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Researching the Economy of Small Towns – improving our understanding of the theoretical and evidential ‘awkward squad’.

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The Talk in Four Points

- standard economic theories are of little use in understanding the economic success or disadvantages of small (rural) towns,
- focusing on the motivations for entrepreneurialism might be a better way into the problem
- examining the rate of growth and distribution of Community Interest Companies (CICs) among small towns might yield pointers to 'entrepreneurial places',
- via an exploratory aggregate statistical model we think we can identify around 70 smaller towns that seem to 'punch above their weight' where entrepreneurialism is concerned.

Small towns are essential to the rural economy so why are they relatively under-researched as a group?

1 The Framing Theories

Economies of Agglomeration:

- they fall outside the economist's option of **size** and **agglomeration** as key determinants of growth – see Centre for Cities and especially Centre for Towns

The Export Base Approach

- cities and towns grow as they export more – how to define 'exports' for small towns transferable v non-transferable sectors e.g. commuting, cultural events.

Neo-Endogenous Growth Theory – e.g. Market Towns Initiative, LEADER

- but what did we learn about conditions for economic success that is applicable more widely?

2 The Evidence Problem,

- small towns are a varied and widely scattered settlement group for which significant comparative data are either non existent or require considerable data management.

For small towns we need to focus on a different approach which asks the question: are some places more entrepreneurial than others?

A major review of the business literature* suggests there are three streams of entrepreneurial motivation

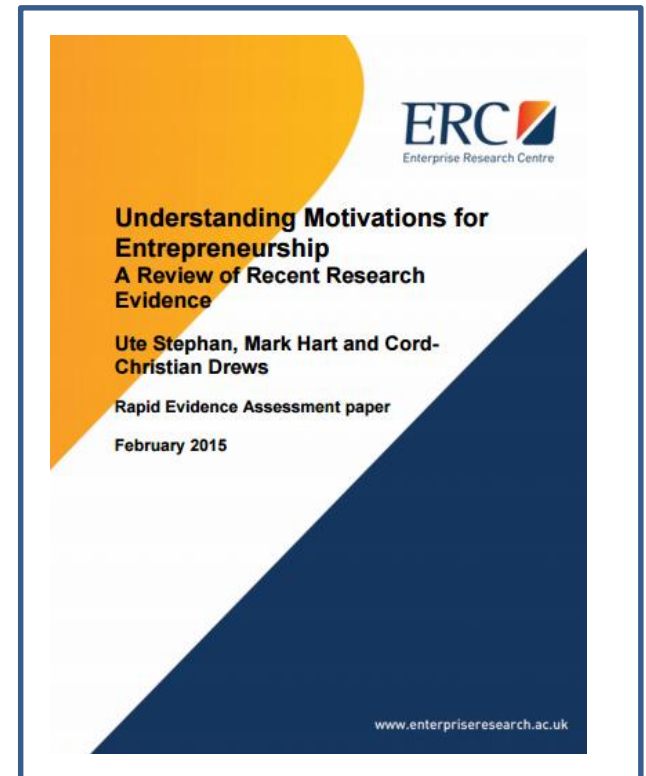
1 **Necessity versus opportunity** motivation (also called push vs. pull motivation).

2 **Multi-dimensional typologies** of entrepreneurial motivation.

3 A focus on **growth ambitions**.

The review recommends more attention on 2.

*Enterprise Research Centre, **Understanding Motivations for Entrepreneurship, a review of recent research evidence. February 2015**



The ERC Motivations for Entrepreneurship

Moving beyond the traditional opportunity-necessity dichotomy to measure entrepreneurial motivation on multiple dimensions the review indicates that seven dimensions capture entrepreneurial motivation in breadth and depth:

- 1. Achievement, challenge & learning**
- 2. Independence & autonomy**
- 3. Income security & financial success**
- 4. Recognition & status**
- 5. Family & Roles**
- 6. Dissatisfaction with personal situation**
- 7. Community & social motivations**

Which operate within a context of varying conditions including:

- 1 Differences in wealth, economic growth and resources**
- 2 Formal Institutions e.g. banks, legal advice, business centres etc**
- 3 Informal Institutions e.g. local attachment, culture and heritage**

Some related specifics regarding small towns affecting social Enterprise, social capital and social networks

From *Corporate Social Responsibility, Small Businesses and Small Towns*, Besser and Jarnigan (2010) :

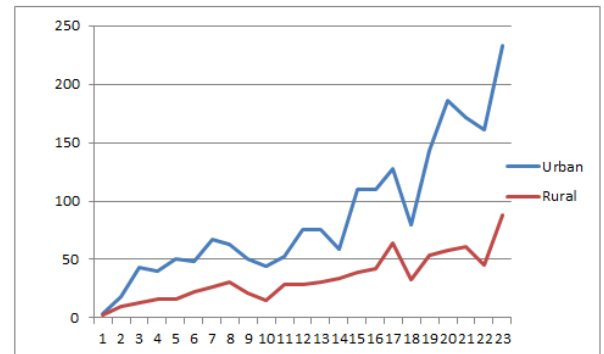
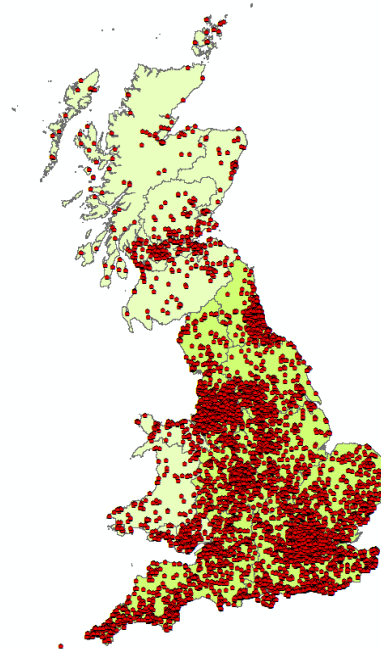
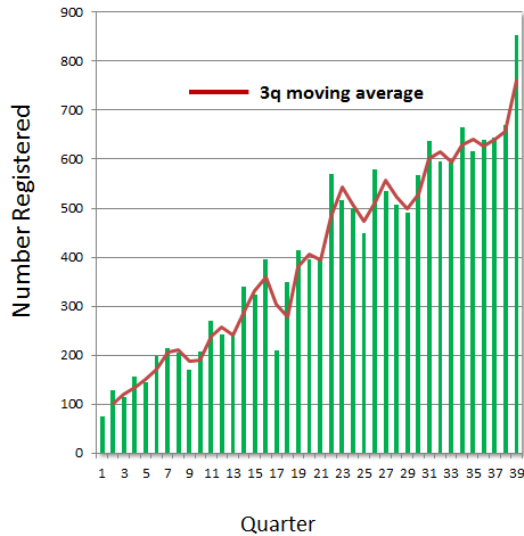
- small business owners are more **socially and economically embedded** within the community in which they operate than are managers of big businesses,
- in small towns, **small businesses are more visible** than similarly sized businesses in metropolitan areas,
- residence in a small town is associated with **knowing a large number of other residents**, interacting with them in **multiple organizational contexts** and knowing more residents beyond the acquaintanceship level.

On these grounds “ ... community culture, specifically levels of community social capital and collective action are intermediary variables between business embeddedness and social performance. Another intermediary variable is the culture of networks to which small businesses belong”. (p 14).

The Community Interest Company as a proxy for social purpose with an enterprise edge

- a social enterprise with ‘reward for enterprise’ features
 - may be limited by guarantee or shares, private limited or PLC
 - has a defined community interest
 - has a compulsory asset lock to prevent asset stripping
 - delivers transparency through a Regulator and a Community Interest Report
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- CICs are businesses and can make a profit
 - Directors receive salaries, can pay dividends and give bonuses
 - Dividend payments to shareholders are capped
 - CICs have flexibility to change their objectives

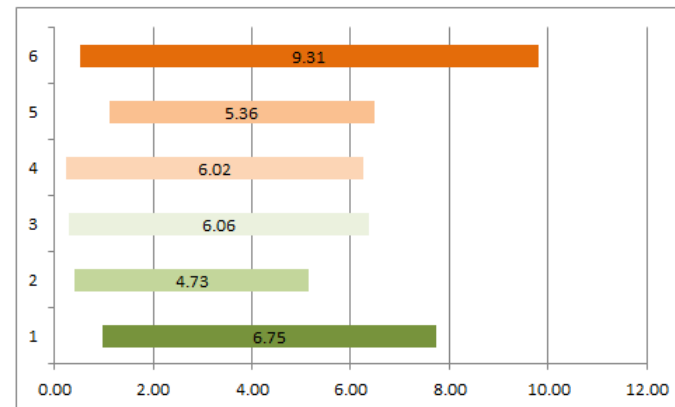
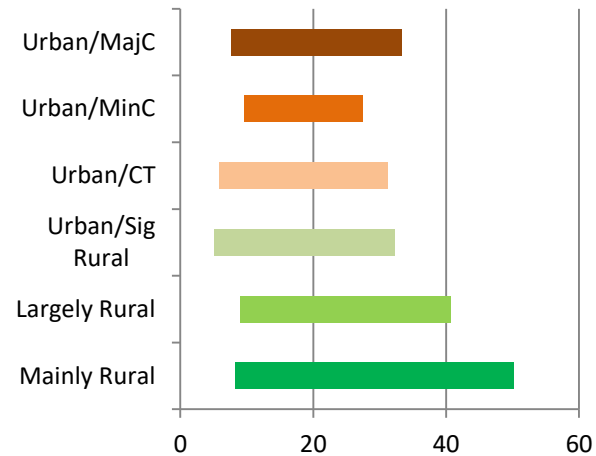
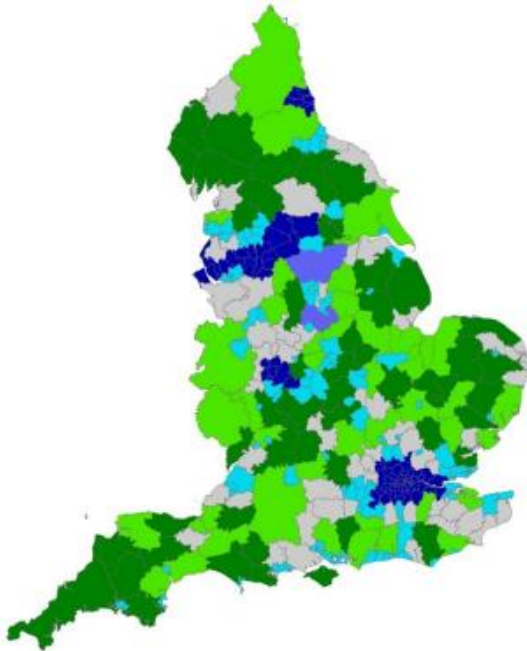
CIC growth has been rapid (2005-2015), they cover the country, urban and rural growth roughly in step until recently.



Note: in 2018 there are 16,000 + CICs. We are dealing with c 15,000 'ever registered' numbers, the dissolution rate = 28 per cent similar to other SMEs

Rural England has more self employed but not greater intensity of CICs

Persons Aged 16+ in Self Employment 2015



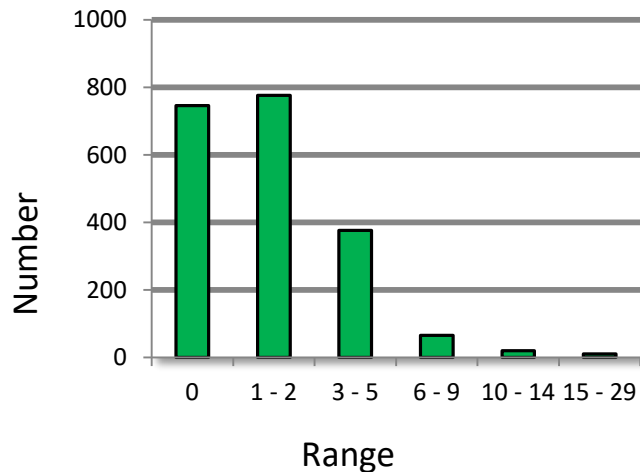
CICs Per 10000 Population 2015

Using these data we attempt to answer four questions:

- are the numbers of CICs concentrated in some rural towns more than others?
- are CICs concentrated in particular social and economic types of rural town?
- has the growth of CICs been faster in some types of rural town than in others?
- are the numbers of CICs more concentrated in rural towns with the possibility for wider internal social links and more links with wider geographies than others?

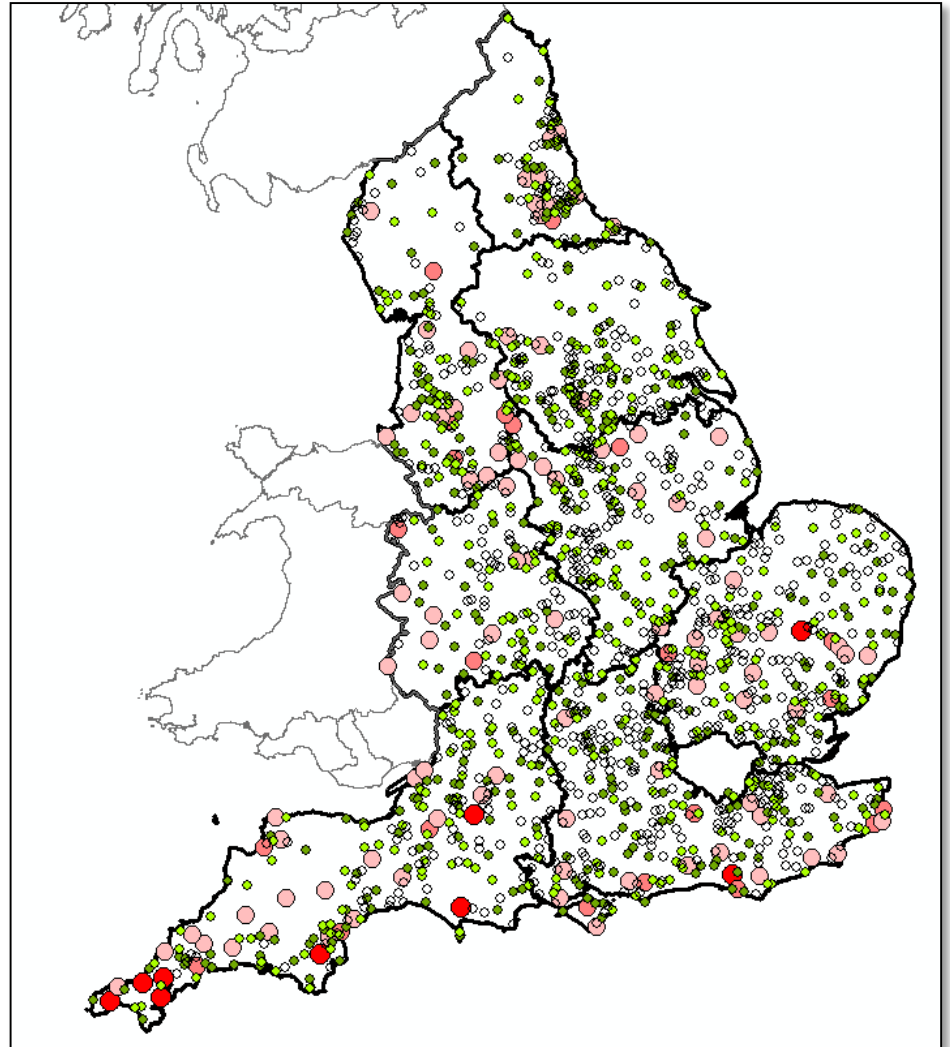
The Skewed Distribution of CICs in Small Towns a Function of Size

- 37 percent of small towns with no CIC
- 39 percent with 1 or 2 CICs
- only 31 towns with 10 or more CICs
- over 700 with no CIC



Nine towns stand out with more than 16 CICs:

Penzance	Totnes
Camborne/Redruth	Frome
Falmouth/Penryn	Bury St Edmunds
Truro	Dorchester
Lewes	



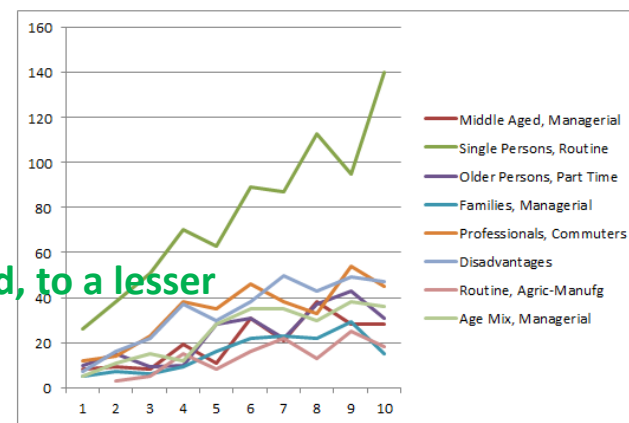
Have the numbers of CICs grown more rapidly in some types of rural town than others?

Small Town Type	Year End August										CAGR
	1	2	3	4	5	6	7	8	9	10	
Middle Aged, Managerial	8	9	8	19	11	31	21	38	28	28	13.3
Single Persons, Routine	26	38	51	70	63	89	87	113	95	140	18.3
Older Persons, Part Time	10	15	9	10	28	31	22	37	43	31	12.0
Families, Managerial	5	7	6	9	16	22	23	22	29	15	11.6
Professionals, Commuters	12	14	23	38	35	46	38	33	54	45	14.1
Disadvantages	7	16	22	37	30	38	50	43	49	47	21.0
Routine, Agric-Manufg		3	5	15	8	16	22	13	25	18	22.0
Age Mix, Managerial	5	11	15	12	28	35	35	30	38	36	21.8
Total	73	113	139	210	219	308	298	329	361	360	17.3

CAGR = compound average growth rate

Three types of small town have shown significantly higher than average growth rates in CICs 2005 – 2010:

- those with more workers in routine jobs and workers in agriculture and manufacturing,
- those with a mix of age groups and managerial workers, and, to a lesser extent,
- those with a range of disadvantages

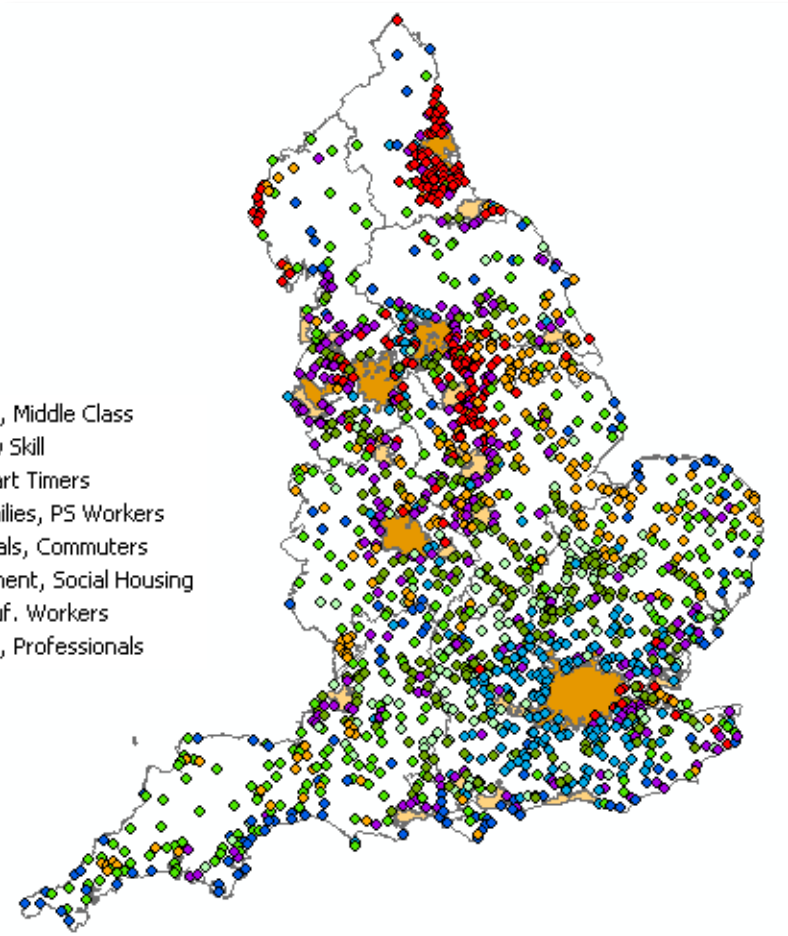


Population Size, Small Town Type and Number of CICs

Population size plays the major part in the town/characteristics model but towns with:

- (a) more single persons and routine jobs,
- (b) older persons and part time workers and,
- (c) towns with workers in routine agricultural and manufacturing jobs ...

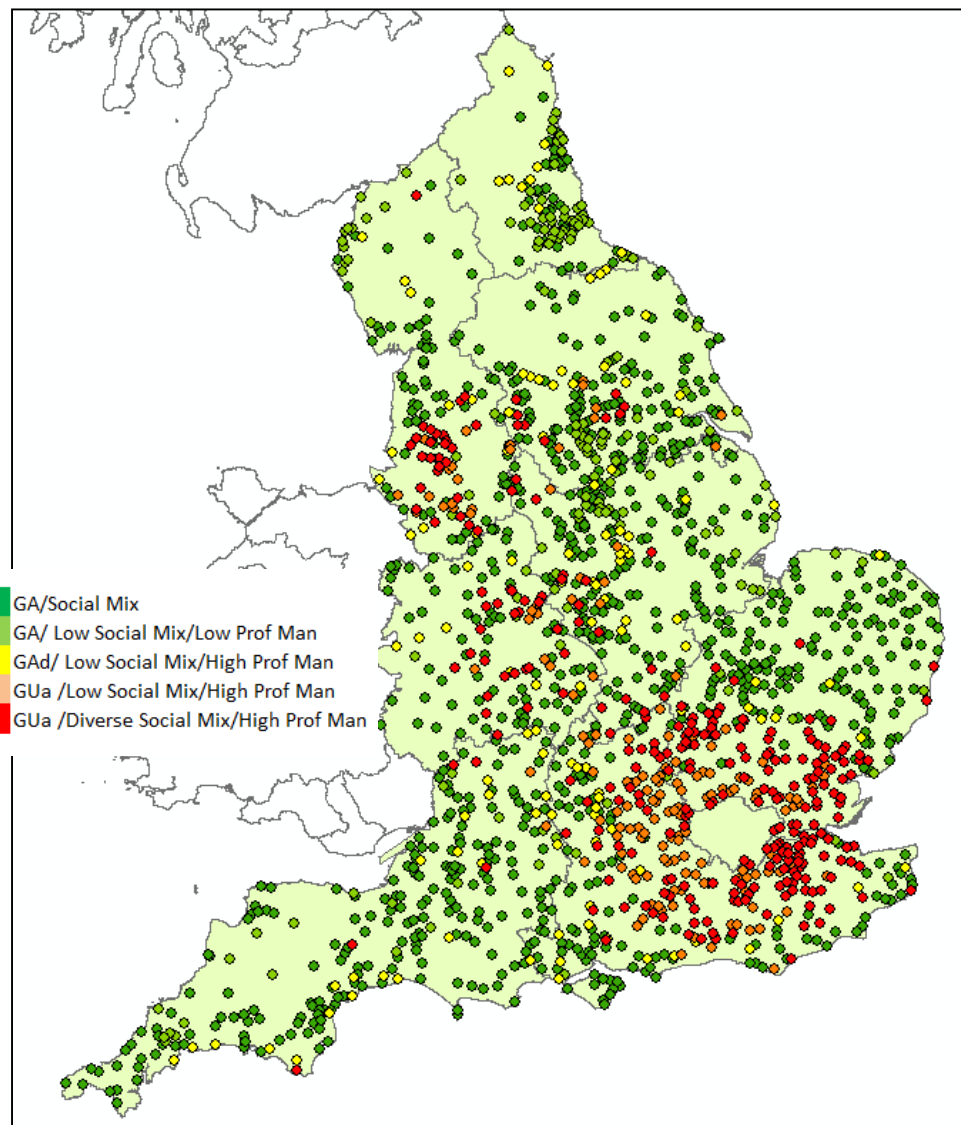
tend to have proportionately more CICs than other types

- 
- ◆ Middle Age, Middle Class
 - ◆ Single, Low Skill
 - ◆ Retired, Part Timers
 - ◆ Young Families, PS Workers
 - ◆ Professionals, Commuters
 - ◆ Unemployment, Social Housing
 - ◆ Agric/Manuf. Workers
 - ◆ Managerial, Professionals

Note: we fitted a poisson regression model of the form: $\log \mu = \alpha + \beta \log x + \tau_i$, where μ is the expected number of CICs for a given town, x the population size and τ_i the effect of being one of 8 town types. The result for 1608 towns was $\log \mu = -8.10 + 0.94 \log x + \tau_i$ with significant τ values: $\tau_2 = 0.61$, $\tau_3 = 0.75$, (at 0.001 level) and τ_7 (at 0.05 level)

Operationalizing Social Capital and Social Network Potential at Small Town Level*

Small Towns			CICs		Loc Quot
Type	Number	Percent	Number	Percent	
A	904	56.25	1528	63.83	1.13
B	154	9.58	239	9.98	1.04
C	124	7.72	164	6.85	0.89
D	148	9.21	196	8.19	0.89
E	277	17.24	267	11.15	0.65
Total	1607	100	2394	100	



* Based upon the (i) number of places accessed for journey to work data (restricted set of employment centres (GA wide range of centres access (GUa) (ii) social mix and (iii) professionals in the population.

An Exploratory (CIC) Entrepreneurship Model: bringing population size, small town type, social capital and social network potential together we identify small towns punching above their weight on 'entrepreneurialism'

Such places are widely scattered:

- in every region
- coastal and inland
- Metro- suburban and rural
- In well populated and sparse areas

Some examples of 'enterprising' towns in 'sparse' places:

Kendal

Ripon

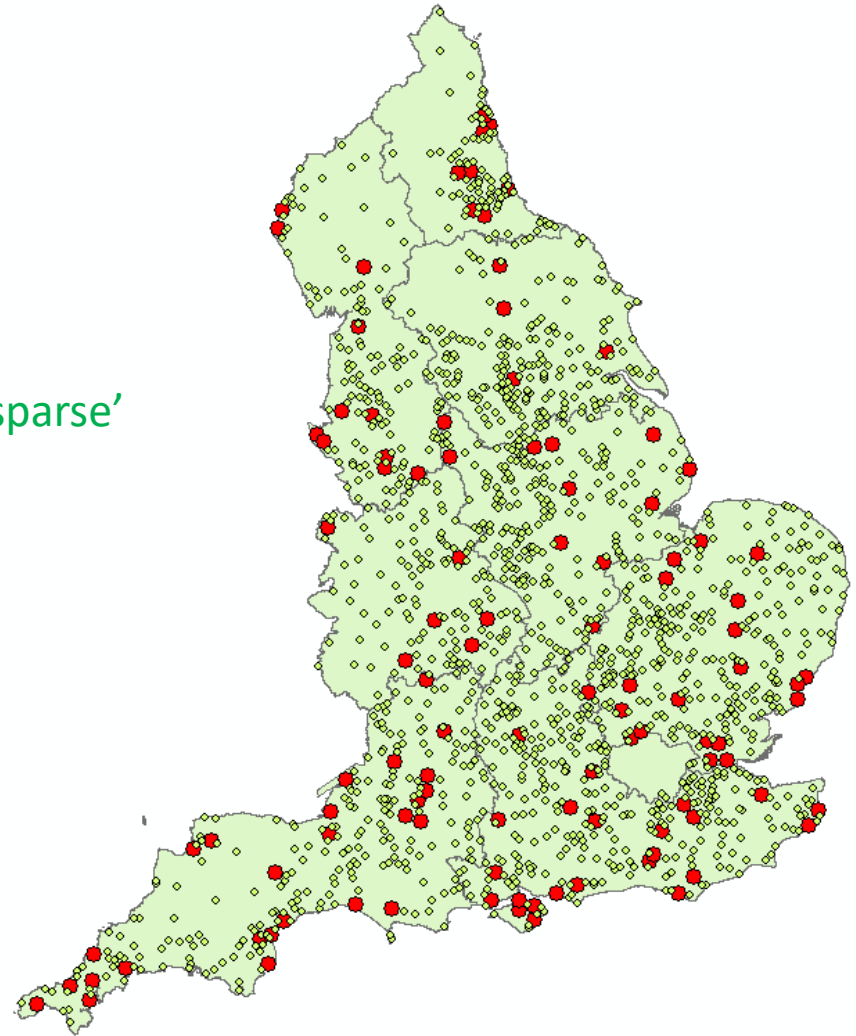
Louth

Tiverton

Bury St Edmunds

Newquay

Oswestry



We emphasise this is very much an exploratory piece of work carried out with data resources and techniques to hand. Are 'entrepreneurial places' a useful replacement for often inadequate economic modes of analysis?

What policy areas might it support or suggest? New thinking on the small town economy:

- the imaginative re-use of empty high street shopping premises
- the role of broadband in e.g. reaching markets and managing small enterprises
- re-thinking and emphasising the values of heritage in small towns
- training for community involvement in (social) enterprise
- ceding more powers to successful small towns (e.g. planning, business rates!)
- identifying and emphasising the countryside/town relationship (food security, tourism)
- linking small towns to industrial and technological clusters (e.g. Motorsport Valley)

Finally, some implications of Brexit would seem to make entrepreneurship and innovation essential to the future economy of rural towns.

A .pdf of the slides available from:

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