

Evaluating Pillar 2 Employment Impacts: Case Study Methodology and Results for East Wales

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Abstract – This case study evaluation aims to explore employment impacts of the reformed East Wales RDP in East Wales, a UK region which is highly spatially differentiated. It concentrates on analysis of documentary evidence and representative in-depth interviews which support an evaluative interpretation of mechanisms of rural change. Issues explored relate to problems of the rural economy requiring policy intervention, and CAP rural development reform impacts on rural employment of farm households and workers in other sectors. Major concerns relate to youth out-migration, inadequate childcare provision, age structure, lack of affordable housing, pockets of deprivation, deteriorating service provision, labour supply, spatial diversity, and predominance of small businesses. Dual market failures appear to occur in employment and housing, requiring action to improve productivity, and spatial planning policies sensitive to rural requirements. The reformed RDP has had minor impacts on economic development, on the development of competitive premium agricultural products, professionalisation of the agricultural service sector, farm business adaptation, agri-environment support, and development of the food supply chain. However, the evidence indicates that Axis 2 should be strengthened to mitigate adverse impacts of decoupling. Also, future RDP spending should concentrate on Axes 3 and 4, its budget should be allocated on evidence-based criteria, and compulsory modulation should be increased. It should include provision of childcare services and other elements favouring female participation, and LEADER groups should be strengthened within a framework Rural Action Plans.

Keywords— Wales; rural development

I. INTRODUCTION

The gradual (and still incomplete) evolution of the Common Agricultural Policy (CAP) from a sectoral to a territorial support system poses a number of challenges to evaluators whose aim is to assess and guide improvements to the policy framework. The most recent 2003 reform consolidates and expands

resources for rural development policy, and through decoupling of commodity payments provides a basis for a more market-oriented farming industry. However, Pillar 2 measures are still less important than Pillar 1 in terms of resources; they are complex and still mostly focused on structural needs of the agricultural sector rather than providing a multi-sectoral, integrated approach to the development of rural areas as a whole [1]. Although Member States have some discretion regarding design and implementation of the component measures, the Pillar 2 framework has to deal with significant diversity in rural resource endowments, infrastructures, social and cultural histories, and wide disparities in levels of prosperity and quality of life. Further, the framework operates alongside a mixture of EU territorial policies delivered by Structural Funds programmes, and Member States' own policies which impact on rural economic and social wellbeing.

In this context, understanding how and why the reforms which established the Pillar 2 of the CAP have an impact on rural employment levels constitutes a major challenge. Rather than a focus on outputs (schemes funded, and perhaps more contentiously, the employment and incomes that result) it is important to focus on causative processes if the lessons of policy experience are to be learned. According to the pragmatic realist Ray Pawson [2], “it is not ‘programmes’ that work: rather it is the underlying reasons or resources that they offer subjects that generate change ... Data extraction in realist synthesis thus takes the form of an interrogation of the baseline inquiries for information on ‘what works for whom in what circumstances’” (p. 342).

This paper describes a mixed-method case study whose approach is intended to rise to the challenge of providing a clear understanding of the current implementation, efficacy, and impact of Pillar 2 policies on the predominantly rural NUTS2 area of East Wales. Use of multiple evidence sources accounts for and interprets the diverse range of influences

which have produced the outcomes of policy in a specific case. Rather than simply identifying effects on rural employment, it seeks to explain how the Pillar 2 interacts with the structure and performance of the local rural economy, other policy impacts, and the governance framework which delivers support. Following Yin's [3] guidance on case study strategy, case selection and exploration have been informed by general suppositions about the impact of policy which require testing, and exposure to rival hypotheses which might provide an alternative explanation.

The investigation described here concentrates on analysis of a single case, even though it is part of a larger study which involved five others across the EU as part of the EU funded CARERA project.¹

In the following section, we set out the investigative approach adopted. The third section summarises descriptive documentary evidence, and the fourth analyses interview material to provide an evaluative interpretation of the mechanisms of rural development policy in East Wales. The closing section provides arguments for policy reform, based on these in-depth evaluative procedures.

II. INVESTIGATIVE APPROACH

Previous research [5] suggested that questions requiring further evaluative study were: the extent to which CAP reform can affect impacts of broader socio-economic factors and trends; the interaction between out-migration from rural areas, demographic ageing and opportunities (or lack of them) for women and young people; the extent to which impacts diverge spatially; the effectiveness of locally developed rural development initiatives in improving labour market opportunities. These influenced the choice of case study area, the scope and nature of preliminary documentary review, and the protocols for in-depth semi-structured key informant interviews. Selection criteria included the overall performance of the rural economy relative to national economic conditions; population density (high overall but skewed in urban areas and very low in the central rural part of the area; accessibility (variable); institutional environment

1. Comparison of the East Wales study with a suite of others elsewhere in Europe is reported in another poster presentation in this conference [4].

(recently devolved regional government); natural resource endowment (large areas of upland, high rainfall predominance of livestock farming); and availability of statistical information required to support initial desk research.

Separate guideline documents were prepared for the two phases of data-gathering activity: an investigation of secondary data, providing a contextual framework for the overall study, and systematic, in-depth interviews of representatives of different interest groups. The initial phase developed a regional profile to provide the context in which key informants operated and to inform the process of analysis. The regional profile thus formed background briefing to facilitate interaction in the interviewing process, helping to develop the question guide for the second phase. It also required the locally-expert researchers to articulate and systematize their understanding of the economic and social processes operating in the area. In the second phase, key informants were identified and interviewed to explore their perspectives on policy efficiency and effectiveness, to determine effects relative to the influences of other policies, the market environment and other pressures. Participants in the interview process were drawn from policy makers, policy implementers, large and small business managers, regional NGO officers and LEADER group managers. A set of common questions allowed comparisons to be made between the responses of individual interviews, but the order in which they are posed could be varied, with the opportunity to explain or expand on particular topics, to neglect questions which appear irrelevant, and to explore further questions of interest raised by participants. The four main questions were:

- How would you describe the rural economy and the problems that require policy intervention, and what is your impression of ways that CAP rural development reforms have impacted specifically on rural employment?
- In what way have the CAP rural development reforms related to other structural and regional policies?
- How has employment for farm families and farm workers been affected by CAP rural development reforms?

- What has been your impression of how the CAP rural development reforms have affected rural labour market issues for non-farm households and workers in other sectors?

Checklists of supplementary questions ensured that discussion of issues affecting, for example, women, young people, and EU structural funds, were adequately considered.

Table 1 Qualitative Data Coding Scheme

Primary Code	Secondary Codes
Employment	availability of jobs (supply); economic activity/inactivity/unemployment (rates); income levels
CAP and RDR	Axis 1; Axis 2 agri-environment; Axis 2 LFA payments; Axis 3; LEADER+; spending mix; policy design; policy implementation; suggested improvements
CAP Reform	CAP reform; Agenda 2000 price support reduction; Agenda 2000 modulation; Agenda 2000 agri-environment reforms; 2003 reforms/SFP/decoupling; 2007 and future
Farming Sector	restructuring; business cost efficiency; diversification/diversified enterprises; non-farm income; contracting and share farming; low product prices; public goods; local multiplier; cooperation; direct sales
Non-Farming Sector	non-farming sector; private sector; public sector; voluntary sector; non-farming primary sector; secondary sector (manufacturing); tertiary sector (service); specific goods or services
Social Group	women; young people; wealthy incomers; East European workers; old people; young families
Infrastructure	material infrastructure (non ICT); ICT infrastructure; institutional infrastructure; skill levels; governance
Other Policies	Objectives 1 and 2; Objective 3; Member State national and regional economic development policies; local government policies; spatial planning; policy gaps; complementarity of RDR with other policies having rural development impacts
Other	spatial diversity; sectoral structure; commuting; small businesses; local culture

Interviews were conducted between November 2006 and January 2007. All interviews were recorded to enable accurate recollection and analysis of the responses. Transcripts were coded using NVivo7 qualitative analysis software; the 2-level coding scheme supporting the analysis is set out in Table 1.

Analysis proceeded by exploring patterns within the multiple data sources which provide support for explanations of the causal relationships, refining them progressively through iterative probing and ruling out rival hypotheses [6]. Coded transcripts were analysed through iterative reading to establish whether initial propositions matched apparent patterns of causality, taking into account the way in which participants set out their views, and cultural or interest group influences. Together with outcomes of desk research, the search for combinations of qualitative or quantitative evidence established whether casual processes are indeed evident, and assessed relative strengths of each effect. Through return to original transcripts for confirmation, this allowed explanations to be progressively refined and qualified, and their plausibility to be improved.

III. DOCUMENTARY ANALYSIS

A. The East Wales Region²

As one of the constituent nations of the United Kingdom, Wales is situated on the west coast and bordered on the east by England; the East Wales region straddles the Cambrian Mountains forming the spine of the country and covers lower-lying land to the east – the other NUTS2 region, West Wales and the Valleys, has Convergence status, with consequences for direct RDP funding. This is a region of the UK which is highly spatially differentiated, not only in terms of agronomic conditions, which range from moderately favourable to exceptionally difficult in the upland areas, but also in population density, peripherality and accessibility, and labour market conditions. It is often viewed as sparsely populated, remote, and mountainous, with population concentrated into relatively few conurbations, particularly Cardiff, Newport, and Wrexham. In the south and in the north of Flintshire, there are areas of predominantly arable land producing higher-value grain crops.

2. Sources of statistical information provided in this section are drawn from [7]. The East Wales NUTS2 region consists of the local authorities of authorities (UA) of Flintshire, Wrexham, Powys, Monmouthshire, Newport, Cardiff and the Vale of Glamorgan.

Population density varies from 0.24 persons per hectare in Powys (the central, most rural, local authority area) to 21.76 persons per hectare in metropolitan Cardiff. Powys and Monmouthshire (the latter a rural local authority area much affected by commuting) experienced the highest net increases in population between 1982 and 2002, with a slightly disproportionate increase for the older age group. Dependency and vitality ratios are least favourable in these areas of rural East Wales, where they have been deteriorating over recent decades. Mean annual household incomes are significantly lower than the Welsh average. Rural East Wales on average has a high proportion of people in management, professional occupations, and small businesses, and a low proportion of people in low-skilled, routine, or technical employment. Rural areas have the highest proportion of 'small employers'; this is especially significant in Powys, where 16% of the population are classed as small employers; Monmouthshire's 9% figure is much closer to the national average of 7%. Flintshire and Wrexham have higher proportions of unemployed and of workers in lower class occupations.

The Objective 2 SPD [8] for the region emphasised dependence of rural areas on a declining agricultural sector as the main cause of the low average income and per capita GVA in rural areas; poor access to education and training facilities and poor transport and infrastructure were highlighted as further problems.

Unemployment in rural East Wales is lower than in Wales in general; Monmouthshire (2.6%) and Powys (2.7%) are the local authorities with the lowest overall percentages of unemployment. Not surprisingly within Powys, the most rural authority, 10.7% work in the agriculture sector (the East Wales average is 2.4%); the only other East Wales local authority with agricultural employment levels above average is Monmouthshire at 3.9%.

Within East Wales, the farming industry consists mainly of medium-sized holdings. However, average holding sizes have been steadily rising, and the number and proportion of farms over 50 hectares (ha) increased significantly between 1981 and 2004, mainly at the expense of farms between 5 ha and 50 ha. The other main trend has been the increasing average age of farmers.

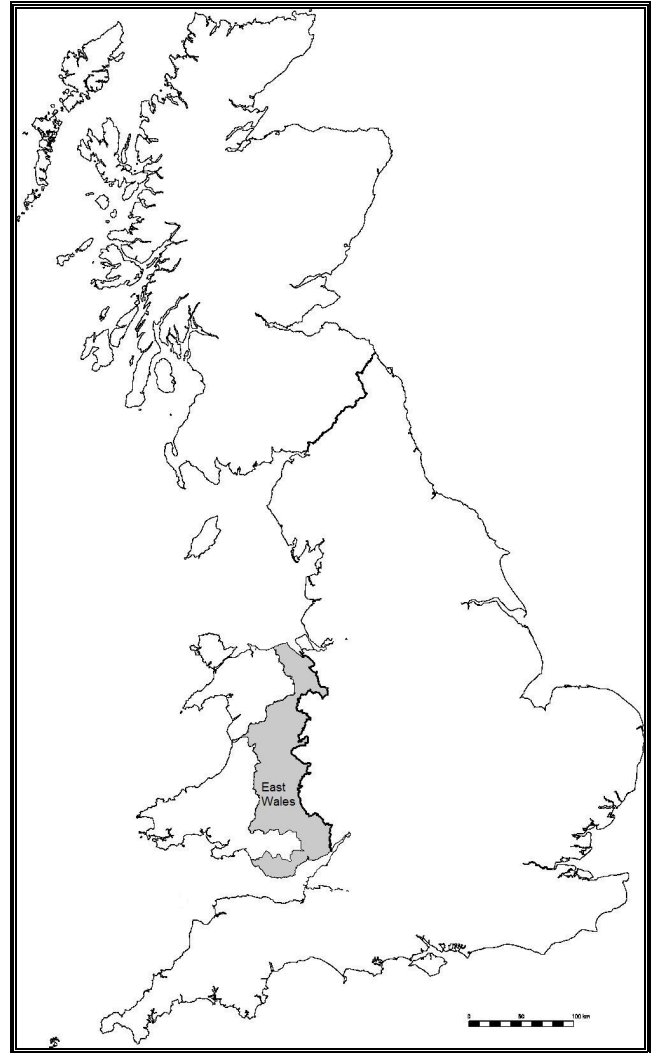


Fig. 1 East Wales NUTS2 Region: UK Location
(Source: Adapted from Ordnance Survey, © 1999)

B. The Policy Context

Wales has been governed by a devolved administration since 1999; the National Assembly for Wales implements primary legislation from the UK Parliament and adheres to the UK policy priorities, but has devolved powers concerning economic development, the environment, education and agriculture. More recent reforms in 2006 have separated legislative and executive elements of devolved government, and provided a legal basis for the Welsh Assembly Government (WAG).

Accordingly, the EU, through its control over CAP RDR policies and Structural Funds, has an important influence on Welsh rural development policy. The Rural Development Plan (RDP) for Wales 2000-2006 [9] had, as its overall aims, creation of stronger agriculture and forestry sectors; maintenance and protection of environment and rural heritage; and improvement of the economic competitiveness of rural communities and areas.

Total funding for the RDP (including current on-going measures) from the EU and national co-financing amounted to €600.1 million, of which 25% was from EU sources. Maintaining and protecting the environment and rural heritage received the majority of funding; over 86% of the total planned EU contribution. Relative to other comparable areas, funding is less generous in Wales than elsewhere.³ Within the East Wales Region there were four LEADER+ areas under the 2000-2006 Programme. Article 33 measures of the RDP, which are available only outside the Objective 1 and 2 areas, were also designed to maximise community involvement. Priorities included basic services, village renovation, tourism, agricultural diversification, and environmental protection. In addition to the RDP, much of the East Wales region, (all of Powys and Newport, much of Monmouthshire, and electoral districts in Cardiff, Wrexham, and the Vale of Glamorgan) have benefited from support under the Objective 2 and Transitional Programmes.

However, European programmes are poorly linked with the array of other policies implemented at national level concerning, for example, land use planning, health, culture, and transport, where the rural dimension is reflected with varying emphasis. The WAG's policy on local development also includes a programme, Communities First, targeted on the most deprived electoral wards, some of which are rural. However, the majority of activity is focused on urban communities, particularly in those parts of Wales that have suffered economic dislocation through closures in the mining, steel and manufacturing industries (the boundaries of the NUTS2 East Wales region mainly exclude these areas). From a rural perspective, this

focus has been criticised since it relies on the Index of Multiple Deprivation [11], a linear additive formula at ward-level predominantly based on social and economic criteria, with slender weighting for its elements that reflect poor access to public services. Since rural wards are spatially extensive and have mixed socio-economic characteristics, and the effects of remoteness are compounded by other forms of deprivation, it has been argued that significant pockets of rural deprivation have been neglected, with local development resources diverted to the more predominantly urban parts of Wales.

Institutionally, there is a wide range of actors with responsibility for rural development, including local authorities, National Park authorities (which exercise some local government functions), and Assembly Sponsored Public Bodies (ASPBs) which are also responsible for a great deal of the development and delivery of rural policies and programmes. The remaining key actor in the latter group is the Countryside Council for Wales, which acts as the statutory advisor on landscape and wildlife conservation, but has no responsibility for economic development or community regeneration. This has a more problematic history. The Development Board for Rural Wales (DBRW) was established in 1977 and was responsible for both economic and social development, actively promoting job creation and land development, although its remit excluded farming. Curiously, this Board was not responsible for the entire rural area of Wales; it excluded parts of rural North and South Wales, where the Welsh Development Agency (WDA) had responsibility for economic, although not social, development. The DBRW was merged with the WDA in 1999, and the latter has itself been incorporated into the WAG since 2006. The WDA had a Rural Policy Unit, mirroring the RDP and responsible for developing and rural proofing economic development programmes. It was also responsible for administering flagship programmes, which included both Rural Community Action (RCA) and the rural programmes promoted by Structural Funds, particularly LEADER+, and Article 33 of the RDP.

In 1998, a Rural Partnership was formed, bringing together a wide range of stakeholders to contribute to improved rural policymaking. Its chief contribution

3. For example, in the Republic of Ireland over the same period, expenditure was €3,675.1 million, with an EU contribution of 65% [10].

has been to elaborate a set of action priorities for rural policy, including business development, economic justice, enhanced skills, strengthened communities, improved services and infrastructure, and an enhanced rural environment. These have been influential in the validation of a range of recent policy and programme innovations. However, the Rural Partnership's unwieldy size has led to the emergence of a 'core group' of representatives to move business along; as a consequence, the role of non core members has become somewhat more passive. After an initial period of activity, the Rural Partnership seems to have become moribund.

Recent history of the development and delivery of Welsh rural development policy and programmes is thus somewhat mixed. The process of devolution yielded a degree of flexibility in adapting frameworks specifically to local conditions, and general economic growth in the UK and consequent increases in public spending improved resources available in real terms. However, widespread and continuing administrative changes limited the extent to which such opportunities have been capitalised upon, and there has been a lack of further genuine devolution downwards from the WAG level which might have fostered more autonomous and locally focused rural development. The overall rural framework has been heavily dependent on EU policies, programmes and funding, and although match funding for this has been provided outside the block grant funding for the WAG from the UK Government, there is controversy with regard to the adequacy of resources available. The most recent change is the institution of a Spatial Planning process [12] establishing area development groups which neglect the existence of established, integrating groups, have no requirement to consult, but which are designing new Convergence Funds projects.

IV. QUALITATIVE ASSESSMENT OF CAP REFORM IMPACTS IN EAST WALES

The interview process involved representatives of community development, agriculture and forestry, food supply, and rural policy sectors of activity, and a total of 21 interviews was completed between November 2006 and January 2007. Participants were initially asked to describe the rural economy, thereby

opening the discussion and revealing their perspectives, facilitating interpretation of later responses. Views ranged from fixing farming at the centre of the economy, through spending of farmers and of the associated supply chain (characterised as 'agri-centric'), to farming as a minor element of a diverse rural economy, important in terms of environmental and social impacts, but over-emphasised in policy terms (distinguished as 'multi-sectoralist' views).

Participants mentioned a broad range of rural economic problems, often interlinked or overlapping, including youth out-migration, inadequate childcare provision, unbalanced age structure, lack of affordable housing, pockets of deprivation, deteriorating service provision, labour supply issues, spatial diversity, and predominance of small businesses. Often problems were linked or overlapped. Particularly, poor transport infrastructure was seen as compounding problems of remoteness, and while needs for services are similar, greater problems in delivery exist in more sparsely populated rural areas. A distinct categorisation of perspectives may be too simplistic, but generally, agri-centric participants described purely agriculture-related problems while multi-sectoralists accounted for a broader range of problems, and 'agri-food-centric' participants were divided across both tendencies.

A. Impacts of Policy Reform

Participants were almost unanimous in their view that higher levels of funding are required in order to attain the potential positive impacts from the RDP. Funding gaps between programmes create uncertainty and inhibit continuity of local actions and the lack of cohesion with other development measures causes bureaucratic problems and confusion. Pillar 1 payments inhibit restructuring and a continued and sharpened progression towards market-driven agriculture is required. Overall, their views in relation to specific questions can be summarised as follows.

Have Pillar 2 reforms created jobs? Local multiplier effects from both Pillar 1 and Pillar 2 funding are positive for the rural economy, but it is difficult to disentangle the effects of Pillar 2 from other government rural development measures without better monitoring. The RDP has limited potential to sustain farm employment, and little prospect of

achieving much substantial additional job creation. Axis 2 schemes are beneficial, for example *Tir Gofal* has created and sustained employment and rural skills, but women are still under-employed.

Did Pillar 2 reforms create social cohesion? The RDP is not really a rural development plan, more a block of funding for rural areas with a very narrow focus and insufficient resources, particularly for non-farm rural development. A genuine RDP would cover a wide range of issues including housing, health, and transport. Farming has a disproportionate profile; the wider benefits of maintaining the farming infrastructure are social and environmental rather than economic. Out-migration of the young is a problem, especially in remote rural areas where commuting to urban centres for employment is not possible. Pockets of deprivation exist, especially in areas of sparse population.

Did Pillar 2 reforms enhance environmental quality? Axis 2 agri-environment schemes have a positive effect upon environmental quality and an associated employment impact.

Analysis of interview transcripts provided the opportunity to uncover participants' expert understanding of the mechanisms of rural change in the East Wales case study region, and how they interact with other policies impacting on rural development.

Rural economic problems are multifaceted, and many participants identified low wages, low productivity, and poor returns on private and public investment, with considerable variation according to spatial location; some of the most acute problems are in the least accessible areas. These problems continue, despite substantial funding from both Pillars of the CAP, and the general feeling was that policy had been failing. Some suggested that market forces, such as global market forces and regional house price trends, may have significantly greater employment impacts than rural development policy.

All participants were conscious of a need to improve the performance of the overall East Wales rural economy. However, their views diverged on where policy support should be focused. As noted above, two patterns of thinking were identified: some, with close connections to the farming industry, attributed a pivotal role to farming; others though,

represented across the stakeholder spectrum, felt that a shift of funding support from farming and into a multi-sectoral rural development policy would provide greater economic benefit, and some also suggested that the predominance of farming-related subsidies constituted a barrier to adjustment to improved efficiency and market orientation.

B. Mechanisms of Rural Change: the role of farming

Pillar 2 policies originate from measures intended to supplement reforms to commodity-based support. Consequently, the policy culture displays some deeply embedded agri-centric views, to the extent that some participants were unable or unwilling to respond to questions on matters beyond farming or the agri-food sector, and tacitly identified 'rural' with agriculture. Of the two competing discourses, agri-centric and agri-food-centric attitudes were more prevalent among policy makers than elsewhere; sometimes, even when questioned specifically about other sectors, they made little or no reference to communities outside of farming, and related developments such as IT infrastructure improvements or government office relocations entirely to the impacts they have on farms and farming. Since all Pillar 1 funds support farming, and only a small proportion of Pillar 2 is devoted to the non-farm rural economy, this is perhaps unsurprising.

Despite this dichotomy, participants generally agreed that the RDP does not adequately constitute a rural development policy. Its measures and their funding are almost exclusively related to the farm and agri-food sectors, and as a result fall short of addressing the broader needs relating to sustainable development of the economy, communities, and environment of rural areas, and fail to integrate effectively with other rural policies at national and regional levels. This acts as a barrier to the design and implementation of fully integrated rural development policy in East Wales.

Most participants were concerned that the funding total for Pillar 2 in the UK is almost negligible compared to the situation in many other countries, which is due to historical factors that have little to do with the incidence of rural problems. This minimises the potential for positive rural development outcomes and reduces the rural development options available in

Wales. For example, the lack of retirement or succession schemes in the East Wales RDP was linked to the idea that the total budget is so small that any potential scheme would have insufficient funds to achieve substantial outcomes.

Although the main focus of attention was on employment impacts of Pillar 2 reform in East Wales, participants frequently discussed these in the context of Pillar 1 reform, especially the impacts of decoupling. Their general conclusion was that decoupling has given farmers more flexibility, but many had not yet used this to substantially change their business practices. In principle, decoupling enables farmers to alter their enterprise mix or their livestock density without losing farm payments, but most felt that Pillar 1 payments remained a barrier to greater market orientation, improved cost-efficiency, restructuring and succession, or development of diversification enterprises.

The Agenda 2000 reforms effectively removed commodity price support mechanisms, and the recent introduction of decoupling provides further flexibility to respond to changing market conditions. Low commodity prices were reported to have led to extensification with possible undergrazing of pastures; increases in livestock commodity prices may encourage a future return to high stocking rates with possible overgrazing problems, but this may be moderated by increased grain prices. Loss of suckler beef enterprises from Welsh hills was also reported as an environmentally damaging impact of decoupling and low commodity prices. All recent farming problems in East Wales were associated by participants with these low commodity price levels which, as one reported, had reduced the employment of farm casual labour. However, a number of participants thought that the adjustment of the farming industry to these new conditions had been slow. They considered this a result of less than adequate promotion of positive messages promoted by extension services, and use of the decoupled Pillar 1 payments to subsidise unprofitable farm enterprises. But a widely held view was that adjustments in the farming industry would be stimulated by the prospect of substantial reductions in Pillar 1 payments after 2013, which most expected – even among those who might not support such cutbacks.

Some participants thought younger farmers were more likely to adjust their businesses in response to policy changes, but market and policy barriers to succession include lack of dwelling space for additional families, low farm incomes restricting farm labour requirements, and increasing land values which cause tensions among sibling inheritors. Such succession problems are likely to constitute barriers to agricultural adjustment.

With no growth in the overall CAP budget, Pillar 2 measures may only be extended as a consequence of modulation transfers from Pillar 1. Many expected future CAP reforms to include further increases in modulation, and consequent interaction between the impacts of each. Speculation about these potential impacts was common, particularly regarding changes in local multiplier impacts. As Axes 3 and 4 programmes facilitate successful farm diversification enterprises, which can create labour demand, especially in sparsely populated areas, the consensus among participants was that support for farm business development in Axis 1 and for diversification in Axis 3 has been more effective when based on the quality of extension services rather than on provision of grant schemes. Axes 3 and 4 non-farm business support and start-up programmes facilitate successful diversification in the manufacturing and service sectors, which often provide markets for rural primary products.

Growth of Axis 2 funding is restricted by the WTO 'Green Box' rules which allow compensation on the basis of 'income foregone'. Though agri-environment schemes do not have employment generation as a primary aim, some participants reported significant impacts, in retaining rural craft skills, local multiplier effects, and on tourism through landscape and biodiversity amenity. If such socio-economic impacts were quantifiable, they may justify higher than current levels of Axis 2 funding. Direct economic impacts may not be large, but the need to retain a critical mass of people with agri-environmental craft skills might be seen as essential, and the indirect impacts may be substantial.

The Agenda 2000 reforms provided some security for farm businesses in the event of significant falls in world commodity prices. Some concern was expressed about possibly negative impacts of farm industry

adjustment, such as lower standards of agri-environmental management (possibly as a result of increased farm sizes, or new management unfamiliar with local agri-environmental conditions), the loss of Welsh family farms, with implications for their contribution to rural communities and the national language [13]. However, even those who expressed these concerns generally saw some potential for Pillar 2 measures in ameliorating the outcomes of these changes.

C. Mechanisms of Rural Change: the rest of the rural economy

With recent low commodity prices, off-farm incomes earned by household members have become even more important in supporting farm businesses. However, more remote LFA farms have fewer opportunities for either diversification or off-farm income, yet their economic, social and cultural role in communities is more central; farming employs a relatively high proportion of people in sparsely populated and remote open countryside, and consequently their proportionate local multiplier effect may be greater. A combination of higher market prices and business management improvements might increase LFA farm incomes, but they remain vulnerable to future commodity price reductions.

Locally led rural development activity has created a number of local and specialist premium brands in East Wales, often through cooperatives founded to market, for example, meat products. These were often facilitated by Agrisgôp⁴ peer support groups and other LEADER+ and Pillar 2-funded extension activities. LEADER+ groups have organised regular gatherings of farmers from a wider region to build levels of social capital and encourage potential for new cooperative activities. Combined with national promotion of Welsh lamb and beef, some success has been achieved. However, such collaboration is often hindered by cultural and economic barriers, such as large farm sizes, limited social networks, past cooperative failures, and reliance on livestock markets

4. Agrisgôp is a European Social Fund project to assist individual members of farming families to identify and develop new business opportunities, using action learning methods to work with individuals to examine their own potential.

for as a place for social contact, so that work on facilitating new ventures is far from complete.

There was a general consensus that farm women play an important part in initiating diversification and marketing co-operation. They are often the main farm administrators and consequently also benefit frequently from farm administration training. Farming men and both farming and non-farming women benefit particularly from single gender business support peer groups and training courses. This was demonstrated by the successful experiences of the Agrisgôp scheme and of peer group IT training courses, and by reports that rural women benefit particularly from single gender training in rural and technical skills. Women have had leading roles in LEADER+ groups, but there was some concern that elsewhere in the rural policy establishment, the LEADER+ influence might have been resisted specifically because of the predominance of women in the organisations. Plans for increasing LEADER+ involvement in RDP implementation may help to remedy some of these problems and enhance the levels of recognition for rural women.

There was a striking lack of awareness, in fact, among male participants of issues affecting rural women's employment, and inability among some to respond to direct questions about non-farming women's issues. This suggests that, for some men at least, the gender dimension of rural development remains invisible. Others recognised, for example, the importance of childcare and care of older people; these services are difficult to supply professionally in sparsely populated areas, and consequently family and informal social networks were particularly important. However, extended family care services depend on family members being able to live in sufficiently close proximity; in this respect, labour and housing market conditions combine to produce some of the most severe demographic problems.

These, alongside other rural problems and policy outcomes, are affected in different ways by spatial factors, such as population density, settlement size, and accessibility to urban settlements. Problems of low incomes and high house price-to-earnings ratio are particularly acute in Powys, as the most sparsely populated local authority in East Wales, and most who commented thought youth out-migration was probably worse there than in other, less remote rural areas, but

in some respects this was misleading; demographic statistics show that while static age ratios were most unfavourable in Powys, the trend was least favourable in the more accessible local authority, Monmouthshire, which has higher average incomes but very high house prices and a very low proportion of first-time buyers in the housing market. This suggests that social exclusion among indigenous households in sparsely populated areas is at its most acute in the more accessible areas, even though it certainly also exists in remoter areas. House prices are inflated by demand from in-migrants, and longer-established rural families may be deprived of local accommodation and extended family support, but high GVA statistics, uplifted especially by commuters' high average incomes, may more effectively hide these problems from view in accessible rural areas.

Generally, low wages levels and a lack of high paying work was identified as a cause of out-migration of skilled indigenous people, especially in remoter parts of Powys where commuting is not an option. Here also, low skill levels were also identified as a barrier to investment in more highly paid jobs. This labour market failure obstructs development; however, while higher paid employment could allow for retention of employment skills, it may also increase the upward pressures on house prices, and intensify pressures on the socially excluded, especially in sparsely populated areas. Escaping from this trap requires stimulation of economic development to be accompanied by measures to support social justice; participants noted that the LEADER approach has been particularly beneficial in sparsely populated areas in tackling social exclusion in combination with economic development. In contrast, there were concerns about lack of rural policy integration with national and local policies, and a lack of recognition of local spatial diversity in policy design and implementation at aggregate level. Although an optimistic few welcomed innovations such as the Wales Spatial Plan and 'rural proofing', others expressed uncertainty about the potential benefits of these methods.

It proved difficult to disentangle the relative impacts of policy and market forces where they tend to have opposing impacts, but where they operate in the same direction their combined impact may be

especially powerful. For example, centralising trends in public sector spending policies and in private sector consumer services combine to cause accelerated overall decline in service infrastructures in sparsely populated areas. This reduces rural employment opportunities, and a poorer quality of life for the socially excluded, who lose access to basic services. It has been successfully demonstrated that community development approaches can mitigate such problems, but their current RDP funding levels are insufficient to achieve substantial impact.

Poor planning of the transition between RDP 7-year periods, including delays to the agreement and implementation of new plans, has disrupted the continuity of policy delivery. Participants reported that this has caused problems with staff retention and with public and private sector cash flows. This is a barrier to the long-term attainment of policy aims, particularly of agricultural adjustment, in which the reputation and expertise extension services promises to have the most impact. The funding hiatus sets this back because expertise has been lost.

V. LESSONS OF THE CASE STUDY ANALYSIS FOR RURAL DEVELOPMENT POLICY

The aim of this case study has been to explore in depth the employment impact of the reformed East Wales RDP, taking into account the complexities of the context in which it is applied, and the keen desire of the WAG to differentiate its policy-making from the rest of the UK. This final section evaluates the evidence acquired in the case study and the lessons learned for policy development.

Future prospects for the region will be affected by rapidly evolving market and policy influences. The poor social and economic performance of the rural economy of East Wales can be located in a central dynamic, which involves dual market failures in employment and housing. Employment in the region is characterised by heavy dependence on the public sector, which is unlikely to grow, and if centralising tendencies in public service provision continue, may even play a smaller role than at present. In the private sector, small businesses predominate, and because of their sectoral structure, local wages and other employment conditions are relatively poor. Housing

demand is influenced by continuing income growth elsewhere, with costs inflated by lifestyle in-migrants who are either commuters or retirees. Unemployment statistics consequently conceal the actual state of labour markets, since the response of younger people is to migrate out, reducing skills and innovation capacity, restricting the scope for the economic development which could raise wage levels, and resulting in an enduring state of underperformance.

Socially, the effect of changing demography has been the creation of sporadic and hard-to-detect pockets of deprivation and exclusion alongside relative affluence, and trends in rural service provision are intensifying such disadvantage. The accessible-area concurrence of high house prices with a low percentage of first-time buyers indicates a particular intensity of counterurbanisation-induced pressure on local economic and housing opportunities for the local young people. This is a factor affecting rates of youth out-migration and of graduates and other young adults returning to their home areas. While social exclusion and relative poverty is clearly detectable in the statistics for remoter areas, these quite intense problems in the relatively wealthy, accessible rural areas are often neglected. Among the many direct and indirect impacts, the most far-reaching may include loss of local distinctiveness and cultural capital, loss of social capital, and loss of informal and family-based social care, possibly impacting most forcefully on the more vulnerable members of long-established rural families and social groups. Appropriate development policy in such areas should aim to reduce the harmful effects and to make best use of all resources, including the in-migrants who constitute a substantial human resource which can be tapped if only they are attracted into involvement with local social and business networks.

Resolution of these problems, therefore, also requires a dual approach: action to improve productivity, and spatial planning policies which are sensitive to rural requirements. The latter may be resolved by implementation of the new Spatial Plan process, but is a longer-term issue; the former requires a blend of encouragement for inward investment, combined with efforts to build on the competitive and comparative advantages of the region's small firms

which currently provide the productive core of the region's economy.

The East Wales RDP from 2000-2006 has had some impact on economic development, but it has been very small, relative to the overall scale of the problems. Its effects are hard to disentangle from the outcomes of other policy measures, including Pillar 1 of the CAP, Structural Funds programmes, and specific rural initiatives of the WAG, but the general conclusion is that they have been modest. The designation of Pillar 2 as a whole as a 'Rural Development Programme' could itself be questioned, since the spending emphasis is on structural adjustment in farm businesses to meet the aims of reformed agricultural policy; in its current form, it might be better to rename it, firstly, to ensure that expectations of its impact are not inappropriately raised, and secondly, to better reflect its purpose and objectives.

These conclusions do not mean that the RDP is either ineffective or irrelevant. It has been effective in the development of competitive premium agricultural products, but more potential can be exploited. Despite the fact that farming contributes an increasingly small share of overall employment, it remains important in terms of its environmental and landscape contribution which sustain tourism and other rural jobs. Environmental impacts of the Pillar 1 reforms give grounds for concern, and Axis 2 policies need strengthening to more efficiently counter adverse effects of decoupling. Research to quantify Axis 2 socio-economic benefits, such as maintaining an essential quorum of rural skills, might even justify increased funding. The RDP has helped in the development of a professionalised agricultural service sector, which, through the employment created, is recognised as important in retaining some young people's links with farming. Given rising world food and energy prices, it is also important to retain the capacity to assure future food security. With decoupled (and diminishing) commodity payments, farm business adaptation, agri-environment support, and development of the food supply chain contribute significantly to the sector's ability to meet these social needs. There has been a specific problem relating to the hiatus between the RDP which ended in 2006, and that for the 2007-13 period, for which the approval and implementation was substantially delayed. This

gap in availability of support has had adverse consequences in the dynamic of farm structure related development, particularly in the crucial area of providing advice on business adaptation, and as a result expertise has been dispersed. Consideration should be given to the whole framework of programmed funding so that overlaps in expenditure are allowed.

However, from an aggregate perspective, such transformation will be much less effective if insufficient attention is given to the non-farm rural economy. Persistent social and economic underperformance outside the agricultural sector increases overhead costs of delivering services and maintaining viable rural communities, especially in less accessible areas. Because the potential of agricultural and allied industry restructuring to resolve non-farm rural development problems is limited, future developments in rural policy should seek to prioritise the latter. Ideally, the allocation of the budget to Axes 3 and 4 should grow, but without substantial reduction in that devoted to Axes 1 and 2.

This raises two important issues for East Wales. Firstly, overall RDP spending in the UK is small, relative to the problems experienced and resources available elsewhere in the EU. This is due to a historic legacy of longstanding problems over Member State contributions to the EU budget, which resulted in low take-up of match-funded options in the UK. It is clear that the present formula for allocating funding should be reviewed, in order to establish a firmer evidence basis for distribution. In this respect, there is recognition of the potential for local multiplier effects to be exerted, but compelling evidence of the relative effects of, for example, improved food marketing and processing or farm tourism diversification, is not available. It is important, in the context of restricted funding, to achieve the most impact for given expenditures. Secondly, although in principle, future growth in spending may be funded by increased modulation or increases in match funding from Member State sources, powerful barriers to this exist in the form of agriculture sector lobbying power, and a pervasive farming culture of policy dependence. A higher proportion of compulsory modulation should help, particularly if allied to improved funding of measures which help farm businesses to reorient to

market mechanisms and improve their efficiency. Remotely located sub-sectors may require contingency plans to prevent sudden collapse due to their particular vulnerability to unforeseen commodity price fluctuations.

While increased funding and activity within Axes 3 and 4 of the RDP are desirable, overall, rural policy in East Wales lacks coherence and integration between different channels of implementation. The potential, for example, of greater integration between tourism, speciality premium food promotion, and environmental quality could be much better exploited, and this requires recognition of potential synergies to be built into policy design. More could be achieved if integration between RDP, Structural Funds and Member State policies were incentivised at regional and local level. Much innovation in terms of policy integration has been achieved at local level through LEADER+ groups. Their employment impact has also been modest, although more could be achieved if more resources were available. In particular, they have been able to respond by using knowledge of local conditions to promote economic initiatives which also address rural deprivation; they also provide one of the few positive opportunities for rural women to improve their status within and contribution to rural development.

A strengthened local dimension is clearly required to cope with spatially divergent problems highlighted in the case study evidence. Radical innovation in policy delivery is required, but needs to be sensitive to the preference expressed by some participants for a period of institutional stability. Reconciliation of these needs could be achieved through a system of multi-level Rural Action Plans, which draw on local knowledge and develop capacity to integrate across institutional structures. This could provide an incentive mechanism for policy integration which more effectively addresses specific contextual problems. Although such action plans should not, initially, involve specific targets for infrastructure, service provision, employment creation, they could provide an indicative, evidence-based framework for articulating local aspirations and integrating funding sources to achieve them.

An explicit objective of the case-study was to investigate RDP reform impacts on women and young

people. The demographic issue is prominent in the evidence that the case study provides, and it is clear that retention of a balanced rural age structure can only be achieved if there is progress in overall development. Conversely, at least for the male establishment, women's issues are almost invisible in terms of concern or specific policy design. Childcare services, in conjunction with flexible working practises, which are essential for allowing women the scope to participate fully in the rural economy and society, should feature prominently in future rural development policies. However, it is also clear that certain types of development allow rural women to fulfil their potential, including farm diversification activities, cooperative businesses, and community development. These should also have priority in future plans for rural development policy.

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