also emphasise poor career progression/lack of prospects (37%) as hindering them from recruiting or retaining staff, compared to 28% in rural firms.

Interestingly, approximately a third of rural and urban firms with skills gaps (rural 29%, urban 33%) highlight as a difficulty the fact that people living locally can choose to work remotely for other employers elsewhere. This shows how the Covid-19 pandemic's effects on work and living patterns are clearly impacting both rural and urban businesses.

There is significant variation in the challenges faced across different rural locations (Figure 6). While in towns half of firms with skills gaps identify low wage levels as a challenge, this is somewhat less important for firms operating in hamlets and isolated dwellings, with around 28% reporting this.

Figure 5: Main reasons for firms finding it difficult to recruit or retain skilled staff, rural and urban

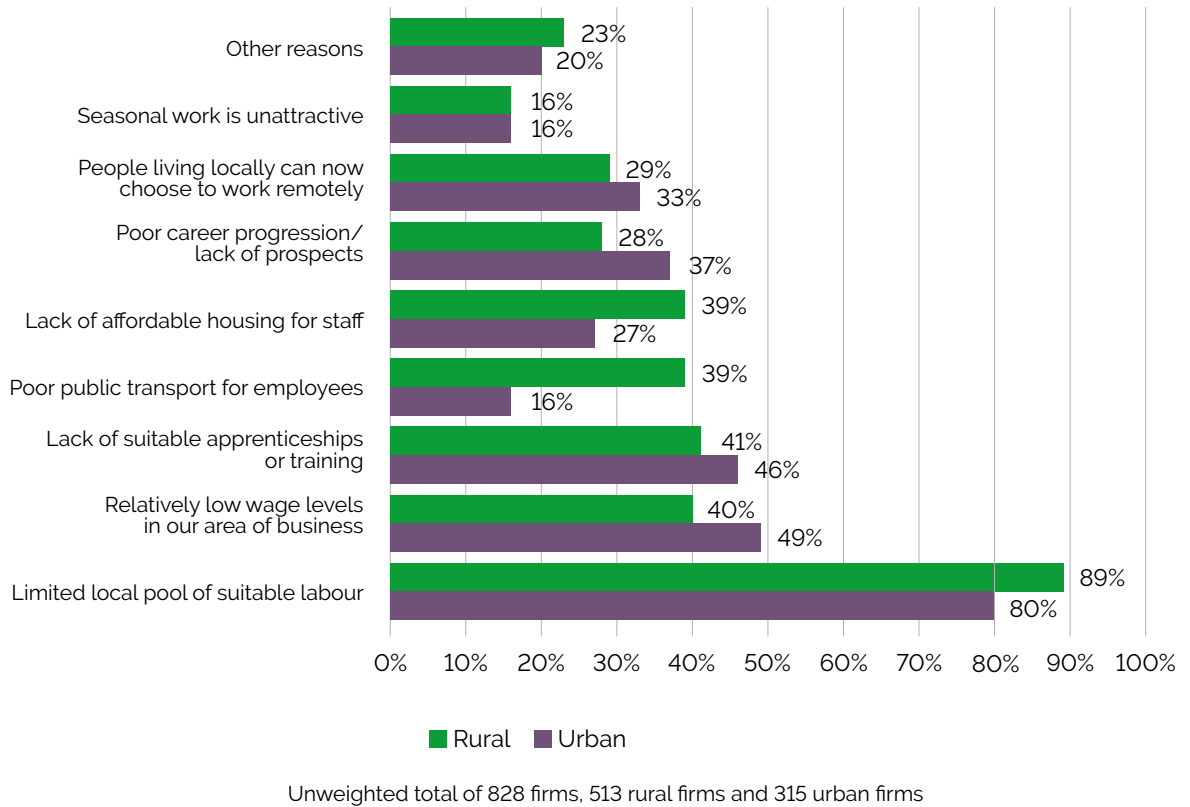
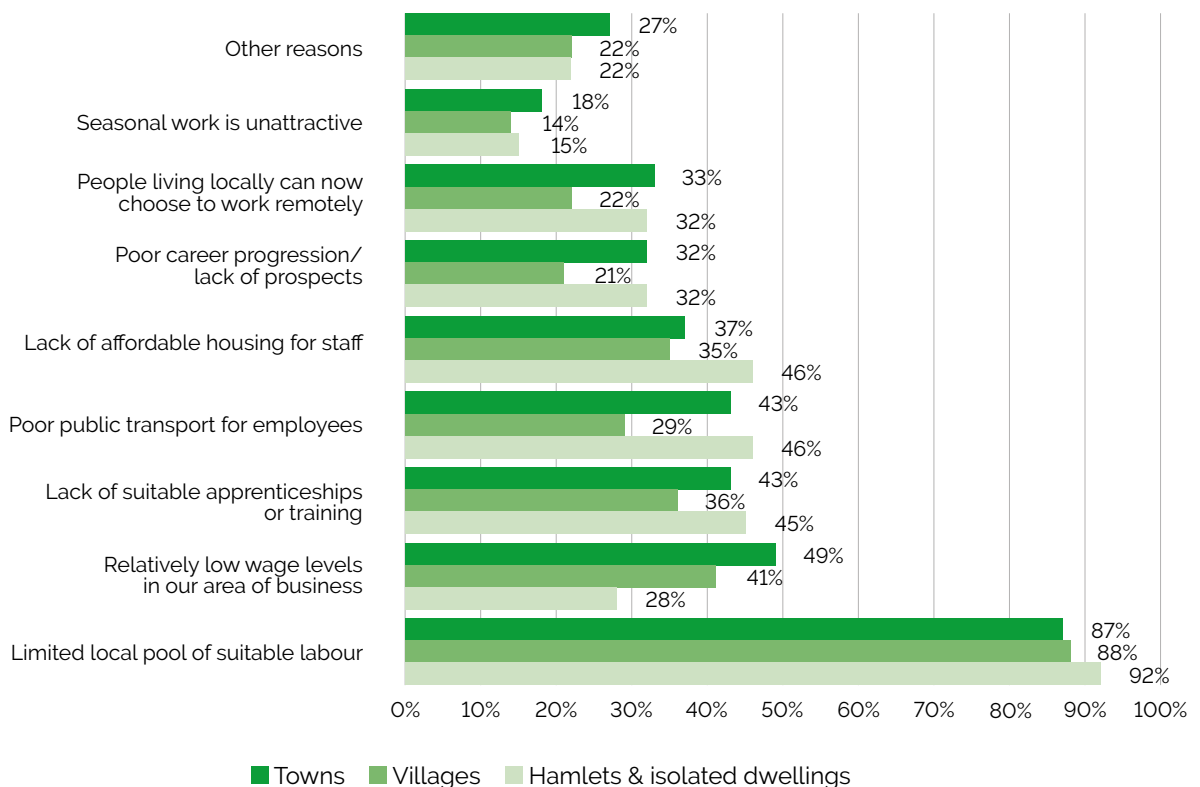


Figure 6: Main reasons for firms finding it difficult to recruit or retain skilled staff, by rural location

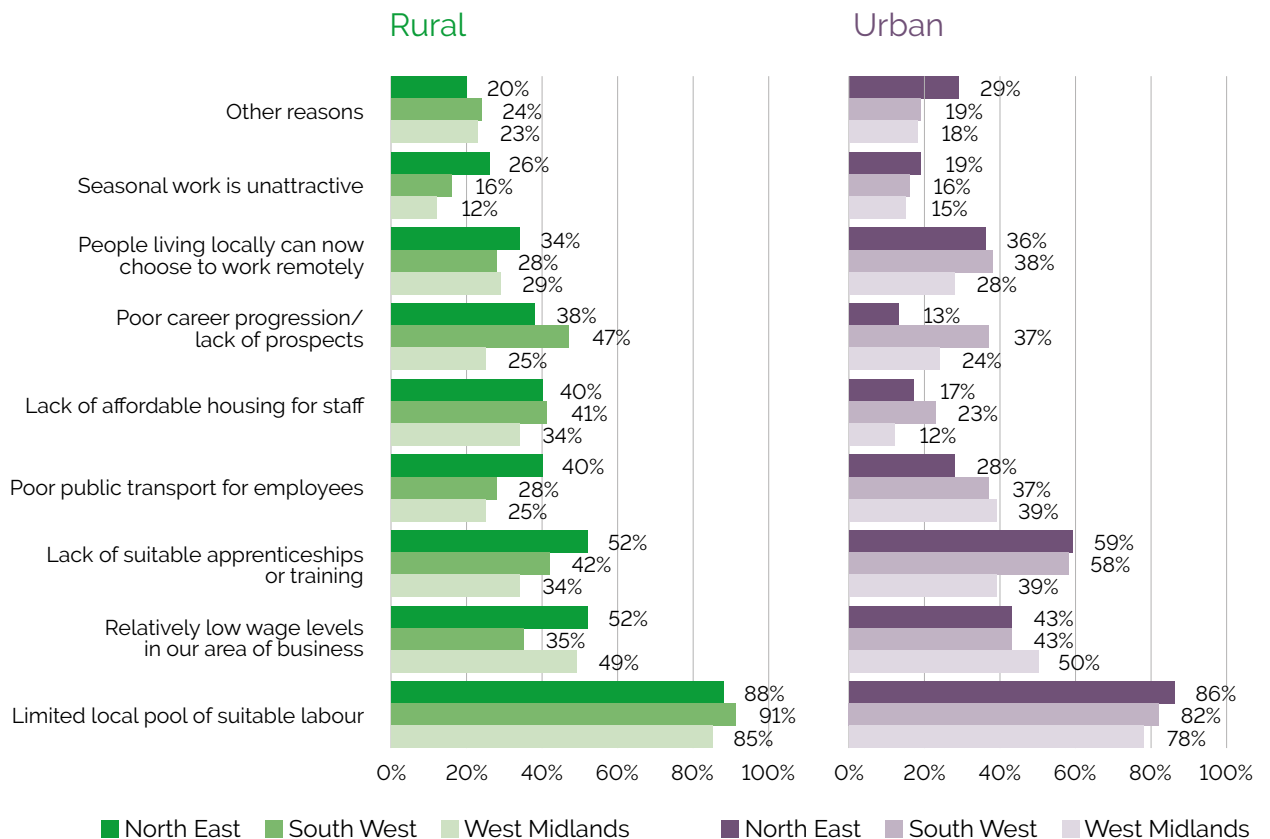


Unweighted total of 513 rural firms (207 rural towns, 174 rural villages, and 132 rural hamlet & isolated dwellings)

Meanwhile, firms in towns and hamlets and isolated dwellings are more likely to face a broader range of challenges than firms in villages. In particular, a lack of suitable apprenticeships or training, and a lack of affordable housing for staff are key challenges for 43%-46% of firms with skills gaps in towns and hamlets and isolated dwellings, compared to 29%-36% of firms in villages. In addition, a third of firms with skills gaps in towns and hamlets and isolated dwellings cite poor career progression or prospects, as well as shifts to remote working, as reasons, compared to 21% of firms in villages. Meanwhile, poor public transport is also a challenge for almost half of skills-constrained firms in hamlets and isolated dwellings, compared to a third of firms in towns and villages.

The analysis by region reveals different dynamics in the labour market (Figure 7). Recruitment and retention difficulties appear to be less intense for rural NE firms than rural SW and WM firms. However, the difficulties tend to be caused by more factors for rural firms in the NE than those in the SW and WM, including a lack of suitable apprenticeships or training, low wage levels, poor career progression, shift to remote working, and unattractive seasonal work. Recruitment and retention in rural firms in the SW are especially hindered by a lack of affordable housing, compared to the other two regions. Meanwhile, around half of rural businesses with skills gaps in the NE and WM report a lack of suitable apprenticeships or training, compared to 35% of rural firms in the SW.

Figure 7: Main reasons for firms finding it difficult to recruit or retain skilled staff, rural and urban by region

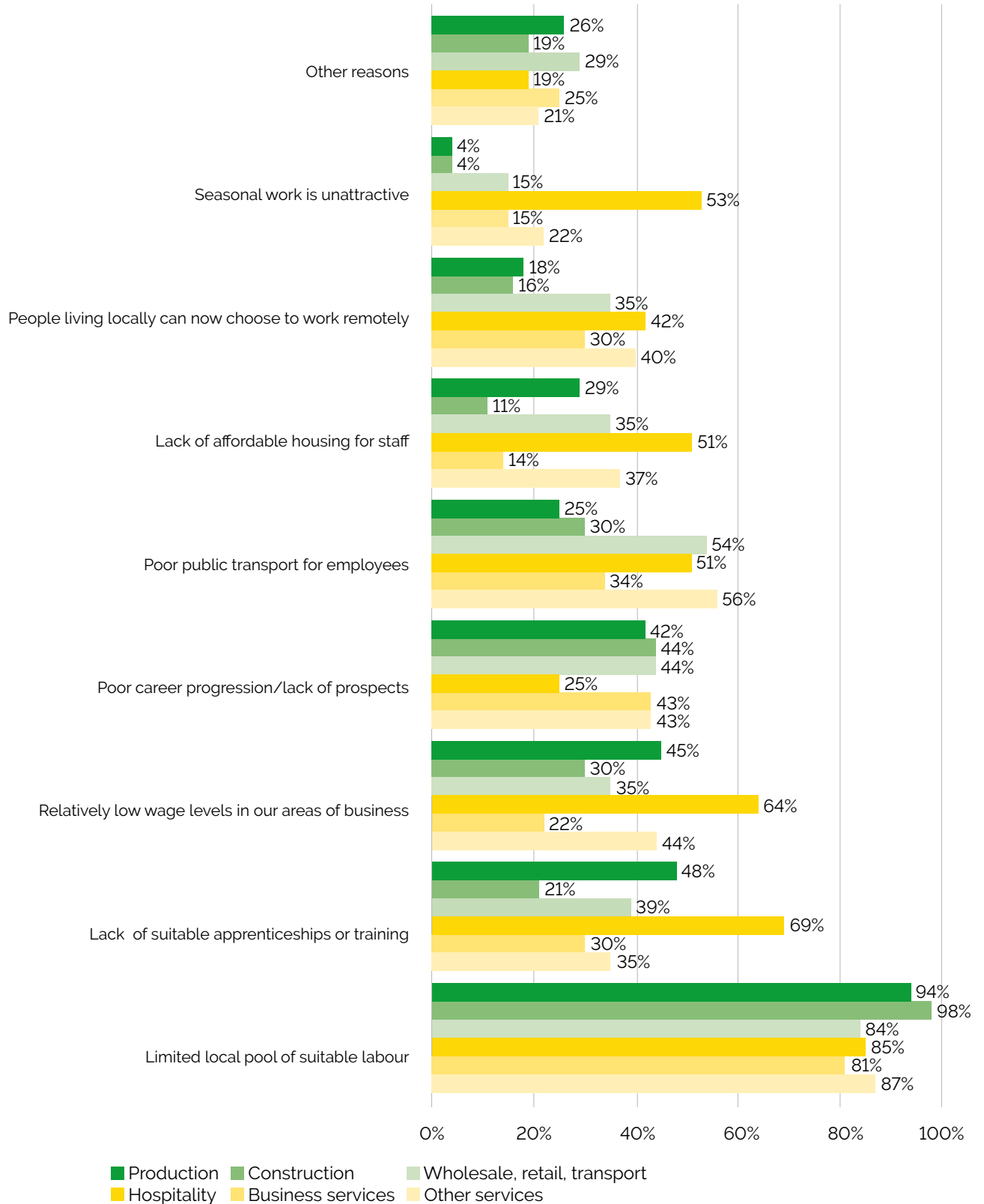


Unweighted total of 513 rural firms (176 in NE, 170 in SW, 167 in WM) and 315 urban firms (103 in NE, 107 in SW, 105 in WM)

Significant variation in the challenges leading to difficulties in recruiting and retaining is also observed between sectors (Figure 8). Production and Construction businesses are especially constrained by local pools of suitable labour.

Hospitality, in contrast, faces challenges linked to a lack of suitable apprenticeships or training, low wage levels, seasonality of work and lack of affordable housing for staff.

Figure 8: Main reasons for rural firms finding it difficult to recruit or retain skilled staff, by sector

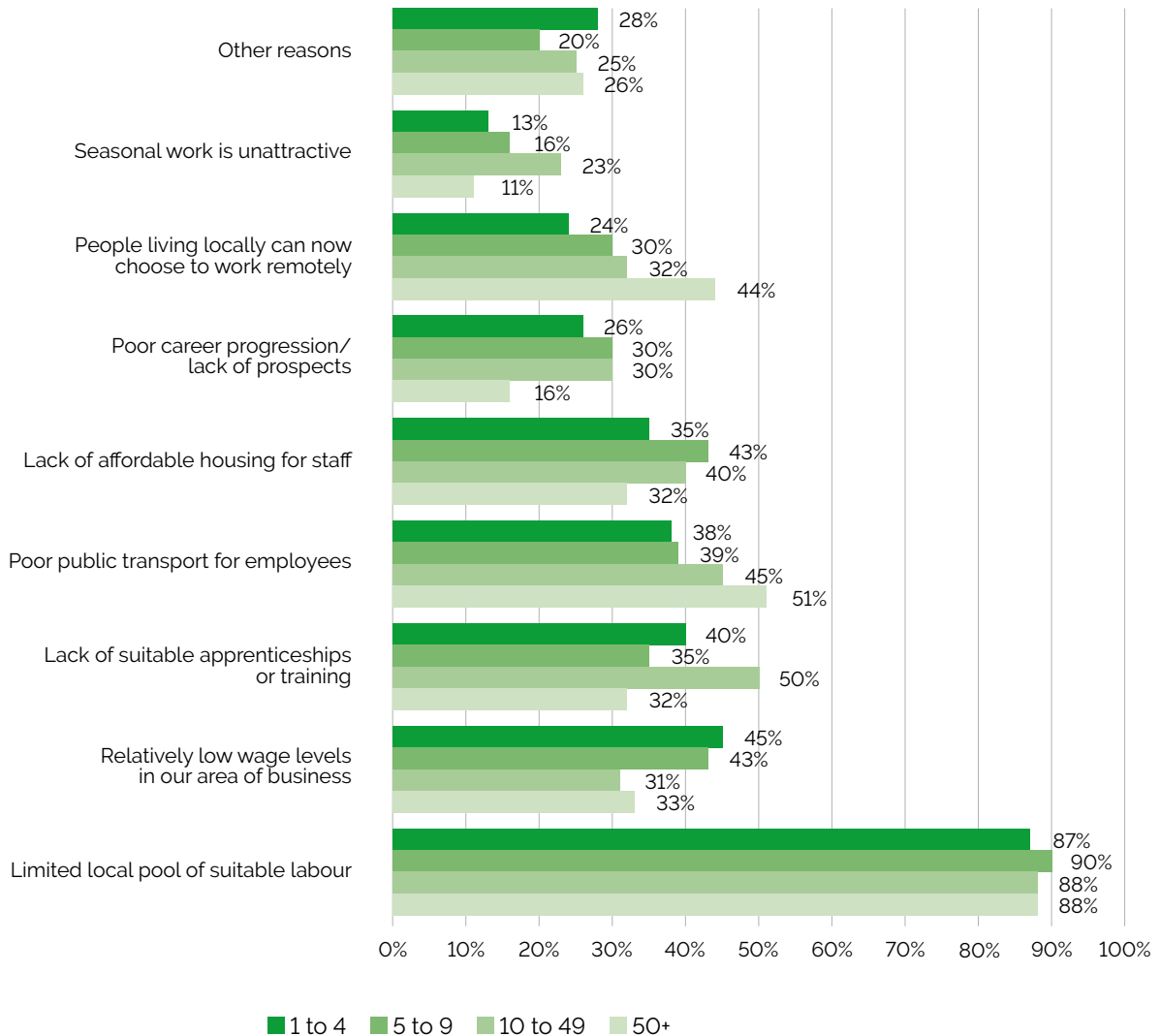


Unweighted total of 512 rural firms (74 in Production, 52 in Construction, 111 in Wholesale, retail, transport, 72 in Hospitality, 73 in Business services, 130 in Other services)

Turning to business size, it appears that a lack of suitable apprenticeships or training is a more prominent issue for rural micro firms (Figure 9).

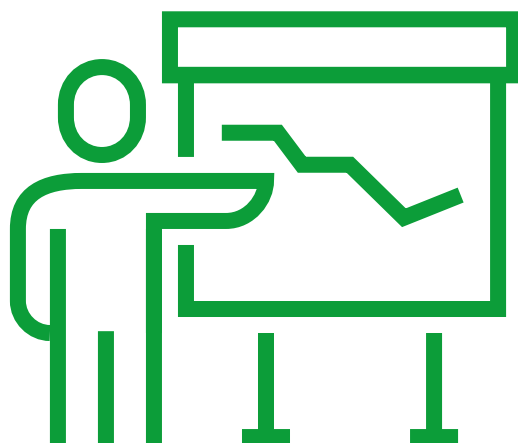
For larger firms wage levels are more often cited as a challenge, as well as difficulties due to a shift to remote working.

Figure 9: Main reasons for rural firms finding it difficult to recruit or retain skilled staff, by size



Unweighted total of 513 rural firms (166 in 1 to 4, 132 in 5 to 9, 180 in 10 to 49, 35 in 50+)

5. The impacts of recruitment and retention challenges

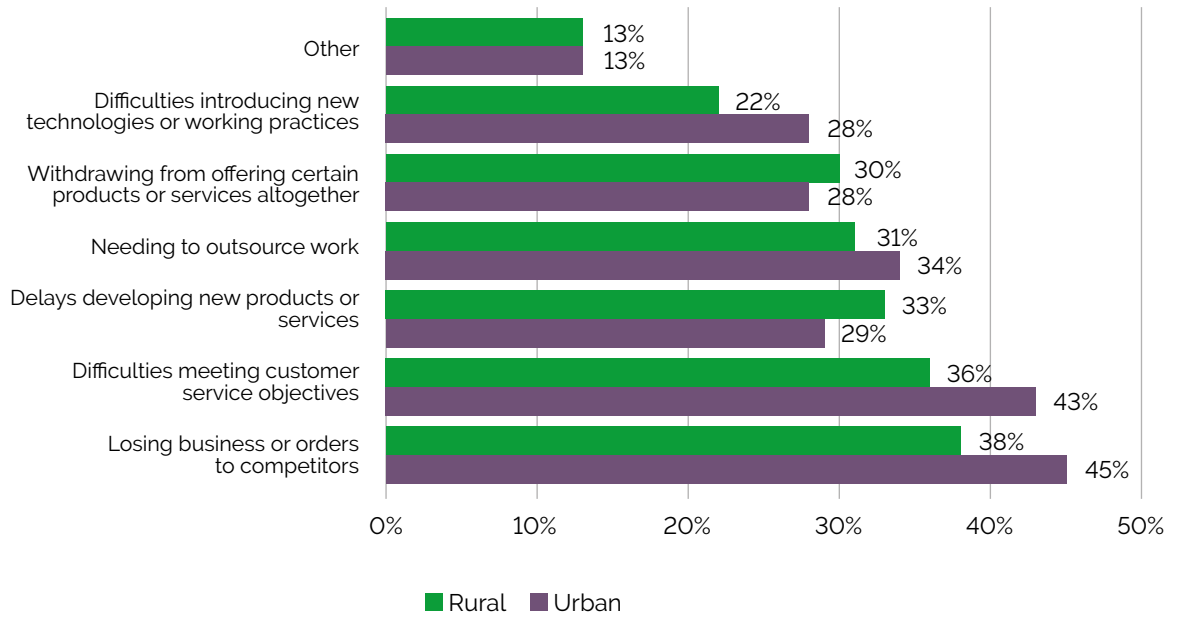


Difficulties in recruiting and retaining labour impose **numerous challenges** for businesses and can **significantly hinder** their performance (Figure 10). Two-fifths of rural firms experiencing these difficulties reported losing business or orders to competitors, or challenges in meeting customer service objectives, and a third needed to outsource work. These impacts are even more widespread for urban businesses, which are generally exposed to greater intensity of local competition.

Skills and labour availability difficulties also impact business performance in the longer term, through causing a withdrawal from offering, or delays in developing, new products or services, or by impinging on the introduction of new technologies or working practices. Rural firms are slightly more likely than urban firms to withdraw or delay products or services because of skills gaps.

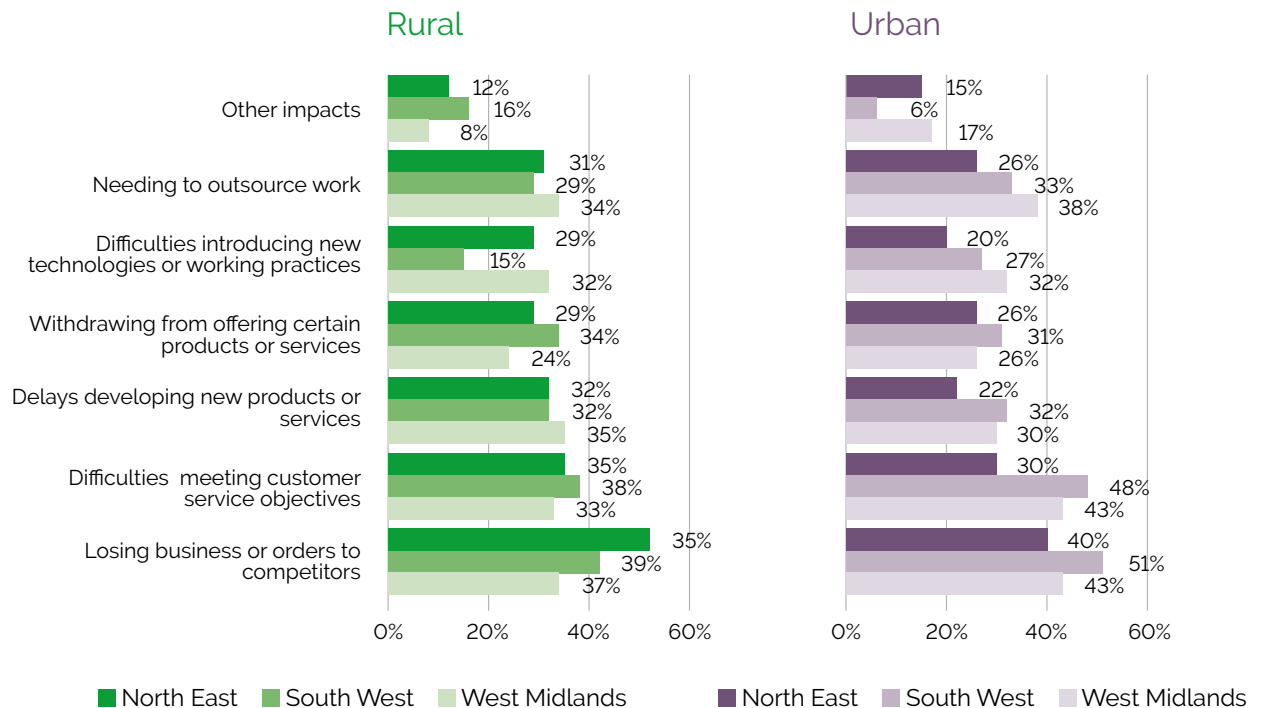
Regional variations are overall more noticeable among urban firms, but are also evident when comparing rural firms (Figure 11). For example, about 30% of rural firms that have skills challenges in the NE and WM have difficulties introducing new technologies or working practices, compared to only 15% in the SW. Meanwhile, a third of rural firms facing skills gaps in the SW withdraw from offering some products/services, compared to 29% in the NE and 24% in the WM.

Figure 10: Impacts on firms as a result of difficulties recruiting or retaining staff, rural and urban



Unweighted total of 828 firms, 513 rural firms and 315 urban firms

Figure 11: Impacts on firms as a result of difficulties recruiting or retaining skilled staff, rural and urban by region

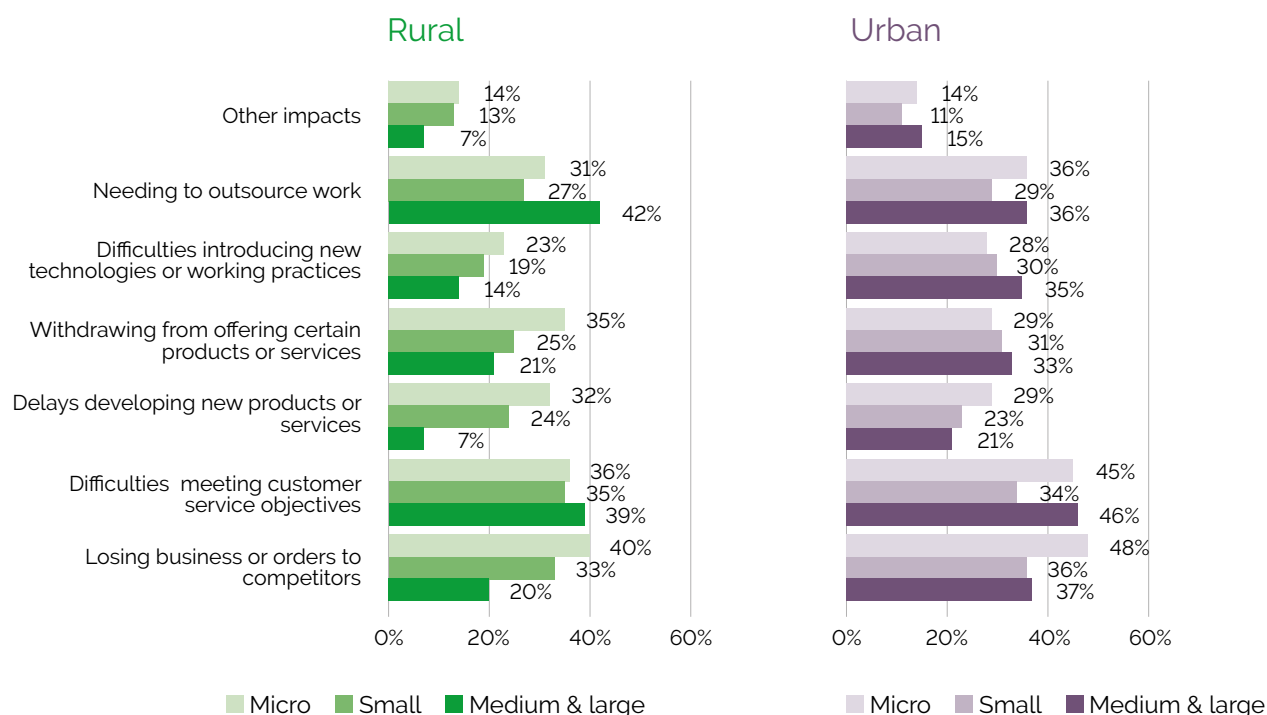


Unweighted total of 513 rural firms (176 in NE, 170 in SW, 167 in WM) and 315 urban firms (103 in NE, 107 in SW, 105 in WM)

Impacts appear to vary by firm size, and especially in rural areas (see Figure 12). Rural micro and small firms, compared to medium and large firms, are significantly more likely to be losing business or orders to competitors and be hindered in introducing new technologies or working practices, as a result of skills and labour

availability challenges. Their business offer is also more likely to be impacted, both in relation to withdrawals or delays in the introduction of new products and services. Meanwhile, medium or large rural firms report to be more likely to outsource work due to difficulties with recruiting.

Figure 12: Impacts on firms as a result of difficulties recruiting or retaining skilled staff, rural and urban by firm size



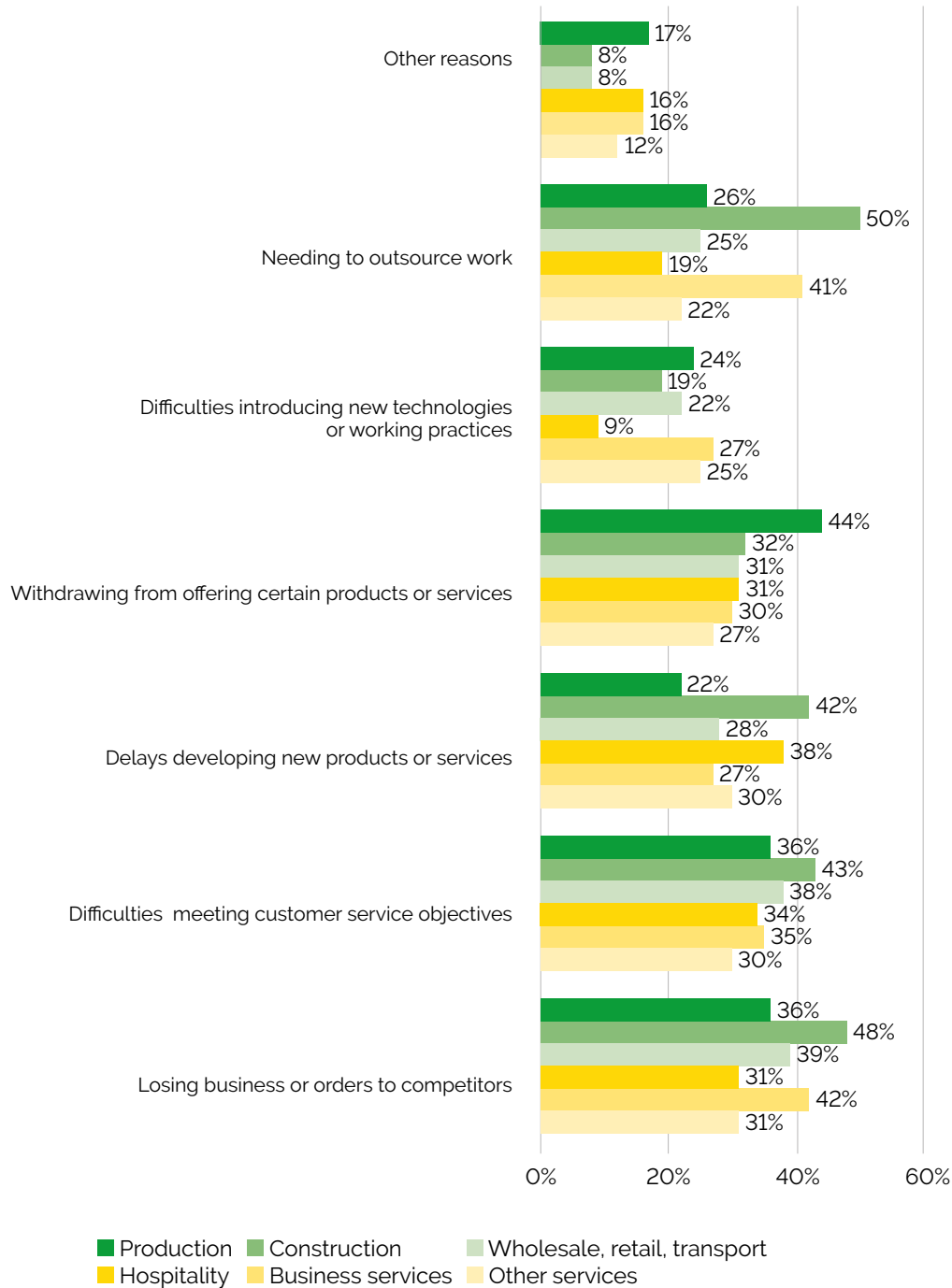
Unweighted total of 513 rural firms (298 in micro, 180 in small, 35 in medium and large) and 315 urban firms (129 in micro, 99 in small, 87 in medium and large)²

Impacts of recruitment and retention challenges are also experienced differently by rural firms across sectors (Figure 13). Rural firms in Construction are commonly experiencing several different types of negative impacts. In particular, half of those experiencing skills gaps mention losing business or orders to competitors or needing to outsource work, and two-fifths report having difficulties in meeting customer service

objectives and withdrawing some products/ services. Meanwhile, rural firms in Production are more likely to face delays in product or service innovation. As in Construction, many rural firms in Hospitality withdraw products and services altogether as a result of labour and skills difficulties. Business services firms are especially likely to be impacted in terms of losing business to competitors or needing to outsource.

² Due to the small sample size of the medium/large firms in the rural sample, careful consideration is required to explain the results or to make reference to the overall population.

Figure 13: Impacts on rural firms as a result of difficulties recruiting or retaining skilled staff, by sector

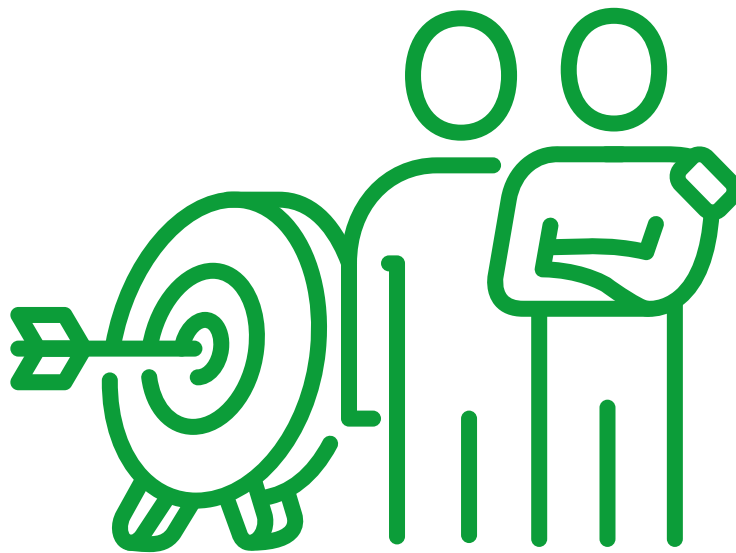


Unweighted total of 512 rural firms (74 in Production, 52 in Construction, 111 in Wholesale, retail, transport, 72 in Hospitality, 73 in Business services, 130 in Other services)

Overall, the ability to recruit and retain staff was also flagged as the most significant perceived constraint on growth, as reported by half of both rural and urban businesses (for detail refer to Figures 12-14 in our State of Rural Enterprise Report No 6 on opportunities for rural business growth). While staffing issues are emphasised as major barriers to growth across all three regions,

they appear more significant for rural firms in the SW and WM (50%) compared to the NE (46%). We also observe considerable variation by size of firms, where staffing issues represent major growth barriers for large businesses (70%), and small businesses (67%), compared to micro businesses (47%).

6. Overcoming recruitment and retention challenges



In an open question in the survey, businesses were invited to voice how they were trying to **overcome difficulties** in recruiting or retaining staff. Firms use **different strategies** to overcome labour shortages and skill gaps challenges (Table 3).

Among those facing constraints, it was most common for rural and urban businesses to mention using different recruitment approaches to attract new skilled staff, such as via more targeted marketing or advertising on different types of social media platforms or own networks. Interestingly, very few businesses mentioned expanding their search criteria to tap into wider national/international labour pools or recruiting people to work remotely.

After changes to advertising and marketing, the next most prominent responses to skills gaps are to provide more opportunities for new employees, for example around in-house training programmes or apprenticeships. Collaborating with other businesses/organisations on

recruitment or apprenticeships was also frequently mentioned, and especially among rural firms. Whereas urban firms were slightly more likely to look to try and retain existing staff through increasing benefits or improving work-life balance, increasing salaries was instead more commonly mentioned as a responsive strategy by rural firms. A similar share of rural and urban firms chose to provide more competitive packages to their potential/current staff.

In contrast, other businesses opted for solutions that may have challenging, long-lasting effects for their survival and employee retention. Some preferred to turn down work or reduce staff levels, or allocate heavier workload on existing staff.

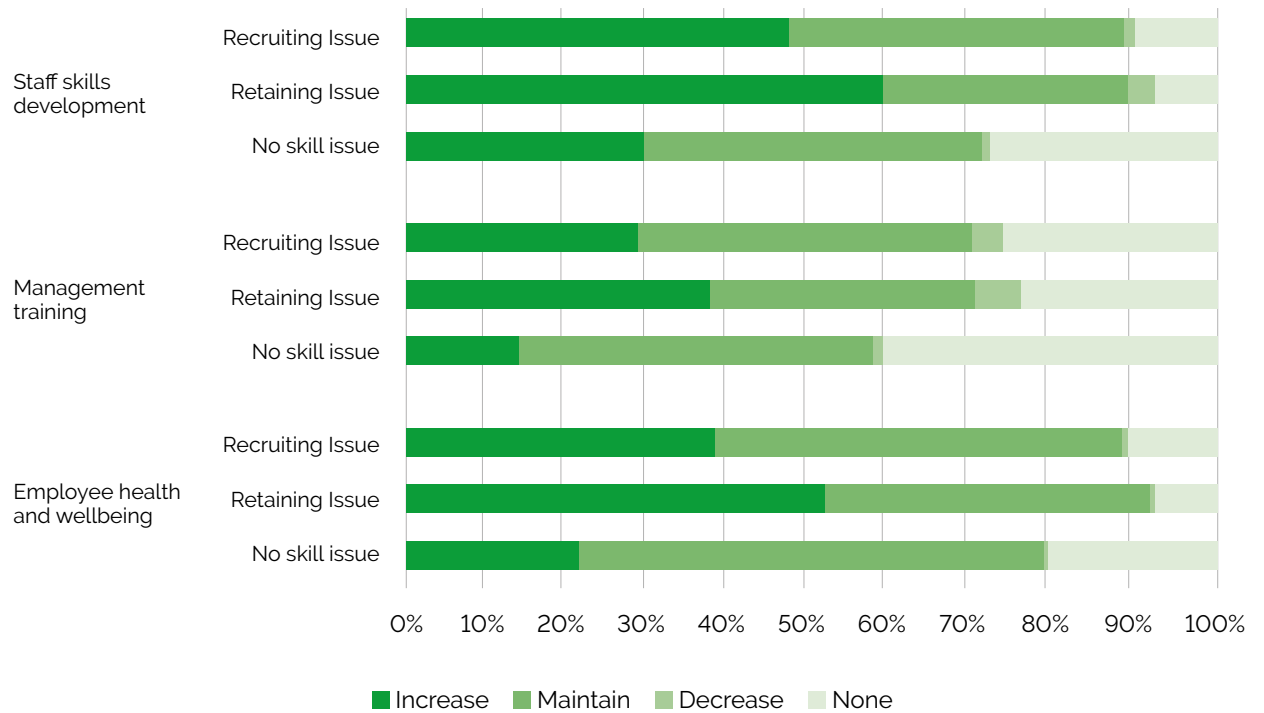
Table 3: Strategies used by firms to overcome difficulties in recruiting and retaining suitably-skilled staff, rural and urban

	Number of firms mentioned one of these (unweighted count)			Weighted %	
	Rural	Urban	Total	Rural	Urban
Advertising/marketing (e.g. implementing more/different social media, word of mouth)	123	54	177	20%	21%
Collaborating with other businesses/organisations on recruitment or apprenticeship	46	33	79	12%	8%
Nothing/no action taken to overcome difficulties	58	30	88	11%	12%
More opportunities for new employees (e.g. in-house training programmes, apprenticeship)	59	48	107	11%	13%
Increasing salaries	59	29	88	11%	5%
Keep looking	27	16	43	7%	6%
Trying to retain existing staff (increasing benefits, improving work-life balance)	42	33	75	6%	11%
Making the business more attractive/making competitive packages	36	29	65	6%	5%
Increasing workload of existing staff	25	14	39	5%	6%
Turning work down/reducing or maintaining staff level	12	7	19	3%	4%
Outsourcing work, or bringing in contractors to do the work	6	2	8	3%	1%
Recruiting from other parts of the UK outside of the local area	11	7	18	2%	2%
Recruiting people to work remotely	3	2	5	0%	0%
Recruiting staff from outside of the UK	3	5	8	0%	1%
Redefining existing jobs	4	2	6	0%	0%
Family members to help (employed or unemployed)	4	1	5	0%	0%
Relocating/shutting down the business	7	0	7	1%	0%
Upskilling current employees	5	0	5	0%	0%
Other	84	52	136	17%	15%
Don't know	14	9	23	3%	3%

Businesses were also asked whether they were looking to increase, maintain or decrease their investment levels in a series of different types of activities. Taking into account rural firms facing recruitment and retention challenges, it is clear that investment increases in staff skills development, and in employee health and wellbeing, were reported by a significant

proportion of businesses, and by more than half of businesses experiencing retention issues. In contrast, rural businesses reported comparatively lower levels of planned investment in increasing management training, ranging from about a third of firms reporting recruitment issues, to about 40% of firms reporting retention issues.

Figure 14: Investment plans for rural firms facing recruitment and retention challenges



For "Staff skills development", unweighted total number of 491 firms with "No skill issue", 501 firms with "Recruiting issue", and 173 firms with "retaining issue". For "Management training" and "Employee health and wellbeing", unweighted total numbers are slightly different due to some missing values

In turn, it is also worth highlighting how innovation and green growth opportunities can play a key part in overcoming some of the recruitment and retention challenges. For instance, as summarised in our State of Rural Enterprise Report No 5 on environmental impacts and business responses to the climate

crisis, efforts to reduce business environmental impacts have helped staff develop new skills, as reported by about 40% of businesses (31% rural, 41% urban), thus providing a further strategy for addressing labour market shortages of suitably-skilled staff in the medium- and long-term.

7. Conclusions



The SORE survey highlights that skills and labour availability are **major current challenges** for businesses in both rural and urban contexts, with one in two rural businesses finding it difficult to recruit or retain suitably-skilled staff.

These problems affect firms' ability to serve existing customers and take on new business. The most prominent skills needs, for both rural and urban firms, relate to technical expertise in the business, as well as various sector-related specialist competences, emphasising the importance of embracing a more collaborative sectoral approach to support skills development. To transition to a green, digital and innovative future, unlocking the skills needed will be fundamental for businesses to overcome some of their recruitment and retention challenges and thrive. Our findings suggest opportunities for skill improvement policies and plans to support rural business needs by providing a more integrated approach to advice and facilitation which can encourage collaborative action, by sector and/or locality, to address common recruitment needs.

Rural businesses' ability to cope with recruitment problems and skills gaps are hampered by long-term structural problems in rural economies, particularly the lack of affordable housing and poor public transport. These structural problems further reduce the pool of potential local labour,

which rural businesses continue to rely on for staff. Few businesses are embracing more radical solutions of recruiting on a national/international basis or offering permanent working from home. The latter may reflect that such arrangements are largely unsuitable in many sectors (e.g., Construction, Hospitality). Where businesses must rely on local labour, in markets which remain economically buoyant, recruitment problems are likely to endure without efforts to improve the provision of affordable housing and transport. Greater awareness of the crucial, indirect economic damage caused by insufficient rural infrastructure is therefore key to targeted investment that can unlock the potential of England's rural economy.

Overall, the ability to recruit and retain staff was flagged as the most significant perceived constraint on growth, as reported by half of both rural and urban businesses. We also observed considerable variation by size of firms, where staffing issues represent major growth barriers for large and small businesses, compared to micro businesses.

This research therefore sheds light on the need for enhanced support for long-term local strategies that can better address rural labour market needs and, particularly, the unavailability of suitably-skilled labour. This includes widening opportunities and access to funds for local and regional skills improvement and training provision which are responsive to changing needs, and can further harness business growth and innovation within the rural economy. It will be important for Local Skills Improvement Plans, which have been developed for all areas of England in 2023, to steadily address these issues through their current activities and future iteration of the plans.

The cost-of-doing-business crisis appears to be having both positive and negative spill-over effects regarding longer-term UK government policy objectives relating to the labour market and skills. Small and Medium-sized Enterprises (SMEs), especially those in rural areas, have historically offered poorer formal training and upskilling opportunities, compared to larger firms (Hindle et al., 2010; Westhead & Storey, 1997). Poor skills training weakens business performance (Idris et al., 2023), and hampers the achievement of public policy goals relating to improving productivity and economic growth (Dearden et al., 2006). The cost-of-doing-business crisis is further exacerbating recruitment and skills shortages which hold back high growth businesses (Lee, 2014). One way of coping with labour and skills shortages is to eschew growth and innovation, and a third of those identifying recruitment

and retention problems have outsourced work, withdrawn some goods/services, or delayed product or process innovation, and a quarter have difficulties introducing new technologies or working practices. This will exacerbate long-term economic problems characterising the UK economy - poor productivity, innovation, and growth (ONS, 2022).

However, the cost-of-doing-business crisis is also stimulating enterprises to make changes that can have long-term, positive benefits both for the business and wider economy. For instance, some rural businesses are retraining employees and offering new employees enhanced training and apprenticeships. The latter is an important means to improve vocational qualifications and productivity, but small businesses' engagement with apprenticeships has been previously patchy (Cavaglia et al., 2020). The crisis offers a window of opportunity for engaging with SMEs to improve apprenticeship provision, but this requires enhancing business owners' confidence in the system and addressing their concerns regarding the quality of provision. The crisis is also prompting businesses to offer better pay and working conditions, although from our data we cannot ascertain whether salary increases are sufficient to deliver improvements in real incomes.

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Appendix A: Weighting procedure and profiling respondent firms

Weighting procedure

We derive the weights for non-farm businesses based on the enterprise population from the Business Structure Database. Within each region, firms are weighted by size-band (three size-bands), sectors (six sectors), and urban-rural types (two types). As this report considers the non-farm rural economy, farms were excluded from the weighting process. Weights were derived for both the non-farm rural economy and the non-farm urban comparison group.

Across the three regions surveyed samples were structured by firm size band, sector and between urban and rural areas. This structured sample requires sampling weights to be developed to allow representative results to be obtained for urban and rural areas within each region. Tables A1 and A2 provide the achieved sample divided by region and urban/rural. Tables A3 and A4 provide the business population in terms of the count of business units in each cell derived from the Business Structure Database (BSD) 2022 (ONS 2023). The BSD is the annual abstract from the Inter-departmental Business Register and is itself based on VAT and PAYE data. This was accessed through the UK Secure Data Service.

Tables A5 and A6 provide the sampling weights derived as the ratio of the business population relative to the number of respondents. Note that in a small number of cases where the numbers of respondents in a particular industry/size band cell is small, cells have been amalgamated to avoid extreme weighting numbers.

Table A1: Respondent numbers – rural firms

Respondents	Rural firms by number of employees			
North East	Less than 10	10 to 49	50+	Total
Production	66	17	6	89
Construction	54	14	3	71
Wholesale and retail, transport	141	24	4	169
Hospitality	80	26	3	109
Business services	129	15	4	148
Other services	163	43	8	214
Total	633	139	28	800
South West	Less than 10	10 to 49	50+	Total
Production	42	38	7	87
Construction	24	23	2	49
Wholesale and retail, transport	88	57	8	153
Hospitality	34	45	3	82
Business services	51	26	2	79
Other services	72	62	16	150
Total	311	251	38	600
West Midlands	Less than 10	10 to 49	50+	Total
Production	55	27	2	84
Construction	39	16	2	57
Wholesale and retail, transport	108	38	7	153
Hospitality	33	29	2	64
Business services	81	20	3	104
Other services	84	45	8	137
Total	400	175	24	599

Table A2: Respondent numbers – urban firms

Respondents	Urban firms by number of employees			
	Less than 10	10 to 49	50+	Total
North East				
Production	14	9	14	37
Construction	11	2	3	16
Wholesale and retail, transport	20	12	5	37
Hospitality	7	10	5	22
Business services	22	8	4	34
Other services	22	16	16	54
Total	96	57	47	200
South West				
Production	17	12	9	38
Construction	12	6	4	22
Wholesale and retail, transport	26	12	8	46
Hospitality	5	10	5	20
Business services	17	6	2	25
Other services	24	13	13	50
Total	101	59	41	201
West Midlands				
Production	12	11	8	31
Construction	10	5	3	18
Wholesale and retail, transport	30	12	7	49
Hospitality	5	9	2	16
Business services	23	5	3	31
Other services	24	17	14	55
Total	104	59	37	200

Table A3: Population numbers – rural firms

Respondents	Rural firms by number of employees			
North East	Less than 10	10 to 49	50+	Total
Production	3,070	286	94	3,450
Construction	1,537	183	32	1,752
Wholesale and retail, transport	2,052	317	40	2,409
Hospitality	1,226	384	39	1,649
Business services	1,834	190	50	2,074
Other services	2,404	461	95	2,960
Total	12,123	1,821	350	14,294
South West	Less than 10	10 to 49	50+	Total
Production	18,054	1,523	304	19,881
Construction	8,522	783	63	9,368
Wholesale and retail, transport	9,603	1,756	252	11,611
Hospitality	4,613	2,167	158	6,938
Business services	12,073	1,006	131	13,210
Other services	11,843	2,152	537	14,532
Total	64,708	9,387	1,445	75,540
West Midlands	Less than 10	10 to 49	50+	Total
Production	9,304	881	253	10,438
Construction	4,146	366	39	4,551
Wholesale and retail, transport	5,885	990	162	7,037
Hospitality	2,155	827	77	3,059
Business services	6,770	595	83	7,448
Other services	6,207	1,256	323	7,786
Total	34,467	4,915	937	40,319

Table A4: Population numbers – urban firms

Respondents	Urban firms by number of employees			
	Less than 10	10 to 49	50+	Total
North East				
Production	2,091	714	262	3,067
Construction	4,113	563	85	4,761
Wholesale and retail, transport	6,728	1,189	186	8,103
Hospitality	4,604	1,136	98	5,838
Business services	6,178	941	200	7,319
Other services	8,504	1,807	668	10,979
Total	32,218	6,350	1,499	40,067
South West				
Production	4,676	1,294	420	6,390
Construction	11,314	1,163	158	12,635
Wholesale and retail, transport	13,844	2,461	406	16,711
Hospitality	7,702	2,366	218	10,286
Business services	17,121	2,552	566	20,239
Other services	17,610	4,211	1,426	23,247
Total	72,267	14,047	3,194	89,508
West Midlands				
Production	6,778	2,587	857	10,222
Construction	11,236	1,281	166	12,683
Wholesale and retail, transport	25,451	3,903	631	29,985
Hospitality	9,640	1,905	177	11,722
Business services	17,754	2,485	498	20,737
Other services	27,558	5,232	1,615	34,405
Total	98,417	1,7393	3,944	119,754

Table A5: Sampling weights – rural firms

Respondents	Rural firms by number of employees			
North East	Less than 10	10 to 49	50+	Total
Production	46.5	16.8	15.7	38.8
Construction	28.5	13.1	10.7	24.7
Wholesale and retail, transport	14.6	13.2	10.0	14.3
Hospitality	15.3	14.8	13.0	15.1
Business services	14.2	12.7	12.5	14.0
Other services	14.7	10.7	11.9	13.8
Total	19.2	13.1	12.5	17.9
South West	Less than 10	10 to 49	50+	Total
Production	429.9	40.1	43.4	228.5
Construction	355.1	34.0	31.5	191.2
Wholesale and retail, transport	109.1	30.8	31.5	75.9
Hospitality	135.7	48.2	52.7	84.6
Business services	236.7	38.7	65.5	167.2
Other services	164.5	34.7	33.6	96.9
Total	208.1	37.4	38.0	125.9
West Midlands	Less than 10	10 to 49	50+	Total
Production	169.2	32.6	126.5	124.3
Construction	106.3	22.9	19.5	79.8
Wholesale and retail, transport	54.5	26.1	23.1	46.0
Hospitality	65.3	28.5	62.5	47.8
Business services	83.6	29.8	27.7	71.6
Other services	73.9	27.9	40.4	56.8
Total	86.2	28.1	39.0	67.3

Table A6: Sampling weights – urban firms

Respondents	Urban firms by number of employees			
	Less than 10	10 to 49	50+	Total
North East				
Production	149.4	79.3	18.7	82.9
Construction	373.9	281.5	28.3	297.6
Wholesale and retail, transport	336.4	99.1	37.2	219.0
Hospitality	657.7	113.6	19.6	265.4
Business services	280.8	117.6	50.0	215.3
Other services	386.5	112.9	41.8	203.3
Total	335.6	111.4	31.9	200.3
South West				
Production	275.1	107.8	46.7	168.2
Construction	942.8	193.8	39.5	574.3
Wholesale and retail, transport	532.5	205.1	50.8	363.3
Hospitality	1,540.4	236.6	43.6	514.3
Business services	1,007.1	425.3	283.0	809.6
Other services	733.8	323.9	109.7	464.9
Total	715.5	238.1	77.9	445.3
West Midlands				
Production	564.8	235.2	107.1	329.7
Construction	1,123.6	256.2	55.3	704.6
Wholesale and retail, transport	848.4	325.3	90.1	611.9
Hospitality	1,928.0	211.7	263.0	732.6
Business services	771.9	497.0	166.0	668.9
Other services	1,148.3	307.8	115.4	625.5
Total	946.3	294.8	106.6	598.8

Sample profile

Figure A1: Size & Industry

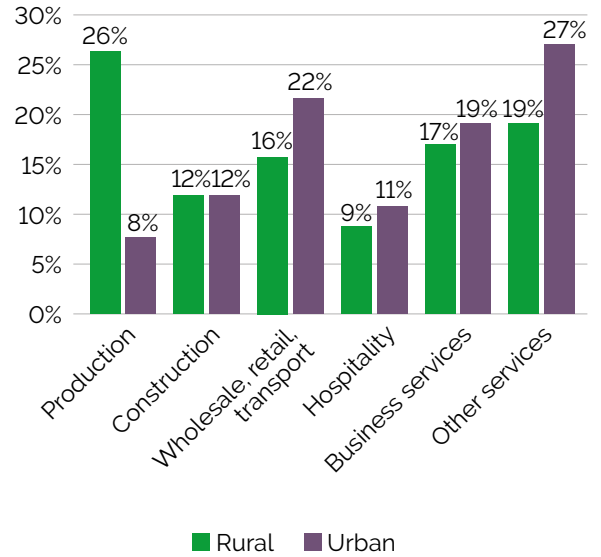
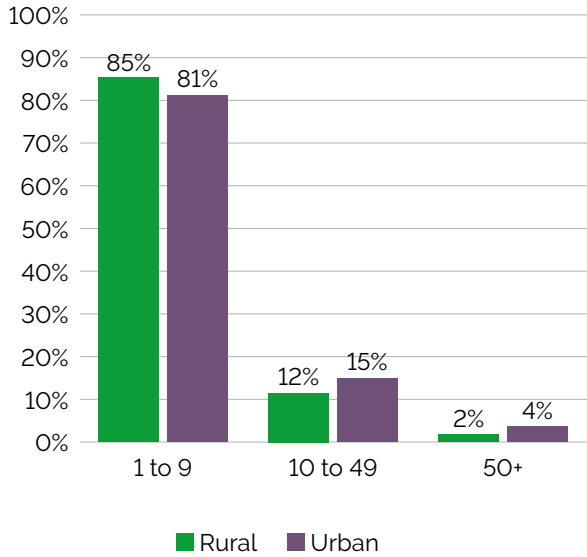


Figure A2: Age (left) & turnover (right)

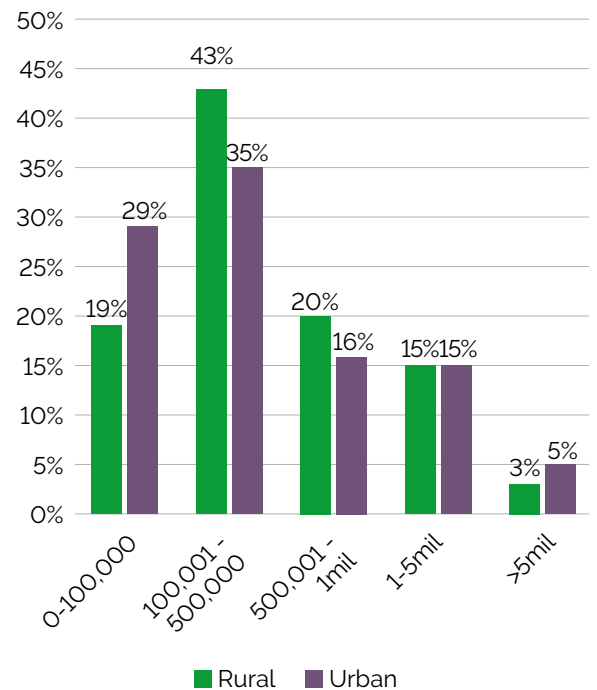
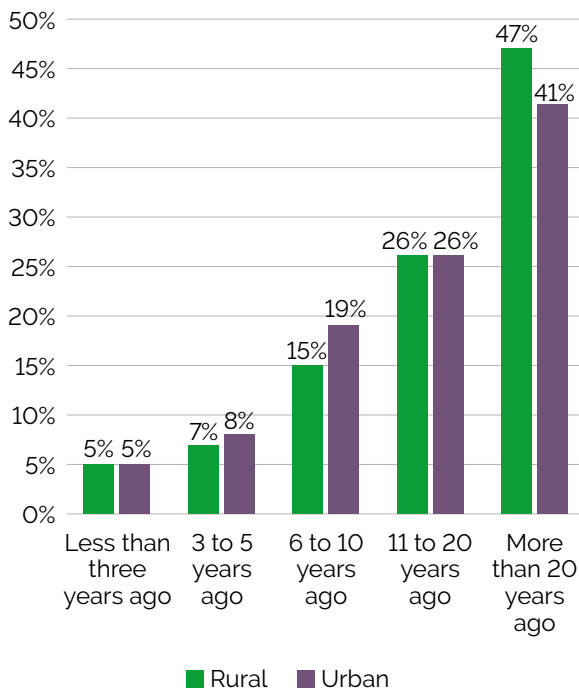
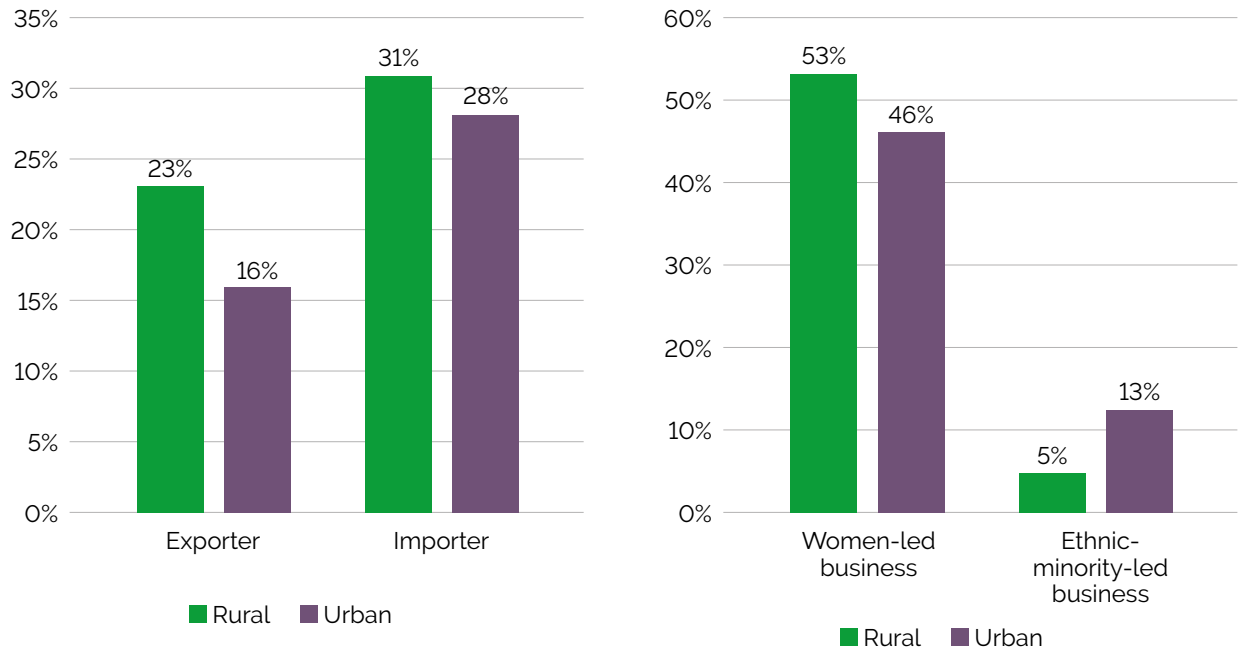


Figure A5: Exporter and Importer (left) & Women-led business and Ethnic-minority-led business (right)



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