LRRG
Labour Rural
Research
Group

The Future of the Rural Economy

A report by the Labour Rural Research Group

July 2026

Report sponsored by

CLA

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ACKNOWLEDGMENTS

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This report was published in July 2026, authored by James Naish MP and Leila Poel.

Website: labourruralresearchgroup.com
Email: info@labourruralresearchgroup.com

ABOUT LRRG

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The Labour Rural Research Group (LRRG) brings together more than 40 rural and semi-rural Labour MPs — over 10% of the Parliamentary Labour Party. We represent communities across rural, coastal, market town and semi-rural Britain: places that placed their trust in Labour in 2024 and expect that trust to be repaid with practical action, serious policy and meaningful change.

For too long, rural communities have been poorly understood by national politicians. They have often been treated as uniformly prosperous, primarily agricultural, politically peripheral or resistant to change. The evidence tells a different story. Rural Britain is economically significant, socially diverse and central to many of the country's most important national priorities — from food security and clean energy to nature recovery, manufacturing, tourism, public service resilience and regional growth.

As such, the LRRG exists to ensure that rural voices are heard at the heart of government. We are committed to developing the research, evidence and policy solutions needed to improve rural living standards, strengthen rural economies and ensure that Labour delivers for communities across fields, coastlines, villages, market towns and rural industries. This report is intended as a contribution to that task, via a headline call for a more ambitious, place-based and whole-of-government approach to rural economic development.

INTRODUCTION BY LRRG VICE-CHAIR, JAMES NAISH MP

Economic growth is the central mission of Labour's 2024 manifesto. It is the change that Labour was elected to deliver and it must be felt in every part of the country – not only in our cities and large towns, but across our villages, market towns, coastlines and countryside.

As Labour reflects on its leadership, its priorities and its future direction, it has an opportunity to show that its growth mission reaches beyond major urban centres. Rural communities shouldn't be seen as peripheral to national renewal; rather, they are places where growth can be generated, productivity unlocked and national priorities delivered. The next phase of Labour in government should, therefore, recognise rural economies not simply as areas requiring support, but as strategic assets capable of driving growth, strengthening resilience and helping to deliver the change the country was promised.

Indeed, it can be argued that rural Britain offers the only route to long-term success for the United Kingdom (UK) governments and, by extension, both urban and rural dwellers. Food security, nature restoration and better animal welfare can only be delivered in partnership with rural Britain and, specifically, our farmers. But we must go further in recognising the valuable role that our hinterlands must play in rebuilding Britain. New homes and towns will likely be built in or near spacious communities. Energy generation and distribution will require space and national grid connections. Defence and security missions will require national parks and ports. New major transport routes will travel through many rural MPs' constituencies.

This report, therefore, starts from a simple premise – that rural Britain has enormous and important economic potential. Rural areas support millions of jobs, hundreds of thousands of businesses and a significant share of national economic output. They are home to dynamic small firms, major food and farming supply chains, manufacturing, tourism, energy infrastructure, environmental innovation and increasingly diverse forms of enterprise.

Yet this potential is not being fully realised. The average worker in rural England generates around 8% less economic output than their urban counterparts. This gap is not one of talent, ambition or work ethic – rather, it reflects the constrained economic environment in which many rural businesses and workers operate. Too often, rural firms face weaker infrastructure, smaller local markets, higher transport and energy costs, limited access to finance, labour shortages and planning systems that do not properly reflect rural realities. Too often, rural residents face unaffordable housing, poor transport, weaker digital connectivity and reduced access to the services that allow people to work, train, care and participate fully in the economy.

Through analysis of official statistics; evidence submitted by businesses, community organisations, charities, local authorities, academics and sector bodies; and insights from focus groups with rural residents, this report sets out the cumulative impact of these barriers. It shows that rural underperformance is not caused by any inherent weakness in rural places, but by the poor interaction of housing, infrastructure, workforce and other policy constraints. These constraints affect investment, innovation, labour supply and business growth. They also limit the contribution that rural areas make to national prosperity – and its contribution, sadly, is getting comparatively smaller.

This matters for the whole country. If the UK Government can close even part of the rural productivity gap, it could generate billions of pounds in additional economic activity, strengthen public finances and support a more balanced model of national growth. Unlocking rural potential is not, therefore, a niche concern or a matter of special pleading – it is central to Labour's growth mission.

It is also central to the Government's commitment to devolution and addressing inequality. The purpose of devolution shouldn't simply be to shift power from Whitehall to major urban centres – it should go much further and ensure that communities with different geographies, economies and needs are properly understood within national policy. Rural Britain cannot be treated as an afterthought, nor can urban policy simply be retrofitted to rural communities. A serious growth agenda must recognise that different places require different tools.

That is why this report argues for a more integrated and place-based approach to rural economic development. This is because effective rural policy cannot be delivered by one department alone. Housing affects labour supply. Transport affects access to work and training. Digital infrastructure affects business growth. Grid capacity affects clean energy and diversification. Public services affect whether people remain economically active or not. Land use affects food production, nature recovery, energy security and housing. The list goes on because these issues are interconnected – and national policy must treat them as such.

The recommendations in this report, therefore, call for a whole-of-government rural economic strategy, stronger rural proofing across economic policy, targeted investment in infrastructure and housing, better support for rural business growth, stronger workforce and skills pathways in rural areas, and a clearer approach to land use and environmental markets. Put together, these reforms would help to create the conditions in which rural communities can contribute more fully to national growth while remaining vibrant, sustainable and resilient places to live, work or visit.

For too long, rural communities have been viewed through outdated assumptions: as uniformly prosperous, primarily agricultural and peripheral to the main story of the British economy. This report tells a very different story – one which suggests that rural Britain can and should be the answer to creating a larger, vibrant and more balanced economy. The task now is to ensure that national policy catches up with this reality.

James Naish,
MP for Rushcliffe

FOREWORD BY GAVIN LANE, PRESIDENT, COUNTRY LAND AND BUSINESS ASSOCIATION

This report arrives at a moment when the countryside needs to be heard, and when the government needs to decide what kind of relationship it wants with rural Britain.

Let me start with who we are talking about. Rural business owners are not a footnote to the national economy. They are farmers up before dawn to help feed the nation, land managers restoring rivers and woodland, entrepreneurs running everything from engineering firms to hospitality businesses out of converted barns. They employ their community, sponsor the cricket club, keep the village pub viable. They are hard-working people trying to do right by the land, by the environment, and by their communities. That instinct – to produce, to protect, to provide – is the same instinct that should be the focus of a modern rural economic strategy.

And the potential is enormous. The rural economy remains significantly less productive than the national average, a gap that, if closed, could unlock tens of billions of pounds in growth – by some measures as much as £40bn. Behind that figure are well-paid jobs that don't require a move to the city, thriving communities instead of hollowed-out villages, and businesses able to scale rather than stall. It means greater security; in food, in energy, in water and provides for greater economic resilience. This is not a modest ambition. It deserves a government that matches it.

Gavin Lane,
President, Country Land and Business Association (CLA)

For too long, rural Britain has felt seen not as a partner in a united national mission, but as a target – most starkly through inheritance tax changes that have already collapsed investment on businesses up and down the country. The reforms have done real damage, leaving the country weaker and poorer. Reversing that change is not a niche request; it is a precondition for the confidence that real investment requires.

This is, in no small part, why we need a rural reset: a relationship with the government built on genuine shared respect and ambition. The Labour Rural Research Group has done diligent, serious work over many months, including the development of this report, and I thank its members for it. But diligence must now be matched by government delivery. That means real planning reform that allows entrepreneurs to give their idea a go, and that lets rural communities build the affordable housing they need without sacrificing the landscapes that define them. It means connectivity that allows rural businesses to trade and grow on equal terms with the rest of the country. And it means training and opportunity so that talented young people can build a future at home, rather than feeling they must leave for the city.

This document represents a ready-made plan for the rural economy, showing that Labour values and rural values are aligned. My message to the Prime Minister is simple – level out, not just up, and let the rural communities of the country play their part in its economic growth.

FOREWORD BY BARONESS DEBORAH MATTINSON

As James Naish MP, Vice-Chair of the excellent LRRG, asserts in his introduction, growth was the ‘central mission’ for the incoming Labour government: the mission that would drive the change that had been promised; the mission that would enable all the good Labour choices that its new MPs are determined to make.

We’ve seen some progress, but, as most would acknowledge, there remains much to do and voters are becoming impatient. As this report suggests, the rural community has a vital role to play in Britain’s economy. Yet, despite its contribution of £259 billion in GVA (Gross Value Added) in 2023, it is a role that is woefully underpowered. The APPG for rural affairs estimates a productivity gap that results in £43 billion in lost output, accompanied by significant loss in tax receipts.

Our focus groups reflect this. Although some communities experienced a Covid flurry of urban workers making new lives for themselves in rural places, there remains a strong sense that rural communities – and the opportunity they represent - has too often been forgotten. And even when the places themselves have not been forgotten, the people living in those places sometimes seem to have been factored out of the planning.

We heard scepticism about what investment in local areas was actually delivering to local people, with stories about projects importing workers short term rather than creating local jobs, being developed insensitively with disregard for existing economic drivers like tourism, as well as threatening nature without taking account of what makes those communities distinctive and special. We also heard strong concerns about wider barriers to success including shortage of affordable housing, and poor access to public services.

As the report sets out in its conclusions, rural communities have the potential to play a crucial role in Britain’s growth, but are currently punching below their weight. Too often they are forgotten, or ignored. The report therefore calls for a new focus on enabling rural economies, with a holistic approach that treats economic growth, service provision and environmental stewardship, including respect for nature, as interconnected.

The voters we heard from had voted Labour – often for the first time – in 2024, but were now drifting away, disappointed, as the recent local elections a few weeks ago, demonstrated. The political imperative is urgent. Getting this right will correct long term failings and enable rural communities to benefit as they make a much-needed contribution to Britain’s economic growth.

Baroness Deborah Mattinson, Labour Peer

SUMMARY OF REPORT RECOMMENDATIONS

STATE OF THE RURAL ECONOMY TODAY

1. **Develop a whole-of-government rural economic strategy**. The Government should publish a cross-departmental rural economic strategy focused on productivity, growth, resilience and opportunity. This should sit above individual departmental programmes and seek to align policy on business support, infrastructure, housing, skills, land use and public services.

2. **Strengthen 'rural proofing' across all policy development**. To address the diminishing contribution of rural Britain, rural proofing should be applied within all government departments. Each major economic policy should be assessed for its effect on rural productivity, access to opportunity, service delivery costs and the ability of rural communities and businesses to contribute to national growth. Rural proofing should become a proactive process for identifying opportunities to unlock rural economic potential, rather than simply mitigating unintended negative impacts.

3. **Recognise rural areas as contributors to national missions.** National growth, food security, energy security, house building, nature restoration, decarbonisation and regional rebalancing strategies can only be achieved through the full engagement of rural Britain. The Government should more explicitly recognise and praise the contribution of rural places, rather than treating rural economies as peripheral to urban-led growth.

4. **Establish a Rural Economy Delivery Board linked to devolved growth plans.** The Government should establish a Rural Economy Delivery Board with responsibility for monitoring progress against national rural economic objectives and supporting delivery through strategic authorities and local growth partnerships. Membership should include local government, business, academia, community organisations and central government, ensuring that rural priorities are embedded within regional growth plans and accompanied by clear ministerial accountability.

SECTORAL PERFORMANCE AND GROWTH

5. **Create a bespoke rural innovation and productivity programme.** The Government should establish a dedicated rural innovation programme to support high-growth sectors including agri-tech, food processing, robotics, bioscience, precision agriculture, regenerative agriculture, sustainable forestry, advanced manufacturing, modern methods of construction and housing retrofit. Together, these sectors have the potential to improve productivity, strengthen domestic supply chains, reduce import dependency and support the transition to a more innovative and resilient rural economy.

RECOMMENDATIONS CONTINUED

6. **Separately consider rural Britain in the Government's tourism strategy**. The Government should seek to support rural and coastal tourism by developing policies to extend visitor seasons, increase year-round employment and improve tourism-based productivity. The Government should also ensure rural voices are part of the Visitor Economy Advisory Council.

7. **Ensure any tourism levies benefit local economies.** Where visitor levies or tourism charges are introduced, revenues should be transparently reinvested in the local communities and visitor economies that generate them. Affected rural communities should be consulted throughout the development and implementation of these levies to avoid any backlash.

ENTERPRISE, INVESTMENT AND BUSINESS GROWTH

8. **Create a rural business scaling programme.** The Government should establish a dedicated rural business growth programme focused on helping existing rural firms scale, invest, digitalise, export and adopt new technologies. This will help to turn micro businesses into SMEs, and SMEs into larger companies.

9. **Tailor aspects of British Business Bank delivery towards rural firms.** The British Business Bank's *Nations and Regions Investment Funds* should include specific rural outreach, brokerage and investment-readiness support so that finance reaches microbusinesses, co-operatives, family firms and land-based enterprises. Banks should also be encouraged to review their lending approaches to rural businesses.

10. **Accelerate the business rates review for rural enterprises.** The Government needs to urgently review how business rates apply to diversified rural and farm-based businesses, including whether a tapered transition could avoid the "fiscal cliff" identified in evidence.

11. **Expand permitted development rights for farm diversification and water storage.** The Government should significantly expand permitted development rights (PDRs) to support farm diversification and enable the construction of larger on-farm reservoirs, including in national parks.

12. **Strengthen planning capacity and ensure it understands rural Britain.** In addition, planning authorities should be supported to process rural business, horticulture, renewable energy, visitor accommodation and other diversification applications more quickly and predictably, while maintaining environmental safeguards. The current commitment to training 300 more planners isn't ambitious or tailored enough.

WORKFORCE, SKILLS AND LABOUR SUPPLY

13. **Develop a rural workforce strategy.** The Government should develop and publish a rural workforce strategy focused on seven key enabling factors: recruitment, retention, skills, housing, transport for work, childcare and older-worker participation. These are common enabling issues across rural Britain which, separately and together, limit rural economic growth. As part of this work:

RECOMMENDATIONS CONTINUED

- **Improve access to rural further education and vocational training.** The Government should push Skills England, local authorities and colleges to work together more effectively to expand rural access to technical, digital, construction, engineering, care, food production, land management and low-carbon skills, among others.

- **Target underused labour pools.** The Government should develop retraining and transition programmes for groups with relevant skills including ex-service personnel, older workers, returners to work and people seeking flexible or part-time employment.

- **Recognise childcare as labour market infrastructure.** Rural childcare provision should be treated as a workforce participation issue, particularly for parents and carers in areas with limited flexible employment and poor transport access. Childcare remains a critical enabler for growing rural economies.

INFRASTRUCTURE AND CONNECTIVITY

14. **Prioritise the hardest-to-reach areas within Project Gigabit and mobile coverage programmes.** The Government should ensure that Project Gigabit and Shared Rural Network delivery partners don't leave the most remote rural communities to the end. There should be clear milestones for rural premises and rural SMEs within the wider delivery approach, so that a wide range of technical solutions is considered and rolled out sooner rather than later.

15. **Accelerate rural grid reinforcement and connection reform.** Electricity grid capacity upgrades should be prioritised in rural areas where delays are constraining renewable energy, business expansion, electrification of heat and farm diversification – which, in turn, underpin multiple national priorities.

16. **Ensure rural communities benefit from new energy infrastructure.** Renewable energy projects should include local benefit mechanisms including, for example, community ownership, revenue sharing, a minimum contribution to project supply chains, community funds and reduced energy costs. These benefits should not, however, be seen as an appropriate pay-off for the biggest prize: the creation of high-quality, long-term jobs.

17. **Improve rural transport links to work, training and services.** Transport planning should prioritise routes and services that connect rural residents to employment, further education colleges, healthcare, childcare, town centres and public services. This will require creative thinking and flexible business models.

RECOMMENDATIONS CONTINUED

HOUSING AND COMMUNITY SUSTAINABILITY

18. **Set a rural affordable housing delivery target.** The Government should introduce a dedicated rural affordable housing target with separate monitoring of social rent, affordable rent, shared ownership and genuinely locally affordable homes. CPRE's ongoing campaign to redefine affordability has many merits.

19. **Strengthen 'Rural Exception Site' policies.** The Government should expand and simplify the implementation of Rural Exception Sites, working with planning authorities across rural Britain to radically accelerate the delivery of affordable homes on these sites.

20. **Create a rural housing retrofit and decarbonisation programme.** Older, detached and off-grid rural homes should receive tailored support for energy efficiency, low-carbon heating and retrofit, recognising that a one-size-fits-all approach to decarbonisation will not work. Listed buildings in particular need more flexible policy options.

LAND, THE ENVIRONMENTAL ECONOMY AND DIVERSIFICATION

21. **Consider how to turn the Land Use Framework into an economic asset.** The Land Use Framework is not just a spatial tool – it should be used to help view food security, housing, energy, biodiversity and climate resilience through an economic lens as well, to steer rural Britain towards making the right long-term decisions for local, regional and national economic and security purposes.

22. **Provide long-term certainty for Environmental Land Management schemes.** Farmers and land managers need stable, long-term incentives to deliver food production, nature recovery, carbon storage, water management and other public goods in equal measure. Environmental Land Management (ELM) schemes should provide sufficient long-term certainty and recognise the opportunity costs of participating, particularly where alternative land uses such as renewable energy development may offer significantly higher commercial returns. This will help ensure that environmental objectives are achieved without unintentionally distorting wider land-use decisions.

23. **Strengthen demand and accountability in natural capital and environmental markets.** The Government should move beyond establishing basic frameworks for biodiversity, carbon, nutrient neutrality and nature markets, and focus on building credible long-term demand. This could include clearer public and private sector demand signals, mandatory reporting on nature-related impacts and investment, and consideration of targets for nature-positive procurement or investment. Strong safeguards on additionality, permanence, monitoring and community benefit will still be needed, but the next priority should be ensuring that these markets generate reliable income streams for rural communities and land managers.

RECOMMENDATIONS CONTINUED

PUBLIC SERVICES, COMMUNITY RESILIENCE AND OPPORTUNITIES

24. **Revisit funding formulas to fairly reflect higher sparsity and rural delivery costs.** Government funding models should give greater weight to sparsity, travel times, ageing populations, accessibility and the lack of alternative provision. Equal funding per head doesn't result in equitable access to services or equitable service levels in more rural areas.

25. **Expand and merge place-based and mobile service models**. The Government should build on successful pilots of mobile Jobcentres, Family Hubs, outreach healthcare, community hubs and co-located services to bring support closer to rural residents. These may prove most effective when combined.

26. **Don't ignore rural peculiarities in the upcoming High Street Strategy.** The Government should specifically address the challenges facing rural town centres in its upcoming High Street Strategy. Rural service hubs have been more negatively affected by bank closures, Post Office losses, declining footfall and the withdrawal of essential services, meaning the build-back route for these types of settlements should look and feel different

27. **Expand support for co-operatives, community ownership and local stewardship.** The Government should expand support for agricultural co-operatives, community businesses, social enterprises, blended finance models and community-owned assets such as shops, pubs, hubs and workspaces. These models can help rural communities pool risk, share investment, retain wealth locally and sustain services that might otherwise be lost. They also strengthen local economic resilience by keeping jobs, assets and decision-making within rural communities. Building on existing positive examples, the Government should consider how these models can be scaled more widely across rural Britain.

EVIDENCE BASE AND METHODOLOGY

EVIDENCE BASE

This report draws on three principal sources of evidence.

First, it is informed by desk-based research including official statistics and analysis from Government departments, arm's-length bodies, regulators and public watchdogs. Key sources include the Department for Environment, Food and Rural Affairs (DEFRA), the Office for National Statistics (ONS), Natural England, OFCOM, parliamentary research services and other relevant public bodies. Wherever possible, the report uses the most recent official data available.

Second, the report draws on written evidence submitted to the Labour Rural Research Group (LRRG)'s call for evidence on the future of the rural economy. The call invited submissions from individuals, businesses, community organisations, charities, local authorities, academics, sector bodies and service providers. Contributors were asked to provide evidence relating to, among other things, rural productivity, business growth, taxation, workforce issues, infrastructure, housing, land use and public services. A full list of organisations referenced throughout the report is provided in the Appendix.

Third, the report incorporates qualitative evidence from two focus groups held on 12th May 2026. The groups were commissioned to explore participants' experiences of their local rural economy, with particular reference to transport, housing, employment, local services and community infrastructure.

One focus group comprised female participants and the other male participants. All participants were eligible to vote in the United Kingdom (UK), lived in constituencies classified as 'rural' or 'sparse and rural', and were drawn from England, Wales and Scotland with representation from a range of regions outside London. Participants lived in communities they described as rural, semi-rural or small town settings, ranging from sparsely populated settlements of fewer than 3,000 people to towns of up to 10,000 residents.

Participants were aged between 18 and 60 and represented a range of socio-economic backgrounds across social grades B, C1, C2, D and E. To ensure a focus on economic participation, approximately half were in full-time employment, around a quarter were unemployed or in part-time work while seeking additional employment locally, and around a quarter were self-employed, freelance or running a small business. Individuals who were economically inactive – including students, retirees and those unable to work because of illness or caring responsibilities – were excluded from the sample, as were those commuting more than 40 minutes to work.

Together, these three sources of evidence provide insights into how economic opportunities and constraints are experienced by residents living in rural communities across the UK.

INTERPRETING THE EVIDENCE

While this report considers the rural economy across the UK, a lot of the official economic evidence available relates only to England. Rural definitions also vary between the UK nations, meaning that direct comparisons between England, Scotland, Wales and Northern Ireland are not always straightforward. Wherever possible, the report identifies and comments on UK-wide trends.

It is also important to note that this report does not treat the rural economy as a single, uniform entity. As Professor Neil Ward, Professor of Rural and Regional Development at the University of East Anglia, argued in his submission, it is often more accurate to speak of *"economic activity in rural areas"* than of a single *"rural economy"*. Rural places differ significantly in their sectoral mix, labour markets, housing pressures, connectivity and relationship to nearby towns and cities. A rural community in Northumberland may face very different constraints to one in Buckinghamshire, Cornwall or Lincolnshire. Throughout this report, the term "rural economy" is, therefore, used as a shorthand.

The LRRG recognises that rural economic performance is highly varied and shaped by local geography, regional connections and uneven access to infrastructure, services and markets.

CHAPTER ONE: THE STATE OF THE RURAL ECONOMY TODAY

Around 10 million people live in rural areas across the UK, representing approximately 17% of the total population. While relatively small in population terms, these areas have developed distinctive ecosystems of industry, commerce and services that have played an outsized role in shaping British identity. Sectors such as agriculture, tourism, hospitality and the natural environment continue to form a central part of the country's cultural and economic heritage.

As the LRRG's *Rural Poverty in Britain* report outlined, *"from the mid-twentieth century onwards, rural employment was closely tied to land based and industrial activity. Agriculture, forestry, fishing, mining, quarrying and small-scale manufacturing formed the backbone of many village and coastal economies"*.[1] However, since the 1970s, many of these sectors have undergone sustained contraction as the UK's economy has diversified. As a result, while traditional rural industries remain prominent in the nation's imagination, and once contributed substantially to the UK's economic resilience, their contribution to national economic output has diminished over time.

THE EVER-GROWING PRODUCTIVITY GAP

One way to understand this shift is through the lens of productivity, typically measured using Gross Value Added (GVA) which captures the contribution of individual producers, industries and sectors to the economy. Based on the latest available data from the Department for Environment, Food and Rural Affairs (DEFRA), rural areas in England contributed £259 billion to GVA in 2023, representing around 12% of the total[2]. This is notably below what might be expected given the 17% 'share of the population' figure already mentioned. By comparison, in 2013, predominantly rural areas accounted for around 16% of national GVA, roughly in line with their population share, and in 2001, rural areas contributed 19% of GVA[3] – punching above their weight.

This decline reflects more than a simple difference in economic performance between rural and urban areas. Rather, it reflects the complex interaction between sector composition, geography, infrastructure, labour markets and public policy. As the UK economy has become increasingly concentrated around knowledge-intensive and services-led growth, the economic advantages associated with larger urban centres have become more pronounced.

THE IMBALANCE WITHIN RURAL ECONOMIES

According to DEFRA analysis, the overarching structure of rural economies is, in broad terms, similar to that of urban areas. In both predominantly rural and predominantly urban areas, 'public administration, education and health' is the largest contributor to GVA, accounting for around 21% of output. Together with 'distribution, transport, accommodation and food', these sectors account for around 40% of GVA in both area types[4].

[1] Labour Rural Research Group, Rural Poverty in Rural Britain, (research report, March 2026).
[2] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[3] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, November 2015).
[4] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).

However, these are broad categories and there are important differences in sectoral weighting. In predominantly rural areas, sectors such as real estate activities and manufacturing make a comparatively larger contribution to GVA. Real estate accounts for 15% of rural GVA (compared with 12% in urban areas, excluding London) while manufacturing contributes 13% (versus 10% in urban areas). Agriculture, forestry and fishing – often seen as emblematic of rural economies – account for a relatively small share at 3% (£8.6 billion)[5].

By contrast, urban areas – which contribute a far more substantial 88% of national GVA – tend to be home to higher-value, knowledge-intensive services sectors. For example, financial and insurance activities contribute 7% of urban GVA compared with just 2% in rural areas, while information and communication accounts for 7% of GVA in urban areas versus 3% in rural areas[6]. While these differences may appear modest in isolation, they have a meaningful impact on economic performance – and the divergence has been continuous over the past two decades.

THE CONSEQUENCE OF "AGGLOMERATION" FOR RURAL BRITAIN

The Fabian Society's submission to this report stated that larger economic centres benefit from what it describes as *"agglomeration effects"* – productivity gains that arise when businesses, workers, skills, infrastructure and investment are concentrated in the same place. Larger towns and cities typically benefit from deeper labour markets, greater access to finance, stronger transport links and faster knowledge-sharing between firms. While rural areas possess many economic strengths, they often face structural disadvantages in accessing these benefits.

These patterns reflect a broader structural shift in the UK economy. Over recent decades, the economy has become increasingly services-intensive, with services accounting for four-fifths of output in 2024[7]. This means that as economic growth has become more closely tied to knowledge-intensive services sectors, predominantly concentrated in urban areas, rural economies have struggled to capture a comparable share of that growth.

It is no surprise, therefore, that this has had a material impact on the contribution that rural areas make to the wider UK economy. Using official Government data from 2023, productivity in majority rural local authorities, measured as Gross Value Added (GVA) per worker, was around 92% of the England average (excluding London), indicating an 8% productivity gap[8]. In practical terms, this means that the average worker in a rural area produces around 8% less economic output than the national average. If this gap were closed to equalise the current levels of GVA from urban areas, the rural uplift would generate an estimated additional £22.5 billion in economic output. This depicts the scale of unrealised economic potential within rural economies.

Other analyses suggest that the opportunity could be even greater. The APPG for Rural Business and the Rural Powerhouse has estimated that the rural economy is 19% less productive per worker than the national average, equivalent to £43 billion in lost output each year[9]. Meanwhile, Pragmatix Advisory's modelling focuses on fiscal impact rather than output, estimating that stronger rural productivity performance could generate between £9 billion and £19 billion a year in additional HMRC tax receipts, depending on the scenario used[10].

While these figures should not be treated as

[5] Ibid.
[6] Ibid.
[7] House of Commons Library, Economic indicators: Components of GDP, (research briefing, March 2026).
[8] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[9] APPG for Rural Business and the Rural Powerhouse, The Rural Premium, (research report, April 2023).
[10] Pragmatix Advisory for the Rural Coalition, Reigniting Rural Futures: Rural Communities' Capacity to Boost Economic Growth (research report, May 2024).

directly interchangeable, they all point to the same conclusion – that rural economies already make a significant contribution to national prosperity, but their full economic potential remains unrealised, and the gap between rural and urban Britain is growing.

Closing even part of the rural productivity gap would generate benefits not only for rural communities but also for national growth, food security, energy security and regional rebalancing.

CONCLUSIONS

As the following chapters will illustrate, rural economies are not economically marginal, nor are they defined solely by traditional industries such as farming and tourism. Rather, they represent a substantial and diverse component of the national economy, supporting millions of jobs, hundreds of thousands of businesses and significant economic output – something that successive UK governments have never seemingly understood or effectively communicated to the general public.

However, rural economies operate within a set of structural constraints that limit their ability to contribute fully to national growth and limit the returns from 'agglomeration benefits' which underpin so much of the UK's modern economic model.

If the productivity gap between rural and national averages could be narrowed, even modestly, the resulting gains would generate billions of pounds in additional economic activity and strengthen the contribution rural areas make to growth, resilience and fiscal sustainability. Politically, this would also promote cohesion and build bridges between urban and rural Britain – something which is arguably more important than ever, given the fragmented political landscape.

The priority for this and future UK Governments must be to unlock the economic potential that already exists within rural communities. Doing so will require a more integrated approach to business development, workforce participation, infrastructure, housing, land use and access to opportunity than the UK has ever seen before, as this report goes on to outline.

POLICY RECOMMENDATIONS:
STATE OF THE RURAL ECONOMY TODAY

1. **Develop a whole-of-government rural economic strategy.**
The Government should publish a cross-departmental rural economic strategy focused on productivity, growth, resilience and opportunity. This should sit above individual departmental programmes and seek to align policy on business support, infrastructure, housing, skills, land use and public services.

2. **Strengthen 'rural proofing' across all policy development.**
To address the diminishing contribution of rural Britain, rural proofing should be applied within all government departments. Each major economic policy should be assessed for its effect on rural productivity, access to opportunity, service delivery costs and the ability of rural communities and businesses to contribute to national growth. Rural proofing should become a proactive process for identifying opportunities to unlock rural economic potential, rather than simply mitigating unintended negative impacts.

3. **Recognise rural areas as contributors to national missions.**
National growth, food security, energy security, house building, nature restoration, decarbonisation and regional rebalancing strategies can only be achieved through the full engagement of rural Britain. The Government should more explicitly recognise and praise the contribution of rural places, rather than treating rural economies as peripheral to urban-led growth.

4. **Establish a Rural Economy Delivery Board linked to devolved growth plans.**
The Government should establish a Rural Economy Delivery Board with responsibility for monitoring progress against national rural economic objectives and supporting delivery through strategic authorities and local growth partnerships. Membership should include local government, business, academia, community organisations and central government, ensuring that rural priorities are embedded within regional growth plans and accompanied by clear ministerial accountability.

CHAPTER TWO: SECTORAL PERFORMANCE AND FUTURE GROWTH

To better understand the declining contribution of rural areas to national GVA, it is important to examine how the sectors that underpin rural economies have evolved over time. While rural Britain is still commonly associated with traditional industries such as agriculture and tourism, the modern rural economy is increasingly shaped by a broader mix of manufacturing, property, services, infrastructure and emerging industries. Examining the performance and structure of these sectors helps to explain both why rural areas have captured a smaller share of economic growth in recent decades, and where opportunities for future growth may lie.

SECTOR 1: AGRICULTURE AND FARMING

Recent DEFRA data shows that the 'agriculture, forestry and fishing' sector contributed just 3% of rural GVA (equating to £8.6 billion) in 2023/24[11]. Unsurprisingly, agriculture contributed far less when looking at the total GVA for the UK as a whole, at just 0.56% (£14.5 billion)[12]. This means that the 'agriculture and associated' sector is roughly five to six times more important to rural economies than to the UK economy overall, but it is clearly not – as many people believe – the dominant sector within these communities.

Within this, almost half of all farm businesses (48%) are classified as very low output and collectively contribute just 2% of total agricultural production. In contrast, the largest 8% of farms generate 62% of output while managing around a third of all farmed land[13]. This points to the emergence of a dual agricultural economy, with one side constituting a relatively small group of highly-productive businesses responsible for the majority of food production; and the other side constituting a much larger number of smaller farms, whose economic value is increasingly derived from environmental management, stewardship schemes, diversification, tourism and other non-agricultural activities.

Despite its declining share of economic output, agriculture continues to play a distinctive role in rural labour markets and land use. In rural areas, the sector accounts for 8% of total employment, compared with a national average of just 1.3%, and it's the only industry that employs more people in rural than urban areas – in 2023/24, around 309,000 people were employed in 'agriculture, forestry and fishing' in rural areas, compared with 55,300 in urban areas. Its role is even more pronounced in smaller rural settlements where the sector accounts for 10% of employment – five times higher than in larger rural areas[14].

The sector's significance is even clearer when viewed through the lens of business activity. 'Agriculture, forestry and fishing' accounts for 14% of all businesses in rural areas, compared with 8% of employment, reflecting the prevalence of micro-enterprises within the sector. Of the approximately 81,700 agricultural businesses operating across rural areas, around 75,000 are located in smaller rural settlements where they account for a fifth of all businesses[15].

[11] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[12] Department for Environment, Food & Rural Affairs, Farming evidence – key statistics (research and analysis, October 2025).
[13] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[14] House of Commons Library, Industries in the UK, (research briefing, August 2016).
[15] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).

However, the data is clear that agricultural businesses themselves are becoming increasingly diverse. Farms are now expected to contribute simultaneously to food security, nature restoration, climate mitigation and rural economic resilience. Indeed, the National Audit Office (NAO)'s assessment of DEFRA's *Farming and Countryside Programme* suggests that the Department wants agricultural output to grow by 0.5% annually in order to maintain food production, but it simultaneously wants to see more land released for environmental purposes[16].

The picture that emerges, therefore, is of an agricultural economy that is broader and more complex than traditional perceptions suggest. While agriculture remains central to rural identity, landscape management and local labour markets, it is no longer the principal driver of rural economic growth. This does not, however, imply that agriculture is becoming less important – rather, that its economic role is evolving.

To that end, future economic growth in rural areas is likely to depend less on expanding agricultural employment or output alone, and more on improving productivity, adopting new technologies and integrating agricultural production with wider environmental and commercial opportunities.

SECTOR 2: LAND, PROPERTY AND DIVERSIFICATION

As highlighted in DEFRA's latest *Rural Economic Bulletin*, the sectors which make the largest contribution to the GVA of rural economies, compared to their contribution in urban areas, are real estate and manufacturing. Real estate activity accounts for 15% of rural GVA (compared with 12% in urban areas excluding London) while manufacturing contributes 13% in rural areas versus 10% in urban areas[17]. The comparatively large contribution of real estate activity to rural GVA reflects the central role that land and property play within rural economies. Agricultural land accounts for around 68% of England's total land area[18], a large percentage which underlines the extent to which rural economic activity is shaped by basic issues of land ownership and land use.

DEFRA's rural housing statistics also show that the more rural an area is, the greater the proportion of detached and owner-occupied housing[19]. In short, a greater share of wealth, investment and economic activity in rural areas is tied to land and property assets than is typically the case in urban economies.

The economic significance of these assets has grown over time. Sector analysis from Strutt & Parker suggests that arable farmland has delivered stronger long-term returns than commercial and residential property since 2000[20], while the Royal Institution of Chartered Surveyors (RICS) and Royal Agricultural University (RAU) *Farmland Market Directory of Land Prices* reveals that farmland values remain historically high with weighted average prices exceeding £12,000 per acre in recent surveys[21]. Importantly, many rural land transactions are now significantly influenced by residential and development value, indicating that rural land is increasingly valued not only on its agricultural return but also based on its housing, investment and/or diversification potential.

These trends are reinforced by strong and growing demand for rural property. In many

[16] National Audit Office, The Farming and Countryside Programme, (official report, July 2024).
[17] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[18] Ministry of Housing, Communities and Local Government, Land value estimates for policy appraisal 2023 (official statistics, March 2026).
[19] Department for Environment, Food & Rural Affairs, Housing statistics for rural England, (official statistics, October 2025).
[20] Strutt & Parker, Opportunities and risks for the rural sector in 2024, (sector analysis, November 2023).
[21] Royal Institution of Chartered Surveyors and Royal Agricultural University, Farmland Market Report, (market survey, September 2025)

rural and coastal areas, housing markets are increasingly shaped by retiree migration, second home ownership and tourism-related accommodation, all of which increase the economic significance of property and land-related activity within local economies[22]. Parliamentary evidence suggests that the growth of second homes and short-term holiday lets has intensified competition for housing and land in popular rural and coastal areas, particularly in tourism hotspots[23].

In many rural regions, housing stock is increasingly functioning not only as residential accommodation but also as a tourism and investment asset, embedding property-related activity more deeply within the wider rural economy[24]. Consequently, many rural landowners are incentivised to diversify income streams through property, estate-based activity and environmental markets, helping to explain why real estate activity forms a proportionally larger share of rural GVA than in urban economies. However, the growing economic importance of land-based assets is also leading to policy tensions. Rising land values can support investment, diversification and wealth creation, but are also increasing barriers to entry for new farmers and rural families.

As a result, debates about rural economic growth are increasingly becoming debates about land use. Decisions about housing, renewable energy, nature restoration and agricultural production are becoming more interconnected, requiring policymakers to balance multiple economic, environmental and social objectives within a finite land resource. Given this, the LRRG shares the Chartered Institute of Ecology and Environmental Management's "optimistic" attitude towards the Government's new Land Use Framework which it says *"should be a watershed in terms of creating coherent land use policy, recognising the need to reconcile different, and at times competing, demands on how land is used, incorporating objectives across housing, energy infrastructure, food production, nature recovery, climate resilience, water use, and communities".*[25]

SECTOR 3: MANUFACTURING, AGRI-FOOD AND INNOVATION

Manufacturing is also a key and often underappreciated part of many rural economies. This reflects the fact that manufacturing activities – particularly food processing, agri-tech and advanced manufacturing – are land intensive and require larger industrial sites, making rural areas a practical and commercially attractive location. According to the National Innovation Centre for Rural Enterprise (NICRE), rural businesses account for around 25% of manufacturing business units and 22% of manufacturing employment[26].

The agri-food sector is particularly important to highlight here given its deep integration with rural supply chains, land use and employment. According to Government data, the UK agri-food sector contributed £153.2 billion to the economy in 2023 – equivalent to 6.2% of national GVA[27]. This means the economic contribution of food and farming is considerably larger than agricultural output alone would suggest. This is particularly evident in areas like Lincolnshire where Lincolnshire County Council's submission to this inquiry noted that agri-food contributes almost three times more to the local economy than the national average.

[22] House of Lords Library, The Rural Economy, (research briefing, December 2024).
[23] House of Commons Library, Second homes and holiday-lets in rural communities, (research briefing, January 2022).
[24] House of Commons Library, Rural housing: a reading list, (research briefing, December 2021).
[25] Chartered Institute of Ecology and Environmental Management, Government publishes long-awaited Land Use Framework (press release, January 2025).
[26] National Innovation Centre for Rural Enterprise, Submission to the Green Paper "Invest 2035: The UK's Modern Industrial Strategy", (government briefing, November 2024).
[27] Department for Environment, Food and Rural Affairs, Food statistics in your pocket, (official statistics, February 2026).

Food and drink manufacturing also presents significant opportunities for innovation-led growth in rural areas through the adoption of robotics, bioscience and digital technologies. This is becoming increasingly important in the context of national labour shortages, geopolitical instability and pressure on international food and drink supply chains. For similar reasons, agri-tech and sustainable agriculture are emerging as important growth areas for rural economies because they offer a route to both higher productivity and greater domestic resilience. The House of Lords Library notes that technologies such as precision farming, automated machinery and drone technology have the potential to improve productivity and sustainability while helping producers manage labour shortages, climate pressures and rising input costs[28].

In short, the future competitiveness of rural economies may ultimately depend on their ability to move up value chains by embracing innovation and adapting technology. Innovation in food processing, bioscience, vertical farming and regenerative agriculture are all creating opportunities for export growth and are quickly becoming higher-value rural industries – but the very high start-up costs are prohibitive for most rural dwellers[29].

That said, it is notable that unlike some knowledge-intensive services industries, most agri-tech and advanced manufacturing businesses don't depend on proximity to major urban centres. This means that with the right digital connectivity, infrastructure, skills and investment, rural areas could capture a greater share of innovation-led growth than has historically been possible – and help reverse the productivity trends observed in rural Britain over the past few decades.

SECTOR 4: TOURISM AND THE VISITOR ECONOMY

Within rural areas, GVA from tourism is estimated at £11.5 billion – around 4% of total rural GVA – based on the most recently available rural-specific estimate[30]. Outside of tourism-labelled businesses, the visitor economy also drives spending on accommodation, food services, retail, transport and local attractions, accounting for a further 10% of GVA in rural areas[31], meaning tourism's impact extends well beyond the direct supply chain.

Tourism is important in rural areas because it often creates demand in places where other sources of economic activity are limited, with visitors helping to sustain shops, pubs, restaurants, attractions and local transport links. For example, evidence submitted by the Holiday Park and Resort Innovation Practice and Association (HARPA) estimates that holiday parks and campsites contribute £7.2 billion in GVA to the UK economy and support almost 227,000 full-time equivalent jobs. Because many of these businesses are located in rural and coastal communities, they help to sustain supply chains and economies in areas that may otherwise struggle to attract investment.

Tourism also plays a significant role in rural labour markets. Although rural areas account for a smaller absolute number of tourism jobs than urban areas (0.6 million

[28] House of Lords Library, The Rural Economy, (research briefing, December 2024).
[29] National Innovation Centre for Rural Enterprise, Submission to the Green Paper "Invest 2035: The UK's Modern Industrial Strategy, (consultation response, November 2024).
[30] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[31] Ibid.

versus 2.6 million), the sector represents a larger share of local employment, accounting for 15% of jobs in rural areas compared with 11% in urban areas[32]. This makes tourism a disproportionately important employer in rural economies but also exposes these areas to the sector's structural weaknesses. Rural tourism is often highly seasonal, meaning income and employment can fluctuate significantly across the year[33]. Many tourism roles are also concentrated in hospitality and accommodation where wages and job security can be weaker than in higher-productivity sectors[34].

As highlighted in Marjon University's *Pretty Poverty Report*, over 70% of hospitality roles pay below the Living Wage while part-time roles account for more than 40% of employment[35]. These characteristics can make it more difficult for employers to attract and retain staff, particularly in labour markets where workers have alternative employment options. This is reflected in Cumbria Tourism's *2022 Sector Survey* which revealed that 73% of tourism businesses are facing challenges in hiring staff, with more than half describing this as a significant problem and 78% citing a lack of applicants[36].

Tourism also creates place-based tensions. While it can support economic growth, employment and investment, it can simultaneously increase pressure on housing, infrastructure and local services, particularly in National Parks, Areas of Outstanding Natural Beauty, coastal communities and other high-amenity rural areas. The very attributes that make these places attractive to visitors can intensify competition for land and housing, driving up costs and making it more difficult for residents and workers to remain in the area[37].

As a result, rural tourism often leads to a paradox whereby economic success is accompanied by affordability and labour market challenges. This is evident in both Cornwall, where tourism generates more than £2 billion annually and supports around one in five jobs across the county[38], and Devon where tourism supports around 10% of the local economy[39]. The popularity of these destinations helps sustain local businesses and employment but has simultaneously increased demand for second homes, holiday lets and seasonal accommodation, placing more pressure on already constrained housing markets and making it more difficult for tourism businesses and other local employers to recruit and retain staff.

It is also notable that the success of tourism hotspots is often determined by the availability of public transport. In Shropshire, for example, where the economic value of tourism topped £1 billion for the first time in 2025[40], economic activity is largely concentrated in areas where bus and train services survived, following a 65% reduction in services over the past decade. Where additional summer bus routes servicing the Shropshire Hills, microbreweries and night-time economy destinations have been introduced, there has been a spike in visitor numbers, evidencing how extra transport options can help to meet latent demand.

In summary, tourism is both a strength and a vulnerability for rural economies. It brings spending, employment and demand into areas that may have few alternative growth sectors, but its reliance on seasonal

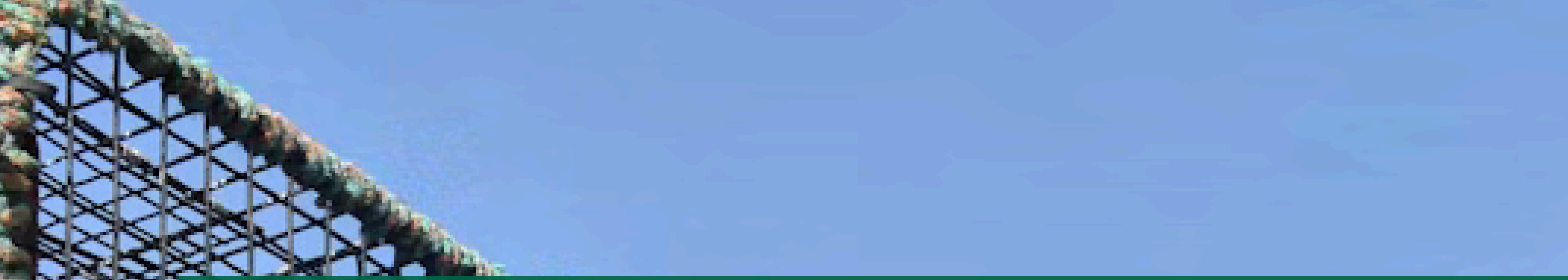
[32] Ibid.
[33] Pragmatix Advisory for the Rural Coalition, Reigniting Rural Futures: Rural Communities' Capacity to Boost Economic Growth (research report, May 2024).
[34] Ministry of Housing, Communities & Local Government, English Indices of Deprivation 2025: Rural Report, (official statistics, October 2025).
[35] Tanya Ovenden-Hope, Victoria Brown and Elpida Achtaridou, The Pretty Poverty Report: Cornwall Rurality Matters (academic report by Plymouth Marjon University & Diocese of Truro, September 2025).
[36] Cumbria Tourism, Business survey reveals continuing challenges for tourism operators (survey report, September 2022).
[37] Parliamentary Office of Science and Technology, Issues facing rural communities, (horizon scanning, November 2024).
[38] Cornwall Council, State of the Economy in Cornwall and Isles of Scilly, (survey report, August 2023).
[39] Stephen Essex and Mark Brayshay, Devon Tourism: The story of the county's leviathan, (academic report by the University of Plymouth, January 2019).
[40] BBC News Shropshire, County's visitor economy tops £1bn for first time, (news story, March 2026).

demand, lower-paid roles and constrained labour supply means it doesn't always translate into high-productivity or high-wage growth. Future national and local government policy should purposefully seek to maximise the economic contribution of rural tourism while ensuring that its benefits do not come at the expense of workforce retention, housing affordability or community sustainability.

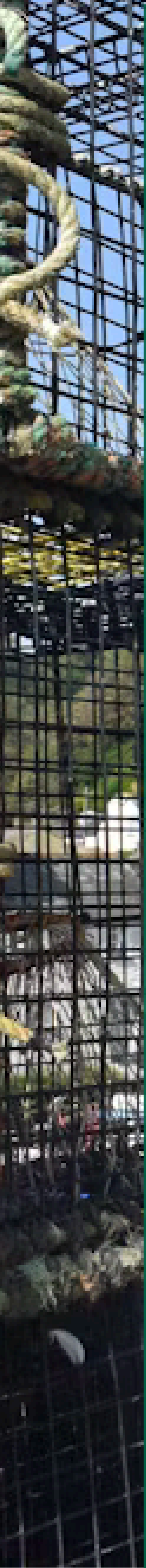
CONCLUSIONS

These key sectoral trends reveal the extent to which rural economies are undergoing structural transition. While traditional sectors such as agriculture and tourism remain central to rural identity, land use and local employment, they are no longer sufficient on their own to drive long-term economic growth. Instead, rural prosperity is increasingly tied to diversification, manufacturing, innovation, property and environmental markets (see Chapter 7 for more insights into this emerging sector).

At the same time, many of the newer sectors that now underpin rural economies face structural challenges. Smaller business sizes, lower rates of high-growth enterprise, labour shortages, seasonal employment and weaker connectivity all continue to constrain productivity and investment. The challenge for the Government, therefore, is not only how to preserve and grow traditional industries, but how to create the conditions that allow rural economies to diversify, innovate and scale in a comparative fashion to their urban counterparts.



POLICY RECOMMENDATIONS: SECTORAL PERFORMANCE AND FUTURE OPPORTUNITIES



5. Create a bespoke rural innovation and productivity programme.

The Government should establish a dedicated rural innovation programme to support high-growth sectors including agri-tech, food processing, robotics, bioscience, precision agriculture, regenerative agriculture, sustainable forestry, advanced manufacturing, modern methods of construction and housing retrofit. Together, these sectors have the potential to improve productivity, strengthen domestic supply chains, reduce import dependency and support the transition to a more innovative and resilient rural economy.

6. Separately consider rural Britain in the Government's tourism strategy.

The Government should seek to support rural and coastal tourism by developing policies to extend visitor seasons, increase year-round employment and improve tourism-based productivity. The Government should also ensure rural voices are part of the Visitor Economy Advisory Council.

7. Ensure any tourism levies benefit local economies.

Where visitor levies or tourism charges are introduced, revenues should be transparently reinvested in the local communities and visitor economies that generate them. Affected rural communities should be consulted throughout the development and implementation of these levies to avoid any backlash.

CHAPTER THREE: ENTERPRISE, INVESTMENT AND BUSINESS GROWTH

While examining the sectoral composition of the rural British economy may partially explain the rural productivity gap, the performance of rural economies is also shaped by the wider business environment in which rural firms operate.

In this regard, we should be clear that rural businesses don't simply face the same challenges as urban businesses but in a different location. Rather, the challenges of smaller local markets, more dispersed populations, higher transport costs, housing pressures and weaker access to finance all affect the ability of rural firms to invest, innovate and grow at scale. Addressing these constraints will require policy interventions designed specifically around the realities of rural economies, rather than approaches developed primarily for urban areas.

THERE ARE LOTS OF RURAL BUSINESSES – BUT THEY ARE SMALL

Small and micro-businesses are a defining feature of rural economies, accounting for a substantial share of business activity and employment. As of July 2024, around 24% of UK businesses are located in rural constituencies, with higher business density (i.e. businesses per person) than in urban areas[41]. Government data shows there were 47 businesses per 1,000 people in rural constituencies, compared with 39 per 1,000 in urban constituencies[42]. As NICRE's submission highlighted, rural businesses in England alone employ over 4.2 million people.

However, the character of rural enterprise differs from that found in many urban economies. Rural businesses are typically smaller, more locally embedded and more likely to operate in dispersed markets. Data from DEFRA's *Statistical Digest of Rural Areas* shows that, in predominantly rural areas, 17% of registered SMEs have no employees, compared with 8% in urban areas, while 74% employ between one and nine people[43]. Lincolnshire County Council's submission to this inquiry estimated that 98% of businesses in the area are classified as micro or small enterprises, underlining the extent to which rural enterprise is shaped by owner-managed and very small firms. This makes business ownership an important route into employment and income generation.

However, the strength of the rural business base doesn't translate into higher productivity or business growth. Average turnover per person employed is lower among rural registered SMEs at £148,000, compared with £248,000 per person among urban registered SMEs[44]. At the same time, the proportion of high-growth businesses – defined as firms achieving average annualised growth of 20% over a three-year period – has consistently been lower in predominantly rural areas than in urban areas[45]. The result is that strong levels of entrepreneurship do not always translate into higher rates of business growth.

Yet, businesses established in rural areas tend to survive for longer. In predominantly rural authorities, 95% of business start-ups

[41] House of Commons Library, Support for rural businesses, (research briefing, 16 June 2025).
[42] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[43] Ibid.
[44] Ibid.
[45] Ibid.

remained active after one year, compared with 94% in predominantly urban areas. The difference becomes more pronounced over time: the five-year business survival rate in predominantly rural areas stands at 45%, compared with 37% in predominantly urban areas (excluding London)[46]. In short, while rural economies produce fewer start-ups and fewer high-growth firms in total, they often produce more stable and resilient businesses over the mid-to-long term.

This points to what can be described as the 'rural enterprise paradox': rural areas have a dense and active business base, characterised by high levels of entrepreneurship and business ownership, yet many firms remain small, record lower turnover per worker and experience greater barriers to scaling. As Professor Ward explained in his submission, many rural enterprises face a "*low volume, high cost*" problem, particularly in retail, hospitality and professional services where fixed costs are comparable to urban businesses but customer bases are far smaller. The challenge, therefore, is creating the conditions that would allow successful businesses to expand, innovate and achieve higher levels of productivity.

INADEQUATE RURAL ACCESS TO FINANCE AND INVESTMENT

Access to finance is also a critical part of the picture. Research from the British Business Bank shows that smaller businesses in rural areas are less likely to use debt products such as loans and overdrafts, often due to weaker credit profiles, limited collateral and lower confidence in securing finance. Rural businesses also tend to be less confident in their ability to apply successfully for funds and are less likely to receive the full amount requested when they do[47].

Capital provisions in rural areas are also rarely accompanied by the advice, brokerage and practical support firms require to become investment-ready and identify the finance products best suited to their needs. As the LRRG's first report on rural poverty highlighted, financial exclusion in rural areas is not only caused by limited availability of finance, but by the limited presence of statutory and advisory services which help residents and businesses understand, navigate and access financial support[48].

Arla Foods' submission to this inquiry highlighted the unique difficulties that rural, agricultural co-operatives face in accessing external capital. Unlike investor-owned businesses, co-operatives are generally unable to raise equity finance, limiting their ability to access the capital needed for investment in capital-intensive sectors such as food processing, agricultural technology and infrastructure.

Evidence submitted by Müller also noted that the rural business environment is often characterised by long investment horizons, high fixed costs and greater exposure to infrastructure disruption, meaning that changes to taxation and business costs can have a disproportionate effect on investment decisions. This is particularly relevant in sectors where businesses must commit significant capital before returns are realised.

Evidence submitted by the British Farming Union (BFU) reinforced these concerns. The BFU described an operating environment with limited access to capital, increasingly risk-averse lending practices and high upfront costs associated with diversification into tourism, food processing and/or renewable energy. Its submission suggested that some lenders now consider agricultural lending to be too high risk, reducing the availability of finance for investment at a time when many businesses are being encouraged to diversify and modernise.

[46] Ibid.
[47] British Business Bank, Nations and Regions Tracker 2025, (statistical tracker, October 2025).
[48] Labour Rural Research Group, Rural Poverty in Rural Britain, (research report, March 2026).

Stakeholders also questioned whether the UK's current tax regime adequately incentivises long-term capital investment by rural businesses. The National Farmers Union (NFU), for example, said that while the Government has identified water storage infrastructure as increasingly important for food production and climate resilience, the current capital allowance framework for farm reservoirs only provides limited support for such investments. The NFU suggested that reforms to capital allowances could accelerate investment in infrastructure which supports both productivity growth and environmental adaptation.

Other inquiry submissions suggested that financial barriers are compounded by industry norms. The Nature Friendly Farming Network (NFFN) said that short-term contracts and supply chain pressures often leave farmers carrying a disproportionate share of risk, reducing their capacity to invest, innovate and diversify. While evidence submitted by The Lifescape Project suggested that existing lending and support mechanisms are still heavily geared towards traditional agricultural activity, limiting investment in diversification practices such as habitat restoration, forestry, ecotourism and environmental land management.

However, the geographical expansion of the British Business Bank's *Nations and Regions Investment Funds*, aligned with the UK's Modern Industrial Strategy, presents a significant opportunity to support investment and business growth across rural economies. By extending access to finance beyond traditional urban centres, these funds have the potential to unlock investment in smaller firms, microbusinesses and entrepreneurs that play such a vital role in rural communities.

Evidence submitted by County Durham Economic Partnership helps to illustrate the benefits of tailoring support to local areas. The Partnership described how funding from the Rural England Prosperity Fund enabled the Council to work with NICRE to develop a bespoke rural business support framework. This initiative helped to identify sector-specific productivity challenges, to strengthen engagement with local businesses and to reach firms that wouldn't typically access mainstream support services.

This demonstrates how targeted investment and locally-designed support can help to unlock the growth potential of rural businesses. More broadly, it suggests that programmes are likely to be most effective when they combine access to funding with delivery models that reflect the distinctive characteristics and opportunities of rural economies.

UNIQUE ADDITIONAL PRESSURES OF TAXES AND EXPENDITURE

Business rates remain a key concern for firms that rely on physical premises including hospitality, retail, tourism, manufacturing and community enterprises.

The Countryside Alliance specifically highlighted the impact of business rates on rural hospitality and leisure businesses. While welcoming the Government's 15% business rates discount for pubs and live music venues and the freezing of business rates in real terms for two years[49], Countryside Alliance argued that similar pressures affect cafés, restaurants and other visitor-facing businesses which play an important role in supporting local employment, tourism and service provision but sit outside of the current scope of government support.

[49] HM Treasury, Pubs and Live Music Venues Relief (news story, January 2026).

This concern was echoed in our focus groups. Participants linked the decline of local high streets and the closure of independent businesses to the financial pressures facing smaller firms. Some questioned whether the business rates relief available to charity shops could be extended to independent local businesses, arguing that this could help to sustain a more diverse mix of shops and services while supporting the long-term viability of rural communities.

Concerns about the structure of the business rates system were also raised by Professor Ward who noted that while agricultural land and buildings are largely exempt from business rates, diversified activities carried out on farm premises are generally rateable. This creates what he described as a *"fiscal cliff"* whereby enterprises face a sudden increase in tax liability when diversifying beyond traditional agricultural uses. In his view, this system discourages experimentation and business growth, particularly among smaller rural enterprises seeking to diversify their income streams to remain resilient.

Labour costs were identified as another growing pressure. The Countryside Alliance described payroll as one of the largest costs facing many rural businesses and suggested that increases in employer National Insurance contributions have a disproportionate impact on firms operating on relatively low margins. Similar concerns were raised by Lincolnshire County Council which estimated that recent National Insurance changes had added approximately £13 million to the county's agriculture businesses and £70 million to the county's wider food supply chain.

Again, these concerns were reflected in our focus groups where participants described National Insurance increases as part of a wider accumulation of costs facing employers alongside business rates, rising energy bills and other operating expenses. For some, these combined pressures raised questions about the viability of running a small business or taking on additional staff:

> ***"If you want to employ someone, the national insurance hike has put loads of people off, especially in trades round here like hospitality. It costs a lot to employ a person now, added to the additional building costs... and then you add business rates on top. Why would you run a business?"***
>
> ***Rural voter, female***

Across submissions, stakeholders also questioned the potential impact of visitor economy taxes and charges on rural and coastal economies. While such measures are often intended to generate additional revenue and/or to help manage visitor pressures, concerns were raised about the potential effect on visitor behaviour, local spending and the viability of businesses operating in tourism-dependent communities.

HARPA provided one example of these concerns, suggesting that under the tourism levy proposals in Wales, families staying in their own touring caravan or motorhome could face a 26% increase in costs. The organisation argued that such increases could discourage longer stays and reduce visitor spending, with potential knock-on effects for the wider visitor economy and the rural businesses that rely upon it. Across all stakeholder groups, it was made clear that any extra money generated through visitor levies should be linked back to the local economies which generated this extra funding.

DESPERATE NEED FOR BOLD PLANNING REFORM

Alongside finance and operating costs, planning and regulatory systems play an important role in shaping rural business growth. Businesses often require planning consent to diversify, expand premises, develop visitor accommodation, install renewable energy infrastructure or modernise production facilities. As a result, the speed, predictability and consistency of planning decisions can have a significant influence on investment behaviour.

Evidence from the Rural Services Network's *Rural Realities Survey* highlighted the importance of effective planning to rural economic performance. Respondents to this survey consistently identified planning restrictions as a barrier to business development, innovation and local job creation, with some businesses reporting that they had considered relocating to urban areas where opportunities for expansion were perceived to be greater.

The practical implications of these concerns are particularly evident in land-based industries where investment decisions are often dependent on planning approval. The NFU's submission to this inquiry highlighted concerns about lengthy approval processes for horticultural developments and large-scale glasshouse projects, arguing that delays discourage investment and modernisation. Given that a significant proportion of the UK's greenhouse infrastructure is ageing (around 70% of UK greenhouses are more than 40 years old), the NFU argued that more efficient and streamlined planning processes are required if domestic food production is to remain competitive.

However, other stakeholders cautioned against reforms that erode environmental protections. The NFFN, for example, argued that planning decisions should continue to consider impacts on biodiversity, water quality and wider environmental outcomes, warning that poorly planned development can create long-term costs for both communities and businesses. Multiple local council submissions also highlighted the need to balance growth objectives with local residents' priorities and environmental aspirations.

Across submissions to this inquiry, stakeholders generally welcomed the Government's proposed reforms to the National Planning Policy Framework and the intention to create a clearer and more streamlined planning system. The NFU, for example, welcomed measures such as the strengthened presumption in favour of sustainable development, greater recognition of rural enterprise and stronger support for agricultural water infrastructure, arguing that these reforms could help unlock investment, productivity and long-term resilience within the farming sector.

The wider lesson is that planning should be viewed as a critical part of the infrastructure that enables investment. Where planning systems are efficient, predictable and responsive to local circumstances, they play an important role in supporting business growth and diversification. Where they are slow, uncertain or inconsistent, they quickly become a constraint on investment, productivity and economic resilience.

CONCLUSIONS

The evidence suggests that rural businesses are often entrepreneurial, resilient and deeply embedded within their communities, yet many operate in environments that make it harder to invest, innovate and expand. In a difficult operating environment, businesses tend to prioritise resilience over rapid growth.

While access to finance remains important, stakeholders consistently highlighted the interaction between finance, taxation, planning, infrastructure, housing and workforce availability as factors influencing business performance.

What is needed is an environment in which existing rural firms can grow, diversify and achieve higher levels of productivity. This requires moving beyond a generic SME framework and recognising the distinct circumstances in which many rural businesses operate. If any of the barriers identified in this chapter can be reduced, rural firms will be better placed to contribute to national objectives around productivity, growth, resilience and regional development.

POLICY RECOMMENDATIONS: ENTERPRISE, INVESTMENT AND BUSINESS GROWTH

8. **Create a rural business scaling programme.**
The Government should establish a dedicated rural business growth programme focused on helping existing rural firms scale, invest, digitalise, export and adopt new technologies. This will help to turn micro businesses into SMEs, and SMEs into larger companies.

9. **Tailor aspects of British Business Bank delivery towards rural firms.**
The British Business Bank's Nations and Regions Investment Funds should include specific rural outreach, brokerage and investment-readiness support so that finance reaches microbusinesses, co-operatives, family firms and land-based enterprises. Banks should also be encouraged to review their lending approaches to rural businesses.

10. **Accelerate the business rates review for rural enterprises.**
The Government needs to urgently review how business rates apply to diversified rural and farm-based businesses, including whether a tapered transition could avoid the "fiscal cliff" identified in evidence.

11. **Expand permitted development rights for farm diversification and water storage.**
The Government should significantly expand permitted development rights (PDRs) to support farm diversification and enable the construction of larger on-farm reservoirs, including in national parks.

12. **Strengthen planning capacity and ensure it understands rural Britain.**
In addition, planning authorities should be supported to process rural business, horticulture, renewable energy, visitor accommodation and other diversification applications more quickly and predictably, while maintaining environmental safeguards. The current commitment to training 300 more planners isn't ambitious or tailored enough.

CHAPTER FOUR: WORKFORCE, SKILLS AND LABOUR SUPPLY

At first glance, conventional labour market indicators suggest that rural economies are performing strongly. In 2023, employment rates in predominantly rural inland constituencies reached 78.2%, the highest of the constituency types analysed by the House of Commons Library[50]. In 2024, DEFRA estimated that the employment rate among 16 to 64-year-olds was 79% in rural areas, compared with 74% in urban areas, and that rural areas had 47 businesses per 1,000 people compared with 39 per 1,000 in urban constituencies[51].

However, the strength of these headline indicators masks a more challenging reality. Rural labour markets are not weak in the conventional sense of high unemployment, but they are constrained. In many places, the problem is not a lack of work but a lack of available workers, affordable homes, accessible training, reliable transport and enabling infrastructure. Rural economies are, therefore, best understood as labour markets operating close to capacity with limited resilience to demographic change, rising costs or service withdrawal.

DEMOGRAPHIC IMBALANCES = STRUCTURAL RISK

The rural labour market challenge is inseparable from population structure. Both smaller and larger rural areas have older age profiles than urban areas (a 50.5 and a 46.0 median age respectively, versus 38.6 in urban areas and 34.7 in London), with higher levels of retirement and a smaller share of residents of working age. In 2025, 39.2% of the rural population aged 16 and over was economically inactive, compared with only 34.4% in urban areas. This gap was largely driven by retirement: 28.6% of rural residents were retired, compared with 18.7% of urban residents[53].

This demographic pattern presents a structural risk for rural economies. As the rural population ages, local demand for health, care, transport and community services rises at the same time as the working-age population available to provide those services contracts. The result is a tightening labour market in which employers compete for a limited workforce and public services struggle to recruit. Informal caring responsibilities may also temporarily pull more working-age adults out of employment.

The House of Commons Library has noted that coastal areas face the related pressures of older populations, youth outmigration and seasonal economies[54]. The same pressures are visible across rural Britain and the risk is cumulative. A smaller working-age population reduces the local tax base, increases dependency ratios, constrains business growth and raises the cost of sustaining public services. In this sense, rural inactivity is not a discrete labour market issue – it is a signal of wider demographic imbalance.

LABOUR SHORTAGES = A PRODUCTIVITY CONSTRAINT

Evidence from NICRE's 2024 *State of Rural Enterprise* research found that one in two rural businesses reported difficulties

[50] House of Commons Library, Employment of people living in rural and coastal communities, (research briefing, January 2024).
[51] House of Commons Library, Support for rural businesses, (research briefing, June 2025).
[52] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Population Statistics', (official statistics, January 2026).
[53] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[54] House of Commons Library, Support for rural businesses, (research briefing, June 2025).

recruiting or retaining suitably-skilled staff. While labour and skills shortages affect firms across the economy, NICRE's analysis suggests that rural businesses are particularly constrained by structural factors including poor public transport, housing affordability and limited access to wider labour markets[55].

Shropshire businesses, for example, regularly tell their Chamber of Commerce that the recruitment and retention of a younger workforce remains a key barrier to growth, driven by poor availability of public transport[56]. Larger employers in the area like Müller arrange bespoke coaches to collect workers from nearby towns, but smaller businesses don't have the resources to fill this connectivity gap.

These shortages have implications that extend beyond day-to-day recruitment. NICRE found that difficulties attracting and retaining staff can restrict firms' ability to serve existing customers, take on new business, adopt new technologies and develop new products or services[57].

The impact is, therefore, not only operational. Labour shortages quickly become a productivity constraint. The APPG for Rural Business and the Rural Powerhouse estimated in 2023 that the rural economy is 19% less productive per worker than the national average and argues that long-term underinvestment in infrastructure, connectivity and workforce capacity has limited the ability of rural economies to realise their full potential[58]. While estimates vary depending on methodology and geography, the evidence consistently points to labour market constraints as an important contributor to the productivity gap.

At the same time, submissions to this inquiry highlighted opportunities to make better use of underutilised labour pools. Lincolnshire County Council, for example, identified the county's large ex-forces population as a significant but often overlooked economic asset. The Council suggested that former service personnel possess engineering, technical, digital and leadership skills which align closely with the needs of sectors such as agri-tech, food production, logistics, renewable energy and defence. Targeted retraining and transition support could, in instances like this, help to address labour shortages while supporting the adoption of new technologies and higher-value economic activities.

SKILLS DEVELOPMENT = AN UNDERINVESTED NECESSITY

Rural economies have a high concentration of microbusinesses, self-employed workers and SMEs, many of which operate with limited management capacity and financial resources. While these firms are often resilient and deeply embedded within their communities, their size can make it more difficult to absorb the costs, administrative requirements and staff time associated with workforce development and formal training programmes. This means that many of the businesses most in need of skills development are often the least able to invest in it.

Access to skills and training opportunities is further constrained by the geography of rural areas. The APPG for Rural Business and the Rural Powerhouse's inquiry into rural productivity found that work placements, apprenticeships and vocational training opportunities are frequently less accessible in rural communities because many employers lack the scale and capacity to support formal training programmes independently[59]. It also cited NICRE evidence that apprenticeship requirements often appear designed with insufficient

[55] National Innovation Centre for Rural Enterprise, Labour and skills availability: impacts on rural enterprise, (research report, February 2024).
[56] Shropshire ChambeR of Commerce, Quarterly Economic Survey Results, (survey report, June 2026).
[57] National Innovation Centre for Rural Enterprise, Labour and skills availability: impacts on rural enterprise, (research report, February 2024).
[58] APPG for Rural Business and the Rural Powerhouse, The Rural Premium, (research report, April 2023).
[59] APPG for Rural Business and the Rural Powerhouse, Levelling up the rural economy, (research report, April 2022).

recognition of the higher financial and time costs facing many non-land-based rural businesses[60].

The scale of these challenges also varies across different parts of the UK. Müller noted that Scotland lacks a levy-based apprenticeship model comparable to arrangements elsewhere in the UK, creating additional challenges for employers seeking to invest consistently in workforce development. This illustrates how institutional arrangements can influence the ability of rural businesses to build skills pipelines and respond to labour market shortages. These constraints ultimately weaken local skills pipelines and reduce opportunities for young people seeking to remain and work within rural communities. They also limit the ability of employers to recruit and train workers in response to local labour shortages.

The APPG for Rural Business and the Rural Powerhouse inquiry identified a number of approaches that could help address these challenges, including shared apprenticeship schemes, community apprenticeship models and stronger partnerships between employers, colleges and training providers[61]. Such approaches could allow apprentices to work across multiple businesses, helping smaller firms share supervision, administrative responsibilities and training costs while broadening opportunities for learners.

Reducing public transport costs and increasing its availability would also help non-drivers, young and old, to access employment. However, as NICRE noted in its submission, approaches to workforce development and skills provision that are effective in urban areas are not always transferable to rural contexts, where lower population and business density can make training provision less viable and reduce opportunities for employer engagement.

YOUTH RETENTION = AN IMPOSSIBLE DREAM?

The future rural workforce depends on whether young people can see a viable future living and working in rural communities. Youth outmigration is often framed as a natural life-stage pattern – young people leave for education, work and wider social opportunities. However, the challenge facing many rural areas is not simply that young people leave, but that many cannot afford to stay and may struggle to return later in life.

Stakeholder submissions suggest that concerns about economic opportunity remain widespread in rural communities. Research conducted by the Fabian Society for the *Commission on Poverty and Regional Inequality* found that just 14% of residents in rural England believed local job prospects and economic opportunities had improved in recent years[62]. Our focus groups echoed these findings. Participants often described a perceived narrowing of training and employment opportunities, particularly for younger people entering the workforce. One male participant from the North West reflected on the decline of the kinds of entry-level jobs that had once provided a first step into employment. He linked this to the contraction of both the tourism sector and local high streets, arguing that Saturday jobs, seasonal work and other opportunities traditionally available to young people had become far less common. This suggests that many rural areas continue to be perceived as offering limited pathways into employment and career progression.

A combination of economic and social factors appears to shape these perceptions. Data from Campaign to Protect Rural England (CPRE)'s *Young People in Rural*

[60] Ibid.
[61] Ibid.
[62] Fabian Society, A Good Life in All Regions (research report, July 2023).

Areas report found that affordable housing was the single greatest concern for 72% of rural young people. Among those considering leaving their communities, 86% cited infrequent or unreliable public transport, 84% highlighted loneliness and social isolation, and 76% pointed to poor digital connectivity[63]. The House of Lords Library has similarly reported that many young people feel compelled to leave rural areas because of housing costs, poor connectivity, limited transport options and restricted employment opportunities[64]. These pressures can be particularly acute for young people from minority or marginalised backgrounds who may face additional barriers to participation and opportunity.

What emerged from our focus groups was the gradual but notable loss of local amenities and community infrastructure which help to make places attractive to younger residents and families. One participant observed:

> ***"They are building little pockets of houses where you lose community because there's no schools, there's no shop, there's no post office, there's no playground, no place for people to come together...So people end up leaving."***
>
> ***Rural voter, female***

Youth outmigration is, therefore often, linked to more than employment opportunities alone. It reflects a combination of housing affordability, transport accessibility, social infrastructure and the availability of local services that together shape whether younger people can build long-term lives within rural communities[65].

These dynamics are particularly visible in places like Cornwall. Evidence submitted by Cornwall Council noted that people aged over 50 account for 47.8% of net migration into the county from elsewhere in the UK, while significant numbers of younger people leave each year for destinations such as Bristol, Plymouth, Exeter and London. At the same time, average salaries in Cornwall are estimated to be around 12% below the UK average while part-time work accounts for more than 40% of employment[66]. Together, these factors can make it more difficult to attract and retain younger workers, particularly in sectors competing for skills with larger urban labour markets.

Stakeholders also highlighted the role of seasonality in shaping workforce retention. HARPA suggested that highly seasonal employment patterns can constrain productivity and limit the availability of stable year-round careers in some visitor economies. It suggested that extending visitor seasons and diversifying tourism offers could help strengthen local labour markets, create more permanent employment opportunities and improve the retention of younger workers.

THE RISE OF THE REMOTE WORKING ECONOMY

An interesting phenomenon within this context is the rise of homeworking. During the focus groups for this report, participants described how, since the pandemic, rural

[63] Campaign to Protect Rural England, Young People in Rural Areas, (survey report, October 2021).
[64] House of Lords Library, Rural communities: Issues and support, (horizon scanning, October 2024).
[65] APPG for Rural Business and the Rural Powerhouse, Levelling up the rural economy, (research report, April 2022).
[66] Cornwall Council, State of the Economy in Cornwall and Isles of Scilly, (survey report, August 2023).

areas have attracted new residents who work remotely in professional and knowledge-based occupations.

"Round here, it's generally office jobs or working from home. I've got a neighbour who actually works with a company in Canada so he is completely working from home."

Rural voter, male

This was generally viewed as a positive development, bringing additional spending power and investment into local communities, although some participants raised concerns about extra pressure on already-constrained housing markets.

The progress made in connecting rural areas to digital infrastructure has enabled more professional and knowledge-based workers to live in rural areas while maintaining employment linked to urban centres and even international employers. This shift has the potential to strengthen rural economies by increasing local spending, broadening the local skills base, supporting entrepreneurship and enabling more flexible patterns of work.

However, these benefits are neither automatic nor evenly distributed. Areas with weaker digital infrastructure, limited affordable housing or less developed business networks may struggle to capture the full economic gains associated with remote and hybrid working. Ensuring that these opportunities contribute to inclusive rural growth will, therefore, require targeted investment in digital connectivity, alongside support to equip people with the digital skills needed to make the most of remote and hybrid working, planning policies that support affordable housing, and initiatives that better integrate remote workers into local economies and business communities.

CONCLUSIONS

Rural labour markets are economically significant, entrepreneurial and resilient, but increasingly constrained by structural pressures. But high employment rates should not be mistaken for spare capacity. In many rural areas, they indicate the opposite: labour markets are operating close to their limits, with too few available workers and too many barriers preventing people from living, training and working locally.

Therefore, the employment challenge facing rural communities is not a narrow labour market problem. It is the product of demographic ageing, youth outmigration, housing unaffordability, weak transport, uneven digital connectivity, limited training access and growing care needs. These pressures interact with one another, creating a cumulative constraint on growth.

Doing nothing will be costly. It risks creating unsustainable communities where businesses cannot grow, services cannot recruit and workers cannot afford to stay. Labour market constraints, therefore, sit at the heart of the rural productivity gap.

POLICY RECOMMENDATIONS: WORKFORCE, SKILLS AND LABOUR SUPPLY

13. **Develop a rural workforce strategy.**
The Government should develop and publish a rural workforce strategy focused on seven key enabling factors: recruitment, retention, skills, housing, transport for work, childcare and older-worker participation. These are common enabling issues across rural Britain which, separately and together, limit rural economic growth. As part of this work:

- **Improve access to rural further education and vocational training.** The Government should push Skills England, local authorities and colleges to work together more effectively to expand rural access to technical, digital, construction, engineering, care, food production, land management and low-carbon skills, among others.

- **Target underused labour pools.** The Government should develop retraining and transition programmes for groups with relevant skills including ex-service personnel, older workers, returners to work and people seeking flexible or part-time employment.

- **Recognise childcare as labour market infrastructure.** Rural childcare provision should be treated as a workforce participation issue, particularly for parents and carers in areas with limited flexible employment and poor transport access. Childcare remains a critical enabler for growing rural economies.

CHAPTER FIVE: INFRASTRUCTURE AND CONNECTIVITY

gigabit connectivity than their urban counterparts, restricting opportunities to adopt digital technologies, embrace flexible working models and access new markets[69].

These disparities have wider economic consequences. The Federation of Small Businesses (FSB) has argued that digital infrastructure is increasingly a prerequisite for business competitiveness, innovation and workforce participation, particularly as firms adopt hybrid working models and digital service delivery[70]. In many rural areas, connectivity challenges continue to discourage business investment, limit access to skilled workers and reduce the attractiveness of locations for entrepreneurs and growing firms. As a result, digital exclusion increasingly translates into economic exclusion.

Digital connectivity is also becoming increasingly important to workforce participation. Reliable broadband and mobile coverage support remote and hybrid working, enable access to education and training, and allow businesses to recruit from a wider labour market. As a result, digital infrastructure now influences not only business productivity, but also the ability of rural areas to attract and retain working-age households.

Evidence submitted to the inquiry reinforces these concerns. The NFU's *Digital Access Survey* found that 91% of respondents considered broadband essential to their business, yet many reported little improvement in fibre broadband availability. In its submission, the

[67] APPG for Rural Business and the Rural Powerhouse, Levelling up the Rural Economy (research paper, April 2022).
[68] Ofcom, Connected Nations 2024: Coverage and Speeds (statistics report, November 2025).
[69] Ibid.
[70] Federation of Small Businesses, The Growth Belt: Supporting Rural Small Businesses (research paper, April 2024).

organisation highlighted both the high cost of connection and a lack of commercial incentives for providers to serve more remote locations, citing one member who had been quoted more than £50,000 for a broadband connection.

Similarly, the Association of Convenience Stores' (ACS) *2026 Rural Shop Report* highlighted poor mobile coverage and unreliable broadband as persistent barriers to rural business growth, with retailers reporting slower transactions, reduced efficiency and poorer customer experiences[71]. As Müller noted in its submission, "*reliable connectivity is now basic economic infrastructure*" and is increasingly fundamental to addressing the rural-urban productivity gap.

Government investments through Project Gigabit and the Shared Rural Network demonstrates growing recognition of connectivity as a strategic economic issue. Stakeholders generally welcomed the progress delivered through both schemes but continued to highlight concerns around delivery timescales, commercial viability in sparsely populated areas, and the risk that the hardest-to-reach communities will be the last to benefit from infrastructure upgrades[72].

GETTING TO AND FROM ECONOMIC OPPORTUNITIES IS TOO HARD

Transport connectivity presents an equally significant challenge. Rural economies are inherently more dependent on transport infrastructure because employment, education, healthcare, retail and public services are typically more dispersed than in urban areas. Consequently, poor transport connectivity has a disproportionate impact on labour market participation and business performance.

This is especially true in non-mayoral areas which have been slower to engage with and benefit from England's evolving devolution agenda. Despite evidence consistently showing that fragmentation between bus, rail and other transport services is a primary barrier to effective connectivity, in most parts of rural England, these services are not integrated properly across operators or local authorities. Declining bus provision has amplified isolation, reinforcing the need for funding and appraisal approaches that value socio-economic outcomes alongside demand.

The APPG for Rural Business and the Rural Powerhouse's *Rural Premium* report found that 30% of rural businesses experiencing recruitment difficulties cited remote location and poor transport links as barriers to attracting staff, compared with only 4% of urban firms[73]. Similarly, NICRE's research on labour and skills availability identified transport accessibility as one of the primary factors contributing to recruitment challenges and workforce shortages across rural businesses[74].

Research by the National Institute of Economic and Social Research (NIESR) highlights substantial disparities in transport connectivity across the UK, with rural areas – and especially non-mayoral rural areas – experiencing weaker public transport provision and poorer access to employment centres than urban locations[75]. This limits access to jobs, education and training opportunities while also increasing costs for businesses and workers. The Parliamentary Office of Science and Technology has similarly warned that transport inequality risks widening regional disparities in economic opportunity and social mobility over the long term[76].

According to NICRE's 2023 survey, rural

[71] The Association of Convenience Stores, 2026 Rural Shop Report, (sector report, February 2026).
[72] Country Land and Business Association, CLA issues Labour with ambitious programme to help power growth, (press release, July 2024).
[73] APPG for Rural Business and the Rural Powerhouse, The Rural Premium, (research report, April 2023).
[74] National Innovation Centre for Rural Enterprise, Labour and skills availability: impacts on rural enterprise, State of Rural Enterprise Report No. 7, (research report, February 2024).
[75] National Institute of Economic and Social Research, Transport Connectivity in the UK: Regional Disparities and Policy Pathways (policy paper, December 2024).
[76] Parliamentary Office of Science and Technology, Regional Disparities in Transport, (horizon scanning, May 2025).

firms were significantly more likely than urban firms to identify place-based constraints affecting expansion and investment. Around 39% of rural businesses identified inadequate transport services and infrastructure as a significant challenge, compared with 26% of urban firms[77].

Reflecting this trend, our focus groups revealed how car ownership is viewed not as a convenience but as a necessity for rural dwellers. Every participant owned a car, and all those working outside the home relied on driving to reach their place of employment, to varying degrees. This dependence reflected a widespread perception that alternative transport options were either limited or no longer viable:

> ***"We used to have a really good bus service, every hour or hour and a half. Now there's only two buses a day from where I live into town. Most people can't work without a car."***
> ***Rural voter, male***

> ***"The trains aren't that reliable, they cancel quite often because we're in a rural location with a rural line."***
> ***Rural voter, female***

Participants frequently described the decline of local bus networks and the unreliability of rail services as having narrowed employment opportunities, particularly for younger people, older residents and people unable to drive. For many, access to work was directly tied to access to a vehicle, reinforcing concerns that poor transport connectivity can act as a barrier to economic participation in rural communities.

Stakeholders highlighted that these challenges can be particularly acute for workers employed in shift-based sectors such as manufacturing, food processing, hospitality and care. Müller's submission noted that public transport services frequently fail to align with early morning, evening or weekend working patterns, restricting access to employment for people without access to a car and reducing the effective labour pool available to employers. Meanwhile, Lincolnshire County Council noted that only 1% of employed rural residents use public transport to travel to work, highlighting the extent to which access to employment now depends on private vehicle ownership.

In response to these challenges, policymakers and industry bodies are increasingly exploring innovative approaches to rural mobility. Transport East's *Rural Mobility Centre of Excellence* has highlighted the potential of demand-responsive transport, mobility hubs, shared transport schemes and integrated first-and-last-mile solutions to improve connectivity in rural and coastal communities[78]. The Department for Transport-backed *Rural Transport Accelerator* has supported pilot projects designed to reduce isolation, improve access to employment and create more sustainable transport options for rural residents[79]. These initiatives demonstrate that innovation alongside investment can

[77] National Innovation Centre for Rural Enterprise, The Rural Economy Post-Pandemic: Opportunities and Barriers for Business Growth, (research report, January 2024).
[78] Transport East, Rural Mobility Survey, (survey report, February 2023).
[79] Connected Places Catapult, Rural Transport Accelerator, (guidance, April 2024).

begin to address the structural challenges associated with serving dispersed populations.

Another practical policy to consider is the introduction of a targeted financial incentive for local authorities that agree to work in partnership with a neighbouring authority on transport integration. This could take the form of a modest, time-limited budget uplift or access to a coordination fund, triggered by a formal agreement to collaborate on bus and rail integration, network planning or cross-boundary connectivity. This approach would reduce perceived risk, encourage learn-by-doing collaboration, and act as a bridge towards deeper devolution where appropriate.

ENERGY INFRASTRUCTURE IS INADEQUATE TO SUPPORT RURAL BUSINESS GROWTH

Energy and utility infrastructure represent a further pillar of rural growth. Stakeholders consistently highlighted that energy infrastructure is not only critical to delivering the UK's decarbonisation ambitions but is also becoming a key determinant of rural economic competitiveness, business resilience and future investment.

Rural areas are expected to play a central role in delivering the UK's green energy agenda through nuclear and renewable energy generation, carbon sequestration, battery storage and low-carbon land management. However, many rural businesses and communities face significant challenges associated with grid capacity, network resilience and connection costs. For example, the CLA has argued that inadequate electricity network capacity is increasingly restricting business expansion, renewable energy development and diversification opportunities across the rural economy[80].

The issue is becoming more pressing as rural areas emerge as key contributors to national energy security. The majority of the UK's onshore renewable energy assets, including solar generation, onshore wind, anaerobic digestion and biomass facilities, are located in rural areas[81]. Evidence from Lincolnshire County Council estimates that approximately 8,500 hectares of solar development are either operational or have planning permission in the area, equivalent to around 1.2% of the county's total land area.

Several respondents suggested that while rural communities are hosting a greater share of the nation's energy infrastructure, they do not always experience the economic and infrastructure benefits associated with this investment. As the NFFN succinctly observed in its submission, *"too often, rural areas host infrastructure without seeing the benefits"*.

These themes were reflected in our focus groups, particularly among participants in Scotland where windfarms and other renewable industries were seen by some as a potential source of economic opportunity outside major cities. However, views were mixed on the extent to which these energy developments currently benefit local communities. Some participants felt that renewable projects brought indirect benefits – for example, through contractors using local hotels and services. Others saw little evidence of wider local gain.

Greater attention should, therefore, be given to how the benefits of green investment can be made more visible and more tangible for host communities, including through local supply chain agreements, community ownership or

[80] Country Land and Business Association, CLA issues Labour with ambitious programme to help power growth, (press release, July 2024).
[81] Department for Energy Security and Net Zero, UK Renewable Energy Statistics, (official statistics, September 2025).

revenue-sharing models, as well as direct benefits such as reduced energy costs. The latter is often presented as an attractive solution by policymakers who underestimate the emphasis that rural communities place on long-term jobs and opportunities, rather than short-term cost savings.

Beyond supporting economic growth, energy infrastructure is increasingly linked to community resilience. Recent analysis by the CLA has warned that climate change is placing growing pressure on rural infrastructure systems with extreme weather events exposing vulnerabilities in electricity networks, water systems and transport infrastructure[82]. More frequent flooding, heatwaves and storms can disrupt power supplies, damage infrastructure assets and increase operational costs for rural businesses. Consequently, some inquiry respondents argued that future energy infrastructure policy must focus not only on increasing network capacity, but also on improving resilience and adaptation to climate-related risks. Investment in resilient infrastructure is becoming just as important as investment in new infrastructure capacity.

CONCLUSIONS

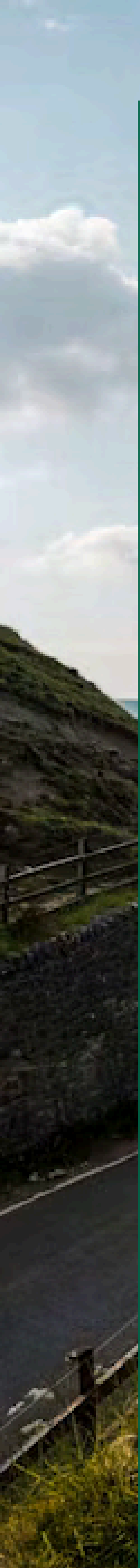
Infrastructure should not be viewed as a supporting consideration within rural economic policy. Digital connectivity, transport networks, energy systems and utilities are fundamental determinants of whether businesses can invest, workers can access opportunities and communities can participate fully in the economy.

These systems are also deeply interconnected. A rural business may benefit from improved broadband but still struggle to recruit because of weak transport links. A renewable energy project may secure planning permission but remain commercially un-viable because of grid connection delays. A community may attract new residents but struggle to accommodate growth because of inadequate utility infrastructure. Infrastructure constraints, therefore, rarely operate in isolation – they combine to create cumulative barriers to productivity, investment and economic participation.

And while the devolution agenda promises greater power and influence at the local level, and is generally welcomed by rural communities in principle, in reality, the patchwork approach is inadvertently entrenching these issues – especially in areas where there is no obvious path to a mayoralty, or where physical geographical barriers prevent strategic partnerships.

Nonetheless, improvements and better integration in digital connectivity, transport and energy infrastructure represent some of the most significant opportunities available to the Government to increase rural productivity, support business growth, strengthen labour markets and enable rural communities to contribute more fully to national growth, energy security and decarbonisation objectives.

[82] Country Land and Business Association, Billions in losses: 40°C heat and failing infrastructure: the climate warning rural Britain cannot ignore, (press release, May 2025).



POLICY RECOMMENDATIONS: INFRASTRUCTURE AND CONNECTIVITY

14. Prioritise the hardest-to-reach areas within Project Gigabit and mobile coverage programmes.

The Government should ensure that Project Gigabit and Shared Rural Network delivery partners don’t leave the most remote rural communities to the end. There should be clear milestones for rural premises and rural SMEs within the wider delivery approach, so that a wide range of technical solutions is considered and rolled out sooner rather than later.

15. Accelerate rural grid reinforcement and connection reform.

Electricity grid capacity upgrades should be prioritised in rural areas where delays are constraining renewable energy, business expansion, electrification of heat and farm diversification – which, in turn, underpin multiple national priorities.

16. Ensure rural communities benefit from new energy infrastructure.

Renewable energy projects should include local benefit mechanisms including, for example, community ownership, revenue sharing, a minimum contribution to project supply chains, community funds and reduced energy costs. These benefits should not, however, be seen as an appropriate pay-off for the biggest prize: the creation of high-quality, long-term jobs.

17. Improve rural transport links to work, training and services.

Transport planning should prioritise routes and services that connect rural residents to employment, further education colleges, healthcare, childcare, town centres and public services. This will require creative thinking and flexible business models.

CHAPTER SIX: HOUSING AND COMMUNITY SUSTAINABILITY

Housing is another fundamental determinant of rural economic growth. Rural communities need homes that are affordable, available and good quality, not only to meet social need but to sustain local labour markets, public services, schools, shops, pubs, care provision and community life.

Just as digital connectivity enables participation in modern markets and transport infrastructure connects people to jobs and services, housing determines whether workers, families and businesses can remarural places. Without the right homes in the right places, rural economies struggle to recruit workers, retain younger generations and sustain the critical mass of people needed to support local services and businesses.

A DOUBLE CRISIS: LOW AFFORDABILITY + LOW AVAILABILITY

Recent ONS data shows that the median house price in England was 7.6 times median earnings in 2025[83]. In rural areas, however, the combination of lower incomes, limited housing delivery and sustained demand has contributed to particularly acute affordability challenges. The Fabian Society's *Rural Futures* report found that detached properties in predominantly rural areas were typically valued at around 14 times local earnings, placing home ownership beyond the reach of many local workers[84]. Reflecting these challenges, NICRE's submission found that 49% of rural firms judge the availability of affordable housing in their local area to be 'poor' or 'very poor', compared to 30% of urban firms.

The *supply* of genuinely affordable rural housing also remains insufficient. Nationally, Ministry for Housing, Communities and Local Government (MHCLG) statistics show that 64,762 affordable homes were completed in England in 2024/25 including 12,198 for social rent, but starts on site remained low by recent standards at 45,418. For rural communities, the composition, location and affordability of supply matter as much as headline totals[85].

The challenge is particularly acute in smaller settlements. DEFRA's Housing Statistics for Rural England show that rural communities consistently experience lower levels of affordable housing delivery than urban areas despite often facing greater affordability pressures[86]. Meanwhile, the English Rural Housing Association estimates that the affordable housing need in rural areas is around 50% higher than in urban locations when measured relative to population size[87].

These concerns were raised during our focus groups. While participants frequently pointed to an increase in housebuilding in their local areas, many felt that new developments mainly comprised larger, more expensive properties aimed at wealthier buyers or newcomers, rather than homes that met the needs of local people seeking to get onto the housing ladder. In participants' view, developers are still not adequately incentivised or encouraged to address this common complaint.

[83] Office for National Statistics, Housing affordability in England and Wales: 2025 (official statistics, May 2026).
[84] Fabian Society, Rural Futures (research report, October 2025).
[85] Ministry for Housing, Communities and Local Government, Affordable Housing Supply in England: 2024 to 2025 (official statistics, November 2025).
[86] Department of Environment, Food and Rural Affairs, Housing Statistics for Rural England, (official statistics, October 2025).
[87] English Rural Housing Association, Affordable Housing Need 50% Greater in Rural Areas, Report Reveals (press release, June 2025).

"The houses that they are building are super, super expensive. So they are building them, but they're not affordable at all."

Rural voter, female

The scale of the challenge is reflected in growing waiting lists and unmet need. Research from CPRE suggests that, at current rates of delivery, it could take more than 80 years to clear existing social housing waiting lists in rural communities, with some of the greatest pressures concentrated in the South West[88]. CPRE argues that greater use of land valued according to its existing use, rather than its potential development value, could help unlock additional affordable housing delivery in rural areas.

MORE RENTERS = CONSTRAINED ECONOMIC GROWTH

The consequences of the affordability and availability crises are visible in changing patterns of tenure. County Councils Network (CCN) research found that households renting privately or socially in county and rural areas increased by 19% between 2011 and 2021, equivalent to 550,000 additional renting households, with private renting increasing by 31%[89]. This has consequences for local authorities, with CCN reporting rising housing waiting lists, increased temporary accommodation use and higher homelessness in county and rural areas[90].

As CPRE's 2023 report concluded, rural communities are at the "acute end" of England's housing crisis with rising housing costs, stagnant wages and growing competition for housing placing more pressure on local communities[91]. The National Housing Federation's *Rural Life Monitor 2024* reached similar conclusions. It suggests that affordable housing is critical to rural prosperity because it enables people to live close to employment opportunities, family networks and local services[92]. When workers cannot afford to live locally, businesses face recruitment difficulties, public services struggle to fill vacancies and communities become less sustainable.

There is also a growing body of evidence which suggests that housing shortages are constraining economic growth. The APPG for Rural Business and the Rural Powerhouse's *Levelling Up the Rural Economy report* concluded that housing shortages limit the ability of rural businesses to recruit workers and expand operations[93]. Employers increasingly report difficulties attracting staff because potential employees cannot find suitable accommodation within commuting distance.

These pressures have led some stakeholders to question whether existing definitions of affordability adequately reflect rural realities. CPRE has consistently argued, including in their submission, that the planning policy definition of affordable housing should be revised so that affordability is linked more closely to local incomes rather than market values. The organisation contends that homes considered affordable under current policy frameworks may remain inaccessible to many households in high-cost rural areas.

[88] Campaign to Protect Rural England, How the housing strategy can help fix the rural housing crisis, (press release, January 2026).
[89] County Councils Network, Number of Renters in Rural Areas Increased Faster than London Over the Last Decade as New Report Calls for a Long-Term Plan for Housing (research report, March 2024).
[90] Ibid.
[91] Campaign to Protect Rural England, Unravelling a Crisis: The State of Rural Affordable Housing in England, (research report, November 2023).
[92] National Housing Federation, Rural Life Monitor 2024, (horizon scanning, July 2024).
[93] APPG for Rural Business and the Rural Powerhouse, Levelling up the Rural Economy (research paper, April 2022).

OLDER RURAL HOUSING STOCK IS A GENUINE CHALLENGE

Evidence also suggests that the characteristics of rural housing stock present particular challenges to economic growth. The Fabian Society's *Rural Futures Report* notes that 28% of rural residential properties were built before 1919, compared with 18% in urban areas, and that 20% of rural homes failed to meet the Decent Homes Standard in 2022 compared with 16% of urban homes[94]. DEFRA's *Statistical Digest of Rural England* also notes that rural areas contain a higher proportion of older and detached properties[95], both of which are typically harder to heat and retrofit.

These characteristics have important economic consequences. Older housing stock often requires higher maintenance expenditure, faces greater retrofit costs and can expose households to higher energy bills. Consequently, it can be argued that affordability should be understood in terms of total housing costs, rather than purchase price or rent alone. A household may secure housing in a rural area but still face significant financial pressure from energy costs, transport dependence and maintenance requirements[96]. In some communities, limited housing options can leave residents with little choice but to remaaccommodation that is poorly suited to changing health, accessibility or family needs.

Evidence submitted jointly by the Oil Firing Technical Association (OFTEC) and The UK & Ireland Fuel Distributors Association (UKIFDA) suggests that many off-grid rural homes face distinct challenges in achieving carbon neutrality compared with newer or urban housing stock. The organisations noted that approximately 96% of oil-heated homes are located in rural areas, that around half were built before 1919, and that 65% fall within EPC bands E to G. They argued that the UK's 1.7 million off-grid households are among the most difficult and expensive homes to decarbonise, requiring policy approaches that better reflect the realities of rural housing stock.

This issue was touched upon during our focus groups, with some participants describing the financial pressures associated with living in older homes. As one participant explained:

> ***"Where I live, we don't have mains gas. I'm on heating oil here, which has gone up from £300 to over £1000 for 500 litres... and I have no choice."***
>
> ***Rural voter, female***

This suggests that a uniform approach to housing decarbonisation may not be appropriate across all geographies. Older detached properties, homes not connected to the gas grid and properties located in more remote areas may require different technological solutions, funding models and delivery mechanisms than those commonly used in urban environments.

Stakeholders also emphasised the importance of strong community engagement to facilitate housing and energy transitions. OFTEC and UKIFDA highlighted the Kehelland demonstrator project in Cornwall as an example of how involving residents throughout the decarbonisation

[94] Fabian Society, Rural Futures, (research report, October 2025).
[95] Department for Environment, Food and Rural Affairs, Housing Statistics for Rural England, (official statistics, October 2025).
[96] Labour Rural Research Group, Rural Poverty in Britain, (research report, March 2025).

process can help build public support and improve outcomes. According to the submission, local residents became strong advocates for decarbonisation after participating in the project, suggesting that successful rural transitions may depend as much on engagement and trust as on technology alone.

At the same time, investment in high-quality housing can generate wider economic and social benefits. Evidence presented during *Rural Housing Week 2024* suggested that the construction of 10 affordable homes in a rural area could generate approximately £1.4 million in local economic activity and support around 26 jobs[97].

WITHOUT A RANGE OF HOUSING OPTIONS, THE RURAL LABOUR MARKET STAGNATES

Research by the Local Government Association (LGA) highlights strong links between housing availability, economic inactivity and employment outcomes[98]. Where housing costs are high relative to earnings, workers may be forced to relocate, commute longer distances or leave sectors that offer lower wages but provide essential services.

This challenge is particularly visible in sectors that are central to rural economies. Agriculture, food processing, tourism, hospitality, health and social care all depend heavily on workers whose incomes may not match local housing costs. Businesses in these sectors increasingly report that recruitment difficulties stem not only from labour shortages, but from the inability of workers to find affordable accommodation nearby.

The effect is cumulative. Without affordable homes, rural communities struggle to retain key workers, volunteers, younger residents and future business owners. Plunkett UK highlights similar concerns among community-owned businesses, many of which identify housing shortages as a growing threat to local economic sustainability[99]. The National Housing Federation argues that services such as schools and pubs are increasingly at risk where rural areas have not seen investment in new affordable homes[100]. Without such investment, families struggle to remain locally, workers are unable to move in, and the long-term sustainability of local businesses is weakened.

Second homes and short-term lets can intensify these pressures in high-demand rural and coastal areas. CPRE links vacant or intermittently occupied housing to labour market pressures, noting that reduced year-round occupancy can weaken the local customer base and make recruitment harder for businesses that depend on local workers[101].

This issue was particularly prominent in focus group discussions, where Welsh participants were vocal about the growth in second homes and Airbnb-style holiday accommodation in their local areas. Participants acknowledged that there can be economic benefits when second-home owners are present and spending locally. However, these benefits were often seen as being offset by the impact on community life. Participants described villages becoming noticeably quieter during the off-season, with large numbers of properties standing empty for extended periods. Many felt this reduced the sense of community,

[97] Rural Services Network, Spotlight on Rural Housing – National Housing Federation Rural Housing Week (policy briefing, July 2024).
[98] Local Government Association, Economic inactivity interdependencies in England, (research paper, December 2024).
[99] Plunkett UK, Community Ownership: A Better Form of Business, (research paper, November 2025).
[100] National Housing Federation, Rural Life Monitor 2024, (horizon scanning, July 2024).
[101] Campaign for the Protection of Rural England, Housing crisis poses threat to survival of rural communities, (research report, November 2023).

limited opportunities for younger residents to remathe area, and contributed to the perception that local housing was increasingly serving visitors rather than local people.

LOOKING TO THE FUTURE

For younger people, housing pressures can be particularly acute. Research from the Marjon University's *Pretty Poverty* report highlights how affordability pressures can contribute to educational isolation, outward migration and reduced opportunities for young people in rural communities[102]. The result is often a gradual loss of younger working-age populations, reducing the long-term resilience of local labour markets. As one participant in our focus groups observed:

> ***"They price you out. And it's unfair for younger people that have grown up in an area, and they can't afford a house, so they have to go elsewhere, where they don't want to be."***
>
> ***Rural voter, female***

Moving forward, there needs to be a focus on both supply and stewardship. Rural Exception Sites are one important mechanism because they allow small-scale affordable housing developments on land that wouldn't normally be released for market housing. Research published in 2024 for the Rural Housing Network found that successful Rural Exception Site delivery depends on political support, community engagement, long-term partnerships, cross-subsidy, mixed funding models and supportive planning strategies[103]. However, the same research noted that Rural Exception Sites face persistent challenges and deliver fewer homes than they could, particularly in smaller villages.

Community support for housing delivery is also critical. Plunkett UK's experience suggests that communities are more likely to support new housing development where they can see clear and tangible local benefits, including investment in community infrastructure and opportunities for local ownership. This points to the importance of connecting housing delivery to wider place-based benefits, so that new homes are understood not simply as development but as part of sustaining rural economies, services and community life.

[102] Tanya Ovenden-Hope, Victoria Brown and Elpida Achtaridou, The Pretty Poverty Report: Cornwall Rurality Matters (academic report by Plymouth Marjon University & Diocese of Truro, September 2025).
[103] Gallent, N., Purves, A. and Hamiduddin, I., *Factors in the Effective Delivery of Rural Exception Sites in England*, (research report, 2024)

CONCLUSIONS

Housing is ultimately about much more than shelter. It determines who can live, work and build a future in rural places. Without intervention, housing unaffordability risks creating a self-reinforcing cycle in which younger people and lower-paid workers are priced out of local communities, labour shortages constrain business growth, public services struggle to recruit staff and declining year-round populations undermine community sustainability.

Employers may be willing to expand, recruit or invest, but growth becomes constrained when workers cannot access suitable accommodation within a reasonable distance of employment. In this sense, housing shortages should be viewed not simply as a social challenge but as a productivity challenge.

Conversely, investment in genuinely affordable, high-quality housing can help retain younger people, strengthen labour markets, support local businesses and improve long-term economic resilience.

As with digital, transport and energy infrastructure, housing must be recognised as a critical component of the rural economy. It is not simply a social policy issue but a form of economic infrastructure that underpins workforce participation, business competitiveness and the long-term prosperity of rural communities.

POLICY RECOMMENDATIONS: HOUSING AND COMMUNITY SUSTAINABILITY

18. **Set a rural affordable housing delivery target.**
The Government should introduce a dedicated rural affordable housing target with separate monitoring of social rent, affordable rent, shared ownership and genuinely locally affordable homes. CPRE's ongoing campaign to redefine affordability has many merits.

19. **Strengthen 'Rural Exception Site' policies.**
The Government should expand and simplify the implementation of Rural Exception Sites, working with planning authorities across rural Britain to radically accelerate the delivery of affordable homes on these sites.

20. **Create a rural housing retrofit and decarbonisation programme.**
Older, detached and off-grid rural homes should receive tailored support for energy efficiency, low-carbon heating and retrofit, recognising that a one-size-fits-all approach to decarbonisation will not work. Listed buildings in particular need more flexible policy options.

CHAPTER SEVEN: LAND, THE ENVIRONMENTAL ECONOMY AND DIVERSIFICATION

Historically, debates about rural land use centred primarily on agriculture and development. Today, rural land is increasingly expected to deliver a much wider range of economic, environmental and social objectives simultaneously.

The result is that land has become one of the most strategically important and contested resources in the rural economy. The demands on land are not always aligned, creating new pressures and trade-offs for rural communities, businesses and landowners.

LAND = A FINITE ECONOMIC RESOURCE

Agricultural land accounts for approximately 67% of England's land area, making it by far and away the most dominant land use across rural Britain[104]. However, the economic value derived from this land increasingly extends beyond agricultural production.

As highlighted throughout this report, land now supports a diverse range of activities including housing, commercial property, renewable energy generation, tourism, environmental stewardship, and water and flood management. This diversification has increased both the economic significance and strategic importance of rural land.

The financial incentives associated with different land uses can be substantial. MHCLG's land value estimates show that land designated for residential or commercial development can be worth many times more than land used solely for agricultural production[105]. These differences create powerful pressures on land-use decisions and help to explain why debates around housing, infrastructure, energy and environmental policy increasingly centre on access to land.

At the same time, rural land performs functions that are not fully captured through traditional economic measures. Natural England's work on natural capital highlights the economic value generated through ecosystem services such as carbon storage, water regulation, pollination, biodiversity and recreation[106]. These services provide significant public benefits while supporting wider economic activity, yet historically they have often been undervalued in decision-making processes.

This changing understanding of land value is increasingly reflected in public policy. DEFRA's emerging Land Use Framework recognises that finite land resources are being asked to deliver an unprecedented range of national priorities simultaneously including food production, housing, energy security, nature recovery and climate resilience[107]. The challenge goes beyond a discussion about how land should be used, to considering how competing demands can be balanced in a way that maximises long-term economic, environmental and social value.

Pragmatix Advisory argues that rural areas are uniquely positioned to contribute to multiple national priorities, but warns that policy frameworks often treat these objectives separately rather than recognising their interdependence[108]. Similarly, the Fabian Society has noted that

[104] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[105] Ministry of Housing, Communities and Local Government, Land Value Estimates for Policy Appraisal 2023 (official statistics, March 2026).
[106] Natural England, Natural England's Strategy: Underpinning Evidence, (research and analysis, November 2025).
[107] Department for Environment, Food and Rural Affairs, Land Use Framework (policy paper, March 2026).
[108] Pragmatix Advisory for the Rural Coalition, Reigniting Rural Futures: Rural Communities' Capacity to Boost Economic Growth (research report, May 2024).

many high-productivity industries including advanced manufacturing now require more space, infrastructure and connectivity which can only be found outside major cities. As a result, rural land should no longer be viewed solely as a place for agriculture or environmental management, but as a strategic asset capable of supporting a much wider range of economic opportunities.

FOOD SECURITY = BEING PUSHED TO THE EDGES

Despite the diversification of rural economies, food production remains a strategically important land use in most people's minds. DEFRA's *Food Statistics in Your Pocket* report highlights the continuing importance of domestic food production to national food security and economic resilience. Recent geopolitical instability, supply-chain disruption and climate-related risks have placed renewed focus on the role of productive agricultural land within the UK economy[109].

Lincolnshire County Council's submission stated that, for every job in agriculture, there are a further five jobs in the pre-consumer food supply chain. This underlines the extent to which productive agricultural land supports employment and economic activity beyond the farm gate. Food security, therefore, depends not only on farmers but also on the wider infrastructure, services and institutions that support agricultural production. For example, Wealden Food Partnership noted that safeguarding small abattoirs is essential to maintaining resilient local supply chains, while the National Office of Animal Health (NOAH) highlighted the significant economic impact of livestock disease on productivity, profitability and food security. Arla Foods' submission similarly argued that agricultural co-operatives play an important role in supporting productivity, profitability and resilience across the rural economy. Together, these submissions illustrate that food security depends not only on productive land, but on the wider institutions and services that support agricultural output.

However, in a world where it is much easier to make money from land via non-food production than food production, policymakers must urgently and carefully determine how to square the circle. The Countryside Alliance, for example, warned that significant changes in land use could result in serious or complete loss of agricultural production in some areas. The truth is that for many individual farmers, the alternatives to rearing cattle or growing crops for a minimum wage return are increasingly tempting.

GREENER GRASS? THE ENVIRONMENTAL ECONOMY

One of the most significant changes in the rural economy over the past decade has been the growth of what can increasingly be described as an 'environmental economy'.

Historically, environmental management was largely viewed as a regulatory obligation or a public good delivered through agricultural support schemes. Today, environmental outcomes are increasingly becoming economic assets in their own right. New markets are emerging around biodiversity enhancement, carbon

[109] House of Lords Library, The Rural Economy (in focus, December 2024).

sequestration, woodland creation, peatland restoration, nutrient neutrality and natural flood management. This reflects a broader shift in how land value is understood. Land is no longer valued solely according to the goods it produces, but increasingly according to the environmental services it provides.

Government policy has played an important role in driving this transition. Environmental Land Management schemes, Biodiversity Net Gain requirements and wider natural capital initiatives are creating new revenue opportunities for farmers, landowners and rural businesses[110]. At the same time, growing private sector demand for carbon credits and biodiversity offsets is creating additional investment flows into rural land[111].

In effect, environmental outcomes are becoming a new form of rural economic activity. Activities that were previously regarded as environmental stewardship are increasingly generating revenue, attracting investment and creating opportunities for business diversification. This has the potential to reshape how land is managed and how value is generated within rural economies.

Evidence suggests that these opportunities remain at an early stage of development. The Green Finance Institute (GFI) has argued that nature markets have the potential to unlock substantial private investment into environmental recovery and climate resilience, creating new economic opportunities for rural landowners and businesses[112]. Similarly, NICRE's research suggests that environmental management and sustainability-related activities are becoming increasingly important components of rural business diversification strategies[113], while The Lifescape Project has argued that current subsidy arrangements discourage land-use change by favouring conventional agricultural production over environmental management activities. It is concerned about the limited scale of today's nature markets, with less than 3% of UK woodland and 1% of UK peatland currently participating in carbon credit schemes.

These limitations are significant because nature recovery is expected to require substantial levels of investment in the coming decades. The Lifescape Project argues that clearer market frameworks are needed to unlock private capital, pointing to an estimated £44 billion funding gap for nature recovery over the next decade. CPRE also highlighted the importance of strengthening nature incentives within Environmental Land Management schemes and the Sustainable Farming Incentive, given significant opportunities to expand land-based production linked to the green economy including sustainable food, timber, fibres and associated processing industries.

Despite these opportunities, the environmental economy remains at an early stage of development. Concerns remain around market transparency, long-term policy certainty, access for smaller businesses and the risk that benefits become concentrated among larger landowners. However, there can be no doubt that this emerging market represents a significant growth opportunity for the landowners of rural Britain.

[110] Department for Environment, Food & Rural Affairs, The government's approach to rural proofing, (policy paper, May 2025).
[111] House of Lords Library, Economic and planning policies: Impact on farming and rural communities, (In focus, March 2025).
[112] The Green Finance Institute, Business Investment in Nature, (research report, August 2025).
[113] The National Innovation Centre for Rural Enterprise, The Rural Economy Post-Pandemic: Opportunities and Barriers for Business Growth (research report, January 2024).

GROWING DIVERSIFICATION INTO COMPLEX, MULTI-STRAND BUSINESSES

The growth of environmental markets is taking place alongside rising demand for rural land for other uses, presenting yet more possibilities for the rural economy.

Once upon a time, a farm might diversify by running a café. Today, a farm can be involved in multiple diversification projects at the same time. As discussed in Chapter Six, many rural communities face significant affordability pressures, creating demand for additional housing development. Rural areas are also expected to play a central role in delivering national energy security through renewable generation, electricity transmission, battery storage and related infrastructure.

Climate adaptation adds a further layer of complexity. Data from the Environment Agency highlights the important role of rural land in natural flood management, catchment restoration and water resilience[114]. Woodland creation, peatland restoration and catchment-based approaches can reduce flood risk, improve water quality and strengthen climate resilience.

One response to these competing demands on land use has been a growing trend towards diversification. As Professor Ward's submission highlighted, more than 70% of farm businesses in England now operate at least one diversified enterprise – an increase of 10 percentage points over the past decade – with the most common activities including the letting of farm buildings, renewable energy projects, and tourism and hospitality ventures. The equivalent figures are estimated at around 60% of farms in Scotland, 35 to 40% in Wales and just 15% in Northern Ireland.

The growth of the English and Welsh wine sector illustrates how rural diversification is becoming increasingly sophisticated and multi-layered. According to WineGB, vineyard area has expanded rapidly over the past two decades, with more than 1,000 vineyards now operating across the UK[115]. While rooted in agriculture, many vineyards combine production with tourism, hospitality, retail, events, accommodation and export activity, generating value from multiple revenue streams rather than a single agricultural output. The sector demonstrates how rural businesses are increasingly integrating farming, manufacturing, tourism and place-based enterprise, highlighting the potential for diversification to support employment, investment, visitor spending and long-term business resilience.

However, the growing range of land-use opportunities can create tensions between economic, environmental and social objectives. CLA has, therefore, argued that clearer strategic frameworks are needed to ensure that economic growth, environmental recovery and energy security are pursued in a complementary rather than competing manner[116].

[114] Environment Agency, Natural Flood Management evidence (research and analysis, February 2025).
[115] WineGB, Industry Data: UK Wine Industry Statistics, (sector report, June 2025).
[116] Country Land and Business Association, CLA issues Labour with ambitious programme to help power growth (press release, July 2024).

Family Business UK's work on intergenerational enterprise suggests that many land-based businesses are already adopting longer-term stewardship models that seek to balance commercial viability with environmental sustainability and community benefit[117]. NICRE's research similarly suggests that the most resilient rural enterprises are those able to generate value from multiple activities and revenue streams, rather than relying on a single source of income[118].

Rural diversification also extends beyond land-based sectors. Evidence from County Durham Economic Partnership highlights the role rural economies can play in high-value and innovative industries including semiconductors, advanced manufacturing, space technologies, pharmaceuticals and critical minerals, alongside more traditional sectors such as tourism and food production. This reinforces the wider point that rural economic potential is not confined to farming or environmental management, but depends on the ability of places to combine land, infrastructure, skills and investment in ways that support long-term growth.

CONCLUSIONS

Land remains the fundamental asset upon which rural economies are built but its role is evolving and increasingly complex. Rural land is expected to deliver food security, housing, renewable energy, nature recovery, climate resilience and economic growth simultaneously. This shift is creating new opportunities through environmental markets and diversification, but it is also increasing competition for land and exposing tensions between different policy objectives.

The evidence suggests that future rural prosperity will depend on the ability to manage finite amounts of land to deliver multiple forms of value simultaneously. The most successful rural economies are, therefore, likely to be those that embrace multifunctionality, recognising land not simply as a physical asset but as the foundation of an increasingly diverse environmental economy capable of delivering local prosperity alongside regional and/or national priorities.

However, the Government cannot allow this to happen independent of broader policy objectives like food security. Market values are already making food production one of the least attractive options for landowners, so a more integrated approach between farming subsidies and land use planning is likely required. The rise of the 'investor farmer' is also a risk to the well-being of the wider countryside given, historically, smaller farms have taken greatest pride in maintaining vast swathes of the British countryside.

[117] Family Business UK, Building Britain for Generations, (policy paper, March 2026).
[118] National Innovation Centre for Rural Enterprise, Written evidence submitted to UK Parliament Committee (written evidence, January 2025).

POLICY RECOMMENDATIONS: LAND, THE ENVIRONMENTAL ECONOMY AND DIVERSIFICATION

21. Consider how to turn the Land Use Framework into an economic asset.

The Land Use Framework is not just a spatial tool – it should be used to help view food security, housing, energy, biodiversity and climate resilience through an economic lens as well, to steer rural Britain towards making the right long-term decisions for local, regional and national economic and security purposes.

22. Provide long-term certainty for Environmental Land Management schemes.

Farmers and land managers need stable, long-term incentives to deliver food production, nature recovery, carbon storage, water management and other public goods in equal measure. Environmental Land Management (ELM) schemes should provide sufficient long-term certainty and recognise the opportunity costs of participating, particularly where alternative land uses such as renewable energy development may offer significantly higher commercial returns. This will help ensure that environmental objectives are achieved without unintentionally distorting wider land-use decisions.

23. Strengthen demand and accountability in natural capital and environmental markets.

The Government should move beyond establishing basic frameworks for biodiversity, carbon, nutrient neutrality and nature markets, and focus on building credible long-term demand. This could include clearer public and private sector demand signals, mandatory reporting on nature-related impacts and investment, and consideration of targets for nature-positive procurement or investment. Strong safeguards on additionality, permanence, monitoring and community benefit will still be needed, but the next priority should be ensuring that these markets generate reliable income streams for rural communities and land managers.

CHAPTER EIGHT: PUBLIC SERVICES, COMMUNITY RESILIENCE AND OPPORTUNITIES

Access to public services is not only a question of fairness or wellbeing. In rural and coastal communities, it is also a condition of economic participation. Access to healthcare, education, childcare and community services shapes whether people can participate in the labour market, acquire skills, start businesses, care for family members and remain economically active throughout their lives.

PUBLIC SERVICES AS ECONOMIC ENABLERS: HEALTH AND TRANSPORT

The economic importance of public services is often overlooked because their impact is indirect, but they help to create many of the conditions that allow individuals, businesses and communities to participate in the economy.

While infrastructure, housing and skills are commonly recognised as drivers of economic growth, public services provide many of the conditions that allow individuals, businesses and communities to participate in the economy in the first place. Their contribution is not, therefore, always measured in economic output but in the opportunities, workforce capacity and community resilience that they help to create.

Health is one of the best examples of this relationship. Poor health outcomes and barriers to accessing healthcare can reduce labour market participation and increase economic inactivity. The Local Government Association (LGA) has highlighted the close relationship between health, caring responsibilities and participation in work, noting that economic inactivity is often shaped by interconnected factors rather than labour market conditions alone[119]. Rural and coastal communities, many of which have older populations than the national average, face particular pressures as demand for health and social care services increases[120].

These challenges can be amplified by geography. Longer travel distances, dispersed populations and higher delivery costs can reduce accessibility and limit choice. Rural residents normally need to travel further to access healthcare, childcare, further education, policing services or specialist support than those living in urban areas[121]. Lincolnshire County Council's submission highlighted that 48% of residents face journeys of more than an hour to reach their nearest hospital, compared with 16% nationally. Royal Agricultural Benevolent Institution (RABI) also suggested that long travel times, limited local provision and funding pressures can create barriers to accessing healthcare within farming communities.

These concerns were reflected in our focus groups, where participants frequently raised pressures on local health services. One participant argued that population growth was not always being matched by investment in local healthcare provision, observing that:

> ***"There's not enough GPs for the populus, and they're just building more and more houses all the time, so it's just going to get worse."***
> ***Rural voter, female***

[119] Local Government Association, Economic Inactivity Interdependencies in England (research report, December 2024).
[120] Department for Environment, Food & Rural Affairs, Connectivity and Accessibility Statistics for Rural England (official statistics, October 2025).
[121] House of Commons Scottish Affairs Committee, Cost of living: impact on rural communities in Scotland, (committee report, January 2024).

Another described the difficulty of securing timely appointments, saying:

"You've got to be dying to get an appointment, or say you are, it's awful... It took me three weeks to get an appointment, then they cancelled it at the last minute... and I had to wait another week before I could get one."

Rural voter, female

These examples illustrate how service accessibility can affect workforce participation, economic resilience and quality of life. Where healthcare becomes harder to access, the consequences can extend beyond individual wellbeing and influence labour market participation, caring responsibilities and the attractiveness of places in which to live and work.

PUBLIC SERVICES AS ECONOMIC ENABLERS: EDUCATION

Access to education and childcare also influences economic opportunity. Educational attainment and progression affect future earnings, productivity and workforce skills, while childcare availability affects the ability of parents to enter and remain in employment. In some rural and coastal areas, distance from educational institutions, limited childcare provision and higher travel costs can create barriers to opportunity, particularly for younger people and families[122].

These challenges were acknowledged in our focus groups, where difficulties securing affordable childcare emerged as a common concern. One participant said that high childcare costs were acting as a direct barrier to workforce participation, noting that:

"Childcare costs are ridiculous. If you want to get more women back in the workforce, [childcare costs] are holding them back."

Rural voter, female

However, participants often linked childcare pressures to a broader challenge – the lack of flexible employment opportunities capable of accommodating any kind of caring responsibilities. For many, the issue was not simply the cost of childcare, but the difficulty of balancing work and family life in labour markets where flexible roles are often limited.

These challenges have implications for the long-term sustainability of rural labour markets. Limited childcare offers can reduce workforce participation among parents, while barriers to education and training can weaken skills development and future earnings. Over time, these pressures can contribute to the outward migration of younger residents and reduce the ability of communities to retain and develop talent locally.

Access to public services also influences where people choose to live and invest their futures. Households are more likely to remain in, move to or build lives in communities where healthcare, education, childcare and other essential services are

[122] National Innovation Centre for Rural Enterprise, Skills and Labour Shortages Hinder Rural Business Performance and Growth, (research report, February 2024).

available within a reasonable distance. Public services, therefore, contribute not only to wellbeing but also to population retention, workforce resilience and local economic sustainability.

PUBLIC SERVICES AS ECONOMIC ENABLERS: COMMUNITY OWNERSHIP

Community ownership and local stewardship are increasingly important drivers of rural economic growth, helping to retain spending, support local employment and strengthen the economic foundations of rural communities. In many rural and coastal communities, community-owned shops, pubs, hubs and social enterprises increasingly help to sustain services that might otherwise be lost, retaining employment, spending and social activity within local economies[123]. As a result, community ownership should be viewed not simply as a form of social intervention, but as an important contributor to local economic resilience.

The scale of this contribution is significant. According to Plunkett UK, by 2025, there were 869 community businesses operating across the UK, collectively generating £174 million in turnover and an estimated £458 million in Gross Value Add (GVA) while serving more than 2.2 million people[124]. For every £1 spent in a community business, approximately 56 pence remains within the local economy, compared with around 40 pence for private sector equivalents. This suggests that community ownership can help strengthen local economic resilience by retaining wealth within rural communities.

This perspective is echoed in wider research on rural development and community wealth-building. Analysis by Pragmatix Advisory has emphasised the importance of local stewardship, community capacity and place-based approaches in supporting long-term rural prosperity[125], while research published by Power to Change argues that community-led organisations can play a central role in strengthening local economies and regenerating high streets[126]. Together, these studies suggest that, as pressures on land intensify and competing demands on rural space increase, recognising these broader forms of value may become increasingly important in shaping future land-use decisions.

This issue is more acute in the context of the gradual withdrawal of many high street services within rural communities[127]. For example, evidence submitted by the Rural Services Network highlighted the ongoing disappearance of banks and Post Offices, making it more difficult for residents and businesses to access cash and face-to-face financial services. Participants in our focus groups, despite living in very different parts of the country, frequently referenced the decline of local high streets and town centres. Several described a gradual *"hollowing out"* of community infrastructure, with one participant characterising some local centres as *"ghost towns"*. Others spoke of pubs closing and the loss of other community spaces and local services that had once acted as important social and economic hubs.

While participants recognised that these trends are not unique to rural areas, they emphasised that the impact can be particularly severe in more isolated communities. In areas with limited transport links and fewer alternative amenities, the loss of local shops, pubs and community facilities can significantly reduce

[123] Plunkett UK, Community Ownership: A Better Form of Business, (research report, November 2025).
[124] Ibid.
[125] Pragmatix Advisory for the Rural Coalition, Reigniting Rural Futures: Rural Communities' Capacity to Boost Economic Growth (research report, May 2024).
[126] Power to Change, The New High Street Playbook: Community-led Innovation in Action (research report, May 2026).
[127] House of Commons Library, Closure of high street services in rural areas, (research briefing, February 2025).

opportunities for social interaction, access to services and community cohesion, increasing feelings of isolation among residents.

Community businesses increasingly fill these gaps, providing both practical services and important social infrastructure. By retaining wealth locally, supporting employment and maintaining access to services such as retail, transport, energy and workspace, they help to strengthen the resilience of rural economies. Evidence submitted by the ACS found that the average rural convenience store serves around 2,000 local residents and often provides a range of services that would otherwise require significant travel. These include cashback facilities (84% of stores), bill payment services (72%), free-to-use ATMs (37%), Post Office branches (27%), home delivery services (33%) and parcel collection or drop-off points (26%). Their viability, therefore, has implications not only for local economic activity but also for access to essential services and broader community resilience.

Community businesses also make a meaningful contribution to local employment and workforce development. Plunkett UK estimates that they employ around 5,000 people and engage approximately 20,000 volunteers across the UK. Beyond direct employment, they often provide opportunities for skills development and routes into work, particularly for younger people. Plunkett UK's survey found that 77% of community businesses create opportunities for young people to develop skills and confidence as a pathway into employment.

Beyond their economic role, rural community businesses frequently act as important social anchors. The ACS *Rural Shop Report 2026* found that 58% of rural residents believe their local shop helps reduce loneliness, while 45% report knowing the people who run or work in their local store well or very well[128]. In communities where public services and social infrastructure have declined, local businesses increasingly help to maintain social connections and community cohesion.

EMBRACING NEW MODELS OF SERVICE DELIVERY

Many of the challenges identified throughout this report share a common feature – the additional costs associated with delivering services and infrastructure across dispersed populations. These costs affect public services, labour market participation, business competitiveness and wider economic performance.

Rural communities face what many stakeholders describe as a *'rural premium'* or a *'rural penalty'* – the additional costs associated with distance, sparsity and accessibility[129]. For households, this can mean higher transport costs, greater dependence on private vehicles and longer journeys to access essential services. For businesses, it can mean higher operating costs, reduced labour market catchments and weaker access to customers and supply chains. For public service providers, it can mean maintaining provision across larger geographic areas for smaller populations.

A consistent theme in evidence submitted to the inquiry is that national funding and delivery models do not adequately reflect these realities. Evidence submitted by the Rural Services Network highlighted the persistent underfunding of rural councils. In 2026-27, urban councils are projected to receive 32% more per head in Government

[128] The Association of Convenience Stores, Rural Shop Report 2026, (sector report, February 2026).
[129] Labour Rural Research Group, Rural Poverty in Britain, (research report, March 2026).

Funded Spending Power than their rural counterparts. Although council tax levels are generally higher in rural areas to help bridge this funding gap, rural authorities face the additional challenge of delivering services across dispersed communities which is often more expensive. As a result, rural councils spend significantly less on discretionary services than urban councils, leading to reductions in local provision and leaving rural residents and businesses at a disadvantage.

This concern was echoed by the County Councils Network (CCN) which argued that existing funding arrangements do not sufficiently reflect the additional costs associated with serving large geographic areas, ageing populations and communities with poor accessibility[130]. Professor Ward similarly highlighted the limitations of formula-based funding systems, arguing that models designed primarily around population size and service throughput can systematically disadvantage rural areas by giving insufficient weight to factors such as sparsity, travel distances and the lack of alternative service provision.

Recognising these challenges, policymakers are increasingly exploring more flexible and place-based approaches to service delivery. The Government's rural proofing agenda reflects a growing acknowledgement that policies and programmes must take account of the realities of rural delivery and ensure that rural impacts are considered from the outset[131]. The Family Hubs programme, for example, brings together family support, early years services, health provision and parenting support through a single local model[132]. While not designed specifically for rural areas, it demonstrates the benefits of organising services around communities rather than administrative structures.

Similarly, the Government's rollout of mobile Jobcentres demonstrates how services can be adapted to overcome the challenges of distance and accessibility in rural areas[133]. By bringing employment support directly into communities, these mobile services help residents access advice, training and job search assistance without the need for lengthy journeys to a fixed Jobcentre. Such approaches can improve engagement, particularly among those facing transport barriers, while ensuring that support reaches communities that might otherwise be underserved.

Digital innovation is also playing an increasingly important role in addressing some of the challenges associated with rural service delivery. Online healthcare consultations, virtual appointments, remote learning, digital advice services and online government services can reduce the need for travel and expand access to support for rural residents and businesses.

However, digital services are not a complete solution. Significant gaps in broadband and mobile connectivity remain in some rural areas as discussed earlier in this report, and not all residents have the skills, confidence or circumstances required to engage effectively online. Older populations, vulnerable residents and those with complex needs may continue to rely on face-to-face support. Digital innovation is, therefore, likely to be most effective when it complements, rather than replaces, physical service provision, helping to extend access while maintaining inclusive and accessible services for all.

The future of rural service delivery is, therefore, unlikely to be defined by a single model. Instead, it will require a combination of approaches: integrated services, stronger

[130] The County Councils Network, CCN Response to MHCLG Consultation on measuring relative need, (written submission, March 2022).
[131] Department for Environment, Food & Rural Affairs, The government's approach to rural proofing, (policy paper, May 2025).
[132] Department for Health and Social Care, Family Hubs and Start for Life programme, (policy guidance, February 2023).
[133] Department for Work and Pensions, Mobile Jobcentres hit the road in six new areas to deliver employment support, (press release, February 2026).

local partnerships, community-led provision, digital innovation and greater flexibility in how services are delivered. What unites these approaches is a recognition that rural communities often require different solutions to urban areas, and that effective service delivery must reflect the realities of distance, sparsity and local need.

CONCLUSIONS

Public services are an essential part of the enabling environment that supports rural economic participation and community wellbeing. Access to healthcare, education, childcare and community services influences whether people can work, learn, care for others and participate fully in economic and civic life.

While rural and coastal communities face distinctive challenges linked to distance, sparsity and demographic change, these challenges are not insurmountable. They do, however, require service models and funding approaches that reflect rural realities rather than assuming urban conditions.

Improving access to public services should not, therefore, be viewed solely as a social policy objective – it is also an investment in economic resilience, workforce participation, community sustainability and long-term prosperity. As rural communities adapt to demographic change, technological transformation and evolving service demands, ensuring that residents can access the services they need will remain central to the future success of the rural economy.

POLICY RECOMMENDATIONS: PUBLIC SERVICES, COMMUNITY RESILIENCE AND OPPORTUNITIES

24. **Revisit funding formulas to fairly reflect higher sparsity and rural delivery costs.**

Government funding models should give greater weight to sparsity, travel times, ageing populations, accessibility and the lack of alternative provision. Equal funding per head doesn't result in equitable access to services or equitable service levels in more rural areas.

25. **Expand and merge place-based and mobile service models.**

The Government should build on successful pilots of mobile Jobcentres, Family Hubs, outreach healthcare, community hubs and co-located services to bring support closer to rural residents. These may prove most effective when combined.

26. **Don't ignore rural peculiarities in the upcoming High Street Strategy.**

The Government should specifically address the challenges facing rural town centres in its upcoming High Street Strategy. Rural service hubs have been more negatively affected by bank closures, Post Office losses, declining footfall and the withdrawal of essential services, meaning the build-back route for these types of settlements should look and feel different.

27. **Expand support for co-operatives, community ownership and local stewardship.**

The Government should expand support for agricultural co-operatives, community businesses, social enterprises, blended finance models and community-owned assets such as shops, pubs, hubs and workspaces. These models can help rural communities pool risk, share investment, retain wealth locally and sustain services that might otherwise be lost. They also strengthen local economic resilience by keeping jobs, assets and decision-making within rural communities. Building on existing positive examples, the Government should consider how these models can be scaled more widely across rural Britain.

CONCLUSION: FINDINGS AND PRIORITIES FOR GOVERNMENT

As the preceding chapters have demonstrated, it is difficult to identify a single intervention that will unlock the full potential of rural economies. This is because the challenges facing rural areas are complex and interconnected: housing affects labour supply; infrastructure affects business growth; public services affect workforce participation; land use influences food security, nature recovery and economic opportunity. It is the combination of these factors which fundamentally shape the productivity, resilience and long-term sustainability of rural communities.

Importantly, the evidence gathered through this inquiry demonstrates that rural Britain is not economically weak, nor is it defined solely by traditional industries such as farming and tourism. Rather, rural areas are surprisingly entrepreneurial and support millions of jobs, hundreds of thousands of businesses and a significant share of national economic output. They are, and should be recognised as, increasingly central to delivering national priorities including food security, energy security, decarbonisation, nature recovery and regional growth.

Yet rural economies are underperforming relative to their potential. This underperformance reflects the interaction of housing, infrastructure, workforce and other policy constraints, rather than any inherent weakness of rural places. Many rural communities operate within a system that was primarily designed to maximise the short-term returns of more densely populated urban areas. As a result, rural businesses often struggle to scale, borrow and invest at pace; employers struggle to recruit; younger people struggle to stay local; and communities face higher costs in accessing the services and infrastructure needed to support economic participation.

As the House of Lords' 2019 Rural Economy report concluded, *"the urgent challenge is to encourage the new opportunities, release unfulfilled potential and enhance the contribution which rural England can make to the nation while retaining its distinct character"*.[134]

[134] House of Lords, Time for a strategy for the rural economy, (research report, April 2019).

The evidence presented to this inquiry suggests that this challenge remains largely unresolved, with each issue being tackled separately – if they are being tackled at all.

A recurring theme across submissions is that rural development cannot be reduced to any single sector, policy or intervention. As Professor Ward and Professor Shucksmith both argued in their submissions, effective rural policy requires a place-based approach that recognises the diversity of rural communities and treats economic growth, service provision and environmental stewardship as interconnected challenges, rather than separate policy domains. Just as the LRRG's *Rural Poverty in Britain* report argued, what is needed is a whole-of-government rural strategy, supported by stronger rural proofing and a clearer framework for delivering growth, opportunity and resilience across rural Britain[135].

The question facing policymakers is not, as many might think, whether rural areas can contribute more to national economic growth, climate objectives and regional rebalancing. The evidence suggests that they can. The challenge is creating the conditions that allow them to do so *fully*.

This won't be easy but if the Government is willing to address the structural barriers identified throughout this report, the prize is significant. It would mean rural communities that are more vibrant, sustainable and resilient places in which to live, work or visit. It would mean stronger food production, nature recovery, energy security and housing supply at a national level. And fundamentally, it would mean – at long last – that all parts of the United Kingdom are orientated towards the central mission of this Government, and all future governments: life-affirming, life-enhancing economic growth.

[135] Labour Rural Research Group, Rural Poverty in Rural Britain, (research report, March 2026).

APPENDIX: EXTERNAL CONTRIBUTIONS

- Arla Foods
- Association of Convenience Stores (ACS)
- British Farming Union (BFU)
- Campaign to Protect Rural England (CPRE)
- Cornwall Council
- Countryside Alliance
- Country Land and Business Association (CLA)
- County Durham Economic Partnership
- Fabian Society
- Holiday Park and Resort Innovation Practice and Association (HARPA)
- Lincolnshire County Council
- Müller
- National Farmers Union (NFU)
- National Innovation Centre for Rural Enterprise (NICRE)
- National Office of Animal Health (NOAH)
- Nature Friendly Farming Network (NFFN)
- Plunkett UK
- Professor Mark Shucksmith OBE (Newcastle University)
- Professor Neil Ward (University of East Anglia)
- Royal Agricultural Benevolent Institution (RABI)
- Rural Services Network
- The Lifescape Project
- The Oil Firing Technical Association (OFTEC) and The UK & Ireland Fuel Distributors Association (UKIFDA)
- Wealden Food Partnership

LRRG
Labour Rural Research Group

CLA

The Future of the Rural Economy

Website: labourruralresearchgroup.com
Email: info@labourruralresearchgroup.com