



Rural Economy and UK Agriculture: Issues for the New Parliament

Summary

- Rural areas of England contributed an [estimated £261 billion to England's total economy in terms of gross value added \(GVA\)](#), 15.9% of England's total economic activity. Agriculture, forestry and fishing accounted for 15.2% of the local units of registered businesses in rural areas in England.
- The rural economy is diverse and includes many different types of industry. In terms of GVA, [two sectors contribute the joint largest based GVA in predominantly rural areas](#): distribution, transport, accommodation and food; and public administration, education and health. Agriculture, forestry and rural affairs contributed 2 percent of rural England's total GVA.
- Of Scotland's 32 local authority areas, [13 have a population of more than 50% living outside urban areas](#). In 2018, these local authority areas contributed [23.7% of total Scottish GVA](#).
- In 2018, the Welsh Government estimated that [78% of land in Wales was used for agriculture](#). In 2017, the agricultural, forestry and fishing sector was estimated to have produced £510 million, [0.8% of the total GVA of Wales](#).
- In 2019, [agriculture, forestry and fishing accounted for 25% of all VAT and/or PAYE registered businesses in Northern Ireland](#). The second largest was construction at 14%.
- In April 2019, the House of Lords Rural Economy Committee [recommended the Government introduce a new rural strategy](#) to ensure policies affecting rural areas of England better meet rural needs. It identified areas holding back the rural economy, including: affordable housing; broadband connectivity; and local transport.
- Conservative governments since 2017 have stated they would establish a new system of financial support for farms following the UK's departure from the EU. This would replace the common agricultural policy (CAP). For example, [in its 2019 manifesto](#), the Conservative Party said it would provide support to farmers to improve the environment and increase biodiversity. However, in April 2019, the House of Lords Rural Economy Committee criticised the then Conservative Government for a lack of clarity on how aspects of this system would work in practice.
- Following the 2019 general election, the re-elected Conservative Government introduced the [Direct Payments to Farmers \(Legislative Continuity\) Bill](#), a bill to enable direct payments to continue following Brexit. It also introduced a new [Agriculture Bill](#), which would establish this new system of financial support for UK farmers to eventually replace direct payments.

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I. Agriculture, the Rural Economy and UK Withdrawal from the EU

Following the 2019 general election, the Government introduced legislation to enable the UK to implement and ratify the withdrawal agreement and leave the EU on 31 January 2020 with a withdrawal agreement in place.¹ The Government has said it will seek to negotiate a new trade deal with the EU, which would include trade in agricultural goods, during the transition period established in the withdrawal agreement between the UK and EU. The transition, as agreed, would end on 31 December 2020.

In the years since the 2016 EU referendum, there has been debate about the potential impact the UK leaving the EU might have on agriculture. Several possible challenges have been identified. In February 2018, the House of Commons Environment, Food and Rural Affairs Committee published a report entitled *Brexit: Trade in Food*.² The committee argued the UK's departure would "inevitably introduce friction to trading routes". It also warned that if the UK left without a deal for future trade with the EU, this would have a negative impact on the UK agri-food sector. The committee stated:

In the event that the UK leaves the EU without a free trade agreement, UK-EU trade will proceed under World Trade Organisation (WTO) rules. Reverting to WTO tariffs will have a significant impact upon agriculture as tariffs are higher for agricultural products than for other goods and services.³

The then Conservative Government, led by Theresa May, argued that, once the UK had left the EU, the UK would have "the freedom to design its own agricultural policy".⁴ However, the Centre for Rural Economy at Newcastle University warned that, unless steps were taken to mitigate the impact of changes arising from the UK's departure from the EU, some rural communities in the UK may lose services and infrastructure as a result. The centre also recommended that the Defra needed to improve its decision-making process as it takes on a greater degree of responsibility for rural policy in England. It criticised the department for in the past having "'woolly' rural objectives, few clear goals, and a rural proofing process that was not consistently delivered and evidenced".

Funding for UK Farms Following UK Withdrawal from the EU

As a member of the EU, the UK is part of the common agricultural policy (CAP). Institute for Public Policy Research North has calculated that between 2007 and 2013, British farming and rural areas received a net benefit of €29.9 billion as part of the CAP.⁵ Under the CAP, farms in the UK receive the single farm payment. Following the departure of the UK from the EU—due to take place on 31 January 2020—UK farms will continue to receive direct payments.⁶ However, these will be funded domestically.

¹ Further information on the European Union (Withdrawal Agreement) Bill is provided in the House of Lords Library briefing, [European Union \(Withdrawal Agreement\) Bill: Briefing for Lords Stages](#), 10 January 2020.

² House of Commons Environment, Food and Rural Affairs Committee, [Brexit: Trade in Food](#), 18 February 2018, HC 348 of session 2017–19, p 3.

³ *ibid.*

⁴ Department for Environment, Food and Rural Affairs, ['Receiving Rural Development Funding if There's a No-Deal Brexit'](#), 19 December 2018.

⁵ Institute for Public Policy Research North, ['Brexit Boost for Rural Areas?'](#), 6 December 2017.

⁶ Unlike other EU programmes, the UK will not be part of the direct payments scheme during the transition period.

In January 2020, the Government introduced the Direct Payments to Farmers (Legislative Continuity) Bill.⁷ This is intended to enable the UK Government to maintain the system of direct payments following the UK's departure from the EU. The Government said direct payments would continue during the claim year 2020, before a new system of financial support for UK agriculture was in place.⁸ The bill would also enable the Government to increase the maximum amounts for direct payments.

While the UK is a member of the EU, UK farms and businesses also receive rural development funding.⁹ This is co-funded by the EU and the UK. It is intended to provide financial support for farmers and others who manage their land in ways that benefit the environment and provide support for rural entrepreneurs. The current rural development funding programme runs from 2014 to 2020.¹⁰ Under the Withdrawal Agreement, the UK will continue to participate in this scheme until the end of this programme. The UK Government has also said funding for development projects established as part of this programme would continue beyond 2020.¹¹ This would be funded until 2023 at the latest by a combination of UK domestic funding and remaining EU funding.

The House of Lords Rural Economy Committee has also identified a further source of funding that UK farmers and rural communities have benefited from during the UK's membership of the EU: EU structural funding.¹² This is provided to projects in both rural areas and urban areas and is separate to funding provided as part of the CAP. Under the Withdrawal Agreement, EU structural funding will no longer be provided in the UK by the EU at the end of the transition period in December 2020.¹³ The UK Government has said structural funding would then be replaced by a 'new shared prosperity fund'.¹⁴ The stated purpose of this fund would be to reduce economic inequality between communities across the UK. In December 2019, at the time of the Queen's Speech, the Government said this fund would "tackle inequality and deprivation in each of the four nations".¹⁵

Migrant Labour from the EU

The loss of seasonal farm workers has been identified as having potential impact on the rural economy. These workers can currently travel to the UK from countries in the European Economic Area under the rules regarding freedom of movement. The Office for National Statistics has estimated there were around 27,000 nationals of other EU countries working in the UK agricultural sector in 2016.¹⁶ This amounted to 8 percent of the people employed in the UK agriculture sector. In 2018, the Migration Advisory Committee recommended the Government consider creating a scheme to allow

⁷ [HC Hansard, 9 January 2020, col 650.](#)

⁸ Further information on the Direct Payments to Farmers (Legislative Continuity) Bill is provided in the House of Commons Library briefing, [Direct Payments to Farmers \(Legislative Continuity\) Bill \(2019–20\)](#), 22 January 2020.

⁹ Department for Environment, Food and Rural Affairs, [Rural Development Programme for England](#), accessed 22 January 2020.

¹⁰ European Commission, [Rural Development](#), accessed 22 January 2020.

¹¹ Department for Environment, Food and Rural Affairs, [Farmers' £3 billion Support Confirmed in Time for 2020](#), 30 December 2019.

¹² House of Lords Rural Economy Committee, [Time for a Strategy for the Rural Economy](#), 27 April 2019, HL Paper 330 of session 2017–19, p 9.

¹³ Further information about the EU structural funding and the proposals to replace it in the UK are provided in the House of Commons Library briefing, [The UK Shared Prosperity Fund](#), 3 September 2019.

¹⁴ Conservative Party, [Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 35.

¹⁵ Prime Minister's Office, [The Queen's Speech 2019: Background Briefing Notes](#), 19 December 2019, p 121.

¹⁶ Based on microdata from Office for National Statistics Quarterly Labour Force Survey, Q1 to Q4 2016, published in House of Commons Library, [Migrant Workers in Agriculture](#), 4 July 2017, p 4. This figure is the average over the four quarters of 2016.

low-skilled migrants to work in the agricultural sector following the UK's departure from the EU.¹⁷ This would be necessary to ensure there continued to be a supply of seasonal workers, the Migration Advisory Committee argued.

In September 2018, the Government announced a pilot scheme for seasonal farm workers.¹⁸ This scheme would allow 2,500 non-European Economic Area migrant workers to come to the UK to undertake seasonal employment. The then Government stated this pilot would continue until December 2020. In October 2019, the National Farmers Union argued that the farming sector was already suffering from a decline in the number of seasonal workers.¹⁹ It stated a shortfall in fruit pickers meant farmers were unable to sell some of their produce. It argued that the length of the Government's pilot scheme for non-EEA workers should be extended. The Government responded it would create a new points-based immigration system following the UK's departure from the EU.²⁰ It also said it would ensure there was an adequate supply of labourers under this new system.

Future Agricultural Policy Outside the EU

On 12 September 2018, the then Government introduced the Agriculture Bill. This proposed a new regime for the farming industry to be established following the UK's withdrawal from the EU.²¹ It included provisions regarding food supply chains and would have enabled the Government to make market interventions. These interventions include the provision of financial support to farms in exceptional circumstances. A separate bill was also introduced regarding the regulation of the fishing industry.²²

The Government has said this new regime for farming subsidies would include a new means of providing funding to the agricultural sector to replace the CAP in England. The Secretary of State for Environment, Food and Rural Affairs, Michael Gove, said that the bill would have enabled the UK Government to reward farmers for "the environmental and other public goods that they provide".²³ The Government also committed to maintaining the same level of funding farmers currently receive under the CAP until this new system was in place.²⁴

The House of Commons Environment, Food and Rural Affairs Committee stated that this was primarily an enabling bill to change UK agricultural policy outside the EU. However, it criticised the way in which delegated powers were being granted to the Government in the bill.²⁵ It has also criticised the then Government for not presenting the bill in draft form for pre-legislative scrutiny.²⁶

¹⁷ Migration Advisory Committee, *EEA Migration in the UK: Final Report*, September 2018, p 5. Further information is provided in the House of Commons Library briefing, *Migrant Workers in Agriculture*, 4 July 2017.

¹⁸ Department for Environment, Food and Rural Affairs and Home Office, '[New Pilot Scheme to Bring 2,500 Seasonal Workers To UK Farms](#)', 6 September 2018.

¹⁹ National Farmers Union, '[NFU Calls for Expansion of Seasonal Workers Pilot](#)', 23 October 2019.

²⁰ Home Office, '[Home Office in the Media: Monday 21 October](#)', 21 October 2019.

²¹ [HC Hansard, 12 September 2018, col 771.](#)

²² [HC Hansard, 25 October 2018, col 481.](#)

²³ [HC Hansard, 10 October 2018, col 156.](#)

²⁴ HM Government, *No-Deal Readiness Report*, October 2019, CP 179, p 103.

²⁵ House of Commons Environment, Food and Rural Affairs Committee, '[Scrutiny of the Agriculture Bill](#)', 27 November 2018, HC 1591 of session 2017–19.

²⁶ *ibid.*

The bill completed committee stage in the House of Commons on 20 November 2018.²⁷ However, it did not reach report stage before the end of the 2017–19 session and fell.²⁸ In September 2019, prior to the beginning of the next session before the dissolution of Parliament, the Secretary of State for Environment, Food and Rural Affairs, Theresa Villiers, stated it was the Government’s intention to move forward with the Agriculture Bill. The Agriculture Bill was included in the Queen’s Speech in October 2019.²⁹ However, this bill was not introduced prior to the end of the 2019 session on 5 November 2019.

Following the 2019 general election, the re-elected Conservative Government introduced a new Agriculture Bill on 16 January 2020.³⁰ This bill was similar to that introduced during the 2017–19 session. It retained the list of public goods which might be financially supported by the Secretary of State, including environmental protection, public access to the countryside and the preservation of the health and welfare of livestock. It also included additional public goods. In the new bill, the Secretary of State could support the protection and improvement of the quality of soil.³¹ The conservation of genetic resources, including native livestock and equines and certain forms of plant life, was also included on this list.

2. Rural Strategy

The House of Lords agreed to appoint a committee on the rural economy of England on 9 May 2018.³² The committee’s report, published in April 2019, concluded that the rural economy had suffered from a lack of strategic direction. It argued successive governments had applied policies to rural England that had been designed with primarily urban and suburban economies in mind.³³ This, the committee argued, was preventing the rural economy in England from reaching its full potential. It cited the following examples of problems facing the rural economy:

- unaffordable housing in rural areas;
- slow broadband and a lack of mobile coverage in some areas;
- a decline in the provision of local transport and banking;
- skills shortages; and
- difficulties for businesses in accessing finance.³⁴

The committee recommended the Government introduce a new strategy for the rural economy to combat these problems.³⁵ This strategy would set out the Government’s objectives for the rural economy. Having a rural strategy, the committee argued, would help improve ‘rural proofing’—the process by which rural needs are considered in government policies. The committee also recommended this strategy should include measures to protect the countryside, including its cultural

²⁷ Further information on the bill and its passage through the House of Commons is provided in the House of Commons Library briefing, [The Agriculture Bill](#), 25 October 2018.

²⁸ The Fisheries Bill also fell at the end of the 2017–19 session.

²⁹ [HL Hansard, 14 October 2019, cols 2–4](#).

³⁰ [HC Hansard, 16 January 2020, col 1178](#). At the time of writing, the date for the second reading of this bill in the House of Commons has yet to be announced.

³¹ Agriculture Bill, clause 1.

³² [HL Hansard, 9 May 2018, col 155](#).

³³ House of Lords Rural Economy Committee, [Time for a Strategy for the Rural Economy](#), 27 April 2019, HL Paper 330 of session 2017–19, p 5.

³⁴ *ibid*, p 7.

³⁵ *ibid*, p 5.

heritage, landscapes and habitats. The committee also recommended the Government should report annually to Parliament on the implementation of its rural strategy.³⁶

In July 2019, the Government rejected the committee's recommendation that it introduce a specific strategy for the rural economy.³⁷ It stated this would be too centralised and risked treating rural areas as a "land apart".³⁸ It argued local authorities would be better placed to shape the economy in their respective areas as part of their own local industrial strategies.³⁹ However, the Government said it would be expanding its own "strategic vision" for rural areas.⁴⁰ This would include measures to rollout broadband in hard to reach areas of the country, increase the supply of affordable homes and support the creation of new jobs in rural areas.⁴¹ It also said that the distinct characteristics of rural areas should be reflected in the rural proofing of all government policies.

3. 2019 General Election

In its manifesto for the 2019 general election, the Conservative Party repeated its commitment to reform the way in which farms are subsidised following the UK's departure from the EU.⁴² It said it would use this funding to support farmers to improve the environment and increase biodiversity. More broadly, it stated that:

[...] getting Brexit done will enable us to give new support to people in rural and coastal communities, and for our farming and fishing industries.⁴³

The Conservative Party also stated in its manifesto it would seek to ensure standards in the regulation of agriculture and animal welfare were improved following the UK's withdrawal from the EU.⁴⁴ It also committed to the rollout of a 'full-fibre' broadband network across the whole of the UK by 2025, including rural areas.⁴⁵

The Labour Party stated in its manifesto that it would seek to reform the agricultural industry as part of its proposed 'Green Industrial Revolution'.⁴⁶ It stated it would maintain the funding currently provided as part of the EU agricultural and rural structural funds. Labour said this funding would be used to better support "environmental land management and sustainable methods of food production".⁴⁷ The manifesto included a commitment to ensure that rural proofing took place for policies affecting rural areas.⁴⁸ It also committed to the rollout of a new broadband network across the country by 2030, stating it would begin with those communities currently worst served by existing networks.⁴⁹

³⁶ House of Lords Rural Economy Committee, [Time for a Strategy for the Rural Economy](#), 27 April 2019, HL Paper 330 of session 2017–19, p 8.

³⁷ Department for Environment, Food and Rural Affairs, [Government Response to House of Lords Report on the Rural Economy](#), 2 July 2019, pp 2–3.

³⁸ *ibid*, p 2.

³⁹ *ibid*, p 3.

⁴⁰ *ibid*, p 3.

⁴¹ *ibid*, p 1.

⁴² Conservative Party, [Conservative Party Manifesto 2019](#), 24 November 2019, p 42.

⁴³ *ibid*.

⁴⁴ *ibid*, p 5.

⁴⁵ *ibid*, p 42–3.

⁴⁶ Labour Party, [Labour Party Manifesto 2019](#), 21 November 2019, p 12.

⁴⁷ *ibid*, p 23.

⁴⁸ *ibid*, p 50.

⁴⁹ *ibid*, p 53.

The Liberal Democrats stated in its manifesto that the party would seek to improve the services available to rural and coastal communities through the establishment of a £2 billion rural services fund.⁵⁰ They also committed to reforming the planning system to require developers to provide “essential local infrastructure” for rural areas.⁵¹ The party also stated it would introduce a programme of hyper-fast broadband across the UK which would focus on connecting rural areas.⁵²

The Scottish National Party argued in its manifesto that greater powers needed to be provided to the Scottish Government concerning agriculture and rural policy following the UK’s departure from the EU.⁵³ It also argued that it would seek to ensure that any costs to Scotland’s rural economy arising from the UK’s departure from the EU were borne by the UK Government.⁵⁴

4. Rural Economy Statistics

4.1. England

- Rural areas cover the majority of England’s landmass (90%).⁵⁵
- A fifth of the population of England (20.9%) live in local authorities defined as predominantly rural.⁵⁶
- In 2018, predominantly rural areas contributed an estimated £261 billion to England’s total economy in terms of gross value added (GVA).⁵⁷ This constituted 15.9% of England’s total GVA. In comparison, predominantly urban areas, excluding London, contributed 45.6% of GVA. London contributed 27.4%.

Major Industries

The major industries in predominantly rural and urban areas in England are broadly similar.⁵⁸ In both, the following two combined sectors are the largest: distribution, transport, accommodation and food; and public administration, education and health.⁵⁹ Agriculture, forestry and fishing contributed 2% of GVA in rural areas, a larger proportion than across England as a whole.

While agriculture, forestry and fishing is a relatively small sector of the rural economy in terms of

⁵⁰ Liberal Democrats, [Liberal Democrats Manifesto 2019](#), 20 November 2019, p 68.

⁵¹ *ibid.*

⁵² *ibid.*, p 17.

⁵³ Scottish National Party, [Scottish National Party Manifesto 2019](#), 27 November 2019, p 40.

⁵⁴ *ibid.*, p 39.

⁵⁵ House of Lords Rural Economy Committee, [Time for a Strategy for the Rural Economy](#), 27 April 2019, HL Paper 330 of session 2017–19, p 21.

⁵⁶ Government Statistical Service, [The 2011 Rural-Urban Classification for Local Authority Districts in England](#), May 2015, p 4. The rural and urban population of England are categorised on the basis of the proportion of the resident population living in rural areas or rural hub towns. Hub towns are built-up areas with a population of 10,000 to 30,000.

⁵⁷ Department for Environment, Food and Rural Affairs, [Statistical Digest of Rural England: December 2019](#), 23 December 2019, p 48.

⁵⁸ Predominantly rural areas are classified by Defra as being those with at least half of their population living in rural settlements or large market towns. The system used to classify areas as rural and urban is also based on different methodologies covering England, England and Wales, Scotland and Northern Ireland. Where possible, this briefing provides like-for-like figures to provide an overview of the rural economy across the UK.

⁵⁹ Department for Environment, Food and Rural Affairs, [Statistical Digest of Rural England: December 2019](#), 23 December 2019, p 53.

total GVA, it is one of the dominant industries in rural hamlets and rural villages in terms of the number of registered businesses. Agriculture, forestry and fishing account for 15.2% of the local units of registered businesses in rural areas.⁶⁰ In sparsely populated rural areas, the proportion is 32.2%.

Small Businesses

There are more registered businesses per head of population in rural areas than in urban areas.⁶¹ The turnover of businesses in rural areas tends to be smaller than for urban areas. The average turnover of businesses in rural areas per person employed is £128,000, compared to £207,000 in urban areas.⁶² The proportion of businesses employing small numbers of people is also larger in rural areas: 28.1% employed between one and nine employees overall. In urban areas, 19.2% businesses employed this number of employees.⁶³

Types of Employment

The largest sector in terms of people employed was the same for both urban and rural areas, with 21.9% of urban residents and 16.8% of rural residents employed in education, health and social work.⁶⁴ According to the 2011 Census of England and Wales, 3.4% of usual residents in rural areas aged 16 to 74 of England and Wales were employed in the agriculture, forestry and fishing sector, compared with 0.3% in urban areas.⁶⁵

The size of the agricultural workforce in England and Wales has continuously declined since 1840, when it employed 22% of the UK workforce, to 1% in 2011.⁶⁶ Professor Neil Ward, former director of the Centre for Rural Economy, described in 2008 how a decline in agriculture as a driver of the rural economy had taken place at the same time as a growth of knowledge-based industries.⁶⁷

Levels of Employment

A greater proportion of people in rural areas are in employment than in urban areas. In the second quarter of 2019, 78.8% of the rural population aged 16 to 64 were employed and 2.4% were unemployed.⁶⁸ In urban areas, 75.7% of the population aged 16 to 64 were employed and 4.2% were unemployed. However, a greater proportion of the rural population are economically inactive than is the case for the urban population. In rural areas, 38.5% of the population aged 16 and over were

⁶⁰ Department for Environment, Food and Rural Affairs, [Statistical Digest of Rural England: December 2019](#), 23 December 2019, p 58. This is as measured in local units. Local units include sites that belong to an enterprise where the headquarters of that business is located elsewhere.

⁶¹ *ibid*, p 56.

⁶² *ibid*, p 57. Turnover is based on VAT returns for a 12-month period or, in the case of new businesses, estimates made by the enterprise at the time of their registration for VAT. It does not include businesses whose turnover is below the tax threshold.

⁶³ *ibid*, Table: 'Number and Percentage of People Employed in Local Units of Registered Businesses by Size Band of the Registered Business Overall and Rural-Urban Classification, in England, 2017/18', p 69.

⁶⁴ *ibid*, Table: 'Percentage of People Employed in Local Units of Registered Businesses by Industry and Rural-Urban Classification, in England, 2017/18', p 67.

⁶⁵ Office for National Statistics, [2011 Census Analysis—Comparing Rural and Urban Areas of England and Wales](#), 22 November 2013, p 34.

⁶⁶ Office for National Statistics, [170 Years of Industrial Change Across England and Wales](#), 5 June 2013.

⁶⁷ Neil Ward, 'England Should Embrace its Rural Economy', *Financial Times* (£), 5 June 2008.

⁶⁸ Department for Environment, Food and Rural Affairs, [Rural Economic Bulletin for England, October 2019](#), 19 December 2019

economically inactive. In urban areas, 35.1% of people were economically inactive.⁶⁹

The claimant count for job seeker's allowance is lower in rural areas. 0.3% of the rural working age population is claiming job seeker's allowance, compared to 0.6% of the working age population in urban areas.⁷⁰

Home Working

Home workers accounted for 14% of those who worked in England in 2018.⁷¹ Home workers are classified as those who usually spend "at least half of their work time using their home, either within their grounds or in different places or using it as a base".⁷² In rural areas overall, 21% of workers were home workers. This compared to 13% in urban areas. The proportion of home workers was highest in rural hamlets and other isolated dwellings, where it accounted for 33% of workers.

Demographics

The trend in most Organisation for Economic Co-operation and Development (OECD) countries is for younger and better educated people to migrate from rural areas to urban areas, leading to a decline in the economic growth of rural areas.⁷³ However, while in the UK young people have continued to leave rural areas for the cities, the UK has had a net migration from urban to rural areas for over 40 years.⁷⁴ The trend has been driven by people in their mid- to late forties moving to the country either before or after retirement. This process has been described as 'counter-urbanisation'. In terms of demographics, the population in rural areas in England tends to be older. A minority of the rural population are aged below 45 years (just over 45%), while the majority of the urban population are under 45 (almost 60%).⁷⁵

Retired people make up a larger proportion of people not in work in rural areas. According to the Department for Environment, Food and Rural Affairs (Defra), of the 38.5% of the rural population aged 16 and over who were classified as economically inactive, 27.3% were retired.⁷⁶ In urban areas, 19.7% of the 35.5% of the population that were classified as economically inactive were retired.

A larger proportion of the rural population are eligible to claim their state pension than in England as a whole, representing over a fifth of the rural population in 2012.⁷⁷ However, Defra also estimated that 11.4% of the older population living in rural areas were employed or self-employed. This is larger

⁶⁹ Department for Environment, Food and Rural Affairs, '[Rural Economic Bulletin for England, October 2019](#)', 19 December 2019. This figure includes those aged over 65.

⁷⁰ *ibid.*

⁷¹ Department for Environment, Food and Rural Affairs, '[Statistical Digest of Rural England: December 2019](#)', 23 December 2019, p 42.

⁷² *ibid.*

⁷³ Neil Ward and David L Brown, '[Placing the Rural in Regional Development](#)', *Regional Studies*, December 2009, vol 43 no 10, pp 1237–44.

⁷⁴ *ibid.*

⁷⁵ Department for Environment, Food and Rural Affairs, '[Statistical Digest of Rural England: December 2019](#)', 23 December 2019, p 13.

⁷⁶ Department for Environment, Food and Rural Affairs, '[Rural Economic Bulletin for England, October 2019](#)', 19 December 2019.

⁷⁷ Department for Environment, Food and Rural Affairs, '[March 2012 Statistical Feature Report: Economic Activity of the Older Population](#)', March 2012, p 1.

than the proportion in urban areas.⁷⁸

Earnings and Skills

Average annual employee earnings for those working in predominantly rural areas have tended to be lower than those working in predominantly urban areas. In 2018, the median gross annual earnings for those working in predominantly rural areas was £21,900.⁷⁹ This compared to £23,300 for those working in predominantly urban areas (excluding London).

In terms of education, a smaller proportion of people working in rural areas had NVQ2 or NVQ4 qualifications. In 2018:

- 78% of the working age population in predominantly rural areas in England had at least one qualification at NVQ2 or above, compared to 79.2% of those working in predominantly urban areas.⁸⁰
- 37.2% of the working age population in predominantly rural areas had a NVQ4 or equivalent qualification or above, compared to 46.7% of those who worked in predominantly urban areas.⁸¹

4.2 Scotland

- Rural areas constitute 98% of the landmass of Scotland.⁸²
- 17% of the population of Scotland is recorded as living in rural areas.⁸³
- Of Scotland's 32 local authority areas, 13 have a population of more than 50% living outside urban areas.⁸⁴ In 2018, these 13 local authority areas contributed 23.7% of total Scottish GVA.⁸⁵

In 2017, the largest employer in terms of workforce in non-rural areas of Scotland was the public sector, constituting 24% of those employed.⁸⁶ The public sector was also the largest employer in remote rural areas, constituting 16% of those employed. The joint second largest combined sectors

⁷⁸ Department for Environment, Food and Rural Affairs, [March 2012 Statistical Feature Report: Economic Activity of the Older Population](#), March 2012, p 1.

⁷⁹ Department for Environment, Food and Rural Affairs, [Statistical Digest of Rural England: December 2019](#), 23 December 2019, Table: 'Workplace Based Median Gross Annual Earnings (Current Prices), (£), 2009 to 2018', p 40.

⁸⁰ *ibid*, p 182.

⁸¹ *ibid*, p 183.

⁸² Scottish Government, [Rural Scotland: Key Facts 2018](#), 8 October 2018, p 4.

⁸³ National Records of Scotland, [Population Estimates by Urban Rural Classification](#), 23 August 2019, Table 1: 'Population Estimates for 6-fold Urban Rural Classification, 2011–2018'. The Scottish Government has a different system of categories to that of England when comparing the proportion of the population living in urban and rural areas. Urban areas are classified in Scotland as being settlements with a population over 10,000, while rural areas are categorized as settlements with a population of less than 3,000. Settlements of sizes in-between these two figures are classified as small towns. Scottish Government, [Scottish Government Urban/Rural Classification 2016](#), March 2018, Table 5.2: 'Percent of Population in each Urban Rural Category, by Local Authority'. The six-fold category system is used in this briefing.

⁸⁴ Scottish Government, [Scottish Government Urban/Rural Classification 2016](#), March 2018, Table 5.2: 'Percent of Population in each Urban Rural Category, by Local Authority'.

⁸⁵ Office for National Statistics, [Regional Gross Value Added \(Balanced\) Local Authorities by NUTSI Region](#), 19 December 2019.

⁸⁶ Scottish Government, [Rural Scotland: Key Facts 2018](#), 8 October 2018, p 55.

by proportion of people employed were the following two combined sectors: accommodation and food services; and agriculture, forestry and fishing.

In accessible rural areas, the largest two groups—both at 15%—were those employed in the public sector and those employed in a combination of private sector jobs, classified as ‘other activities’. These included:

- professional, scientific and technical activities;
- administrative and support service activities; and
- arts, entertainment and recreation, and other service activities.

The second largest group—13%—in accessible rural areas was agriculture, forestry and fishing.

4.3 Wales

- The proportion of the population of Wales living in rural areas is estimated as being approximately one third (32.8%).⁸⁷
- Rural local authority areas of Wales contributed 36% of Welsh GVA.⁸⁸

The Welsh Government has produced statistics for rural areas of Wales based on those areas covered in the Welsh rural development plan, a programme of funding provided by the European Union’s European agricultural fund for rural development and the Welsh Government for the period 2014–20.⁸⁹ The programme covers: the Isle of Anglesey; Gwynedd; Conwy and Denbighshire; South West Wales (made up of Pembrokeshire, Carmarthenshire, Swansea and Neath Port Talbot); and Powys.

Most of these areas have a higher employment rate than Wales as a whole. The average employment rate in these areas is 74.2% compared with 73.2% in Wales as a whole.⁹⁰ However, South West Wales has a lower employment rate than that for Wales as a whole, at 70.1%.

The proportion of economically active people aged 16 to 74 who were unemployed in rural areas of Wales is 5.3%, compared to 7.2% in urban areas.⁹¹ The proportion of unemployed people in rural Wales is higher than any of the English regions, with the exception of the North East of England.

In 2018, 78% of the land in Wales was used for agriculture.⁹² In 2017, the agricultural, forestry and

⁸⁷ Office for National Statistics, [2011 Census Analysis—Comparing Rural and Urban Areas of England and Wales](#), 22 November 2013, p 9.

⁸⁸ Office for National Statistics, [‘Regional Gross Value Added \(Balanced\) by Industry: Local Authorities by NUTS1 Region’](#), 19 December 2019. This figure is based on the GVA areas covered in the Welsh Rural Development Plan: The Isle of Anglesey; Gwynedd; Conwy and Denbighshire; Pembrokeshire; Carmarthenshire; Swansea; Neath Port Talbot; and Powys.

⁸⁹ Welsh Government, [‘Welsh Government Rural Communities: Rural Development Programme 2014–20’](#), 5 June 2017.

⁹⁰ Nomis, [‘Labour Market Profile: Isle of Anglesey’](#); [‘Labour Market Profile: Gwynedd’](#); [‘Labour Market Profile: Denbighshire’](#); [‘Labour Market Profile: Powys’](#), accessed 24 January 2020; and Welsh Government, [‘Regional Economic and Labour Market Profile: South West Wales, October 2018’](#), 11 October 2018.

⁹¹ *ibid*, pp 32–3.

⁹² Welsh Government, [Brexit and our Land: Securing the Future of Welsh Farming](#), July 2018, p 6, Table I: Welsh Land in the UK Context.

fishing sector was estimated to have produced £510 million, 0.8% of the total GVA of Wales.⁹³ This compares to 0.6% of total GVA in England.

4.4 Northern Ireland

- In 2017, 36% of people lived in rural areas in Northern Ireland.⁹⁴
- Businesses in rural areas contributed a quarter of the total business turnover in Northern Ireland.⁹⁵
- The proportion of those of working age in employment in rural areas in Northern Ireland was 59.5%, compared to 55.6% in urban areas.⁹⁶
- In 2019, agriculture, forestry and fishing accounted for 25% of all VAT and/or PAYE registered businesses operating in Northern Ireland, the largest proportion of businesses according to Northern Ireland's Inter Departmental Business Register.⁹⁷ The second largest was construction at 14%.

5. UK Agriculture

Defra has identified agriculture as fundamental to the landscape of the UK. According to Defra statistics:

- 17.4 million hectares (71%) of the UK landmass is agricultural land.⁹⁸ Woodland areas make up 3.19 million hectares.⁹⁹
- 71% of land in the UK is used for farming.¹⁰⁰
- Farming contributed £4.7 billion to the UK economy in 2018.
- In 2018, the income from farming—as distinct from the size of the agricultural sector as a whole—was £4,644 million. This had fallen by £971 million (17%) on the previous year.¹⁰¹
- The total agricultural workforce is 477,000 people.¹⁰²
- The UK is estimated to be 61% self-sufficient in food production, based on a production to supply ratio.¹⁰³

⁹³ Welsh Government, '[Gross Value Added in Wales by Industry](#)', accessed 28 November 2019.

⁹⁴ Northern Ireland Department of Agriculture, Environment and Rural Affairs, '[Mid-Year Estimates—Population Change](#)', 4 January 2019.

⁹⁵ Northern Ireland Department of Agriculture, Environment and Rural Affairs, '[Inter Departmental Business Register](#)', 25 January 2019.

⁹⁶ Northern Ireland Department of Agriculture and Rural Development, '[Northern Ireland Labour Force Survey: Urban-Rural Statistics](#)', 17 December 2018.

⁹⁷ Northern Ireland Statistics and Research Agency, '[Northern Ireland Inter Departmental Business Register 2019: Edition 22—Facts and Figures from the IDBR](#)', June 2019, Table 4.4: 'VAT and/or PAYE Registered Businesses Operating in Northern Ireland by Grouped Country of Ownership (NI, GB, ROI, EU, Other) and Broad Industry Group—Number and Employees, 2019'.

⁹⁸ Department for Environment, Food and Rural Affairs, '[Agriculture in the United Kingdom 2018](#)', June 2019, p 3.

⁹⁹ Forest Research, '[Forestry Statistics and Forestry Facts and Figures](#)', accessed 29 November 2019.

¹⁰⁰ Department for Environment, Food and Rural Affairs, '[Agriculture in the United Kingdom 2018](#)', June 2019, p 3.

¹⁰¹ Department for Environment, Food and Rural Affairs, '[Total Income From Farming in the United Kingdom: Second Estimate For 2018](#)', 28 November 2019, p 1.

¹⁰² *ibid*, pp 8 and 10.

¹⁰³ Department for Environment, Food and Rural Affairs, '[Agriculture in the United Kingdom 2017](#)', 2018, Table 14.1: 'Agri-Food Sector Contribution to the National Economy', p 98. This figure is 75 percent for indigenous type food.

Agriculture and UK GDP

Agriculture is identified as a primary industry in terms of measuring a country's gross domestic product (GDP). However, in the UK, it is the smallest of the main industrial groups, and constitutes less than 1% of GDP.¹⁰⁴ The UK has a smaller farming sector compared to other large EU economies, in terms of Gross Value Added (GVA). Eurostat estimated that the output of the agricultural industry in the UK was 0.7% of GVA in 2017.¹⁰⁵ This compares to 0.8% of German GVA, 1.8% of French GVA and 2.1% of Italian GVA.

6. UK Tourism

The Office for National Statistics (ONS) has stated that overseas residents made 37.9 million visits to the UK in 2018, resulting in estimated earnings for the UK tourism industry of £22.9 billion.¹⁰⁶ In rural areas, tourism was related to 11% of enterprises and 14% of employment in 2017/18.¹⁰⁷ Defra has calculated that, between 2003/04 and 2009/10, tourism in rural and urban areas in England in terms of the number of enterprises, the amount of turnover and the levels of employment all increased between 11% and 44%.¹⁰⁸

In 2014, Liverpool John Moores University and the Sport and Recreation Alliance compiled survey data on the number of people involved in outdoor recreation in the UK.¹⁰⁹ Outdoor recreation included visiting any outside space, which might also include outdoor space in urban areas. However, these figures do provide an indication of the popularity of the types of outdoor pursuits that feature as part of the rural economy. According to this survey:

- An estimated 3.5 million people in Britain had ridden a horse during 2010–11.
- In 2004, an estimated 480,000 participants were involved in shooting sports.
- Approximately 1.4 million rod licenses were sold to freshwater coarse and game anglers in England and Wales in 2010–11.¹¹⁰

¹⁰⁴ Office for National Statistics, '[Gross Domestic Product, Preliminary Estimate: January to March 2018](#)', 27 April 2018.

¹⁰⁵ Eurostat, '[Gross Value Added At Basic Prices, 2007 and 2017 \(% Share Of Total Gross Value Added\)](#)', May 2018.

¹⁰⁶ Office for National Statistics, '[Travel Trends: 2018](#)', 24 May 2019.

¹⁰⁷ Department for Environment, Food and Rural Affairs, '[Tourism: Gross Value Added \(GVA\) from Tourism](#)', 29 August 2019, p 2.

¹⁰⁸ Department for Environment, Food and Rural Affairs, '[September 2011 Statistical Feature Report: Tourism](#)', December 2011, p 1.

¹⁰⁹ Liverpool John Moores University and the Sport and Recreation Alliance, '[Reconomics—The Economic Impact of Outdoor Recreation in the UK: The Evidence](#)', 2014.

¹¹⁰ *ibid*, pp 20–5.