Llywodraeth Cymru
Welsh Government

POLICY AND STRATEGY, DOCUMENT

Economic mission: priorities for a stronger economy

Our priorities for building a more prosperous, equal, and greener economy.

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Ministerial foreword

A stronger, fairer, greener Welsh economy will allow more young people to feel confident about planning ambitious futures in Wales.

We can turn our economic strengths into more ambitious business growth with secure, well-paid jobs and rising living standards. We can steal a march on the industries of the future with investment that places communities held back by chronic UK centralism in the driving seat of our shared economic story.

We can meet the challenges we face by bringing together the everyday economy and the technological frontier, turning risk into opportunity. We can invest in partnerships that build trust and connection between people; removing the oxygen that feeds hate and division.

We can choose a stronger, fairer, greener economic future, one that is built by all of us.

Since launching our economic mission in 2021, global and domestic events have brought shock to businesses and workers, damaging growth, creating uncertainty and, at times, requiring emergency responses. It has fuelled a cost of living crisis, reduced regional investment for Wales and eroded public finances across the UK's regions and nations.

When faced with omicron followed by rising inflation, energy costs and interest rates, our focus has rightly been on helping businesses, especially SMEs, through difficult times and investing as much as possible to tackle the skills divide while putting rapid support in place to help those facing redundancy find new employment.

Despite these challenges, we have taken forward the economic mission, delivering for people, places and businesses:

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- over 27,000 young people have started employability and skills programmes alone since the launch of the Young Person's Guarantee in November 2021
- from semiconductors to gaming, we have struck deals, bringing hundreds of new quality jobs to Wales while providing dedicated support for our growing export recovery
- targeted investment in our regions, including £40 million for the largest consented tidal energy development in the UK with Morlais on Ynys Mon. Bespoke Welsh freeports and investment zones will work with our regional strengths to bring new opportunities across steel, advanced manufacturing and clean energy
- created a green business loans fund via the Development Bank of Wales, helping SMEs lower their energy bills for good
- new and improved infrastructure from new schools and colleges and flood defences to the Welsh housing quality standard and superfast broadband
- support for the UK's strongest cyber cluster, investing £3 million in the Cyber Innovation Hub, bringing industry, government, defence and academia together to grow Welsh cyber.

Big ticket policies across government are also supporting greater economic opportunities including:

- extending the childcare offer (already the most generous in the UK)
- building 20,000 homes for social rent this Senedd term
- transforming travel across the south Wales valleys, from the dualling of the A465 to the metro network and the electrification of the valleys lines.

This progress is possible because of the partnership and openness we choose to embrace. The stability of leadership provided by the Welsh Government allows for a focus on the long term and the ability to see through deals that win new jobs from semiconductors in Newport to life sciences in Gwynedd.

It allows for closer and more trusted relationships with businesses, trades unions

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and other partners and a better understanding of the opportunities Wales can win.

At a time of such uncertainty, I have discussed with businesses how we can take forward the economic mission to maximise the certainty we can offer to boost growth, lower inequality and retain more value in the Welsh economy.

We will use active industrial policy to position Wales as a partner in the wave of new industrial strategies that are redefining economies, from the Inflation Reduction Act in the US to the European Green Deal. Business investment is racing to those shared visions and Wales is well placed to capture the demand for clean energy and advanced manufacturing.

The economic mission has already set Wales on a path that links our pandemic response with long term, active industrial policies. No credible evidence or recent experience supports the case for a switch to reckless deregulation, lower expectations on working conditions and environmental standards or unfunded tax cuts. Trickle down is bust.

We will go on investing in long term partnerships capable of linking innovation and skills to better pay and wellbeing. In sectors like aerospace, creative industries and energy our partnerships have built lasting careers that support stronger family finances in many of our communities.

The Welsh Government cannot support all proposals for our economy and ignore the realities of the financial constraints placed on the Welsh budget. Our mission will guide decisions through tough times and severe budget challenges. Our priorities will focus on opportunities we can scale up as new opportunities emerge and UK level policies change.

A sense of priority does mean saying no to bids for investment that fail the test on growth, fair work, place and value for money. But a sense of priority also means backing those proposals that are built to last with long term partnerships

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and creative approaches that improve incomes and living standards.

In the businesses I see across Wales, there is much to be optimistic about and so many examples of what makes Wales a fantastic place to live, work and do business.

Our priorities are for an open, confident, forward facing economy that is built by all of us.

Positioning Wales in a new economic future

The global economy is changing. From steel to renewables and cyber to aerospace, global disruptions are raising fundamental questions about where growth will come from and our economy's place in the world. For Wales, this can bring huge opportunities as more investment will be attracted to places and industries beyond financial centres.

Industry, academia and the Welsh Government work together in Wales to make things happen. We have dedicated business support and the agility to make decisions quickly, an environment that has helped the explosion of the creative sector here and made Wales the home of AMRC. From the UK's first development bank to our dedicated Business Wales service, our services for small business are close enough to understand local economies and the needs of entrepreneurs and big enough to make impact.

We're well connected to the rest of the UK and to global markets and Wales is a great place to live and work. It's also a beautiful country with a great quality of life offer.

As the global economy changes, we will maximise our devolved powers, clearly demonstrating that we are pro-business and pro-worker, underpinned by a reputation for and commitment to fair work and wellbeing.

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There is no greater challenge than the climate emergency and we need to transform our economy to power green prosperity. Protecting our economy and infrastructure from the effects of climate change is as urgent a task as getting ready for the jobs of the future.

Like the rest of the UK, Wales is adapting to a new international trading environment outside of the EU single market which brings with it both opportunities and risks, including the new trade deals that have been concluded to date. We are supporting businesses and people through this change and working to tackle trade barriers.

Delivery

I am setting out four key priorities which will help to focus and deliver against the ambitious outcomes set out in our economic mission.

1. A just transition and green prosperity
2. A platform for young people, fair work, skills and success
3. Stronger partnerships for stronger regions and the everyday economy
4. Investing for growth

These will guide how we respond to uncertainty and build for the future. They will shape how we prioritise in tough times and scale up for new, future opportunities with a clear sense of purpose and direction.

Our mission for a prosperous, greener and fairer Welsh economy rests on stronger regional economies within backed by a ‘team Wales’ mission to drive up growth for better jobs in communities where no one is left behind.

Our economic contract provides the platform about how we will help to build upon these opportunities with Business Wales, Social Business Wales, Working Wales, and the Development Bank of Wales to set out our commitment to

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provide clear leadership and business support.

Our economy will be forward looking, will achieve clear outcomes for current and future generations and I want Wales to be one of the best places to live and work in the world.

Vaughan Gething MS
Minister for Economy

Economic mission outcomes

The economic mission outcomes underpin the four priorities: a more prosperous economy, a greener economy and a more equal economy.

A more prosperous economy is one that operates within safe environmental limits and advances the well-being of current and future generations. An active government that drives economic development to grow the economy and reduce inequalities.

The Well-being of Future Generations (Wales) Act is our guiding blueprint for shaping Wales' future, improving the economic, social, environmental and cultural well-being of Wales. It shapes what we do, and the long term goals set out in the economic mission published in 2021. We are committed to maximising its contribution to the achievement of our seven well-being goals for Wales.

Productivity is fundamental for a sustainable and growing economy which produces more with less, innovates, creates returns and rewards to workers and business owners through better wages and incomes. To achieve this, Wales has many longer-term levers, which include skills, education, advice, support and finance and the ability to invest in infrastructure. Productivity and growing businesses also provides the foundation for a growing tax base, from which

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government resources are generated to fund these investments.

We share the analysis of leading independent voices including the Resolution Foundation on the need for a long-term UK level industrial strategy. Getting growth up across the UK's regions and nations is the route to meeting our net zero goals, boosting living standards and lifting children out of poverty in the long term.

Four national priorities

Over the next two years, we will progress our economic mission, focusing on the levers that can help young people plan ambitious futures in Wales.

This will draw upon international best practice, whilst responding to the evolving labour market to support the conditions needed for businesses to thrive.

We will focus upon four specific priority areas:

1. A just transition and green prosperity: realising the enormous net zero opportunities across Wales from its natural environment to support business growth and engaging with businesses and people to move towards a just transition.
2. A platform for young people, fair work, skills and success: backing young people to achieve the ambitious futures in Wales. Prioritising their skills and creativity. We will target resources where they are most needed with help for those furthest from the labour market.
3. Stronger partnerships for stronger regions and our everyday economy: work with each region to agree a smaller set of priorities. This will include joint working to boost the case for UK decisions that crowd in investment and support fair, unionised jobs in areas including nuclear, offshore wind and tech. We will work together in difficult financial circumstances to prepare for

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the potential return of post EU funds and back the everyday economy to retain more value and tackle poverty.

4. Investing for growth: we will work in partnership to focus on our comparative strengths to boost investment and growth that promotes fair work and long termism. Our new mission based innovation strategy will target new investment in a post EU landscape, supporting commercialisation, R&D and entrepreneurship.

Whole government commitment

We want to play to the strengths of our devolved powers and ensure that businesses are supported, to attract talent and underpin our ambitions for a prosperous, greener and an equal society.

The four national priority areas will be supported by the decisions and actions we take in the coming months and years.

These include:

- publishing an updated net zero plan every for every carbon budget. The policies and proposals within this plan will provide economic clarity and certainty for investment, ensuring the skills of our workforce match our ambition across the green economy.
- removing barriers and increase opportunities for people with protected characteristics. Too many working people face arbitrary barriers to success and are too often powerless in the face of unfair treatment. Our actions will promote the wellbeing of all as an investment in economic success and lasting growth.
- supporting those furthest from the labour market. Removing barriers to employment can lift people and families out of poverty and reduce child poverty. We will mainstream our commitment to the everyday economy and

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ask all public bodies to look at how to build social value into their contracts and workforce plans to help tackle poverty and prevent hardship.
- narrowing the skills divide. Taking forward an approach through our employability and skills plan to ensure that educational inequalities narrow, and standards rise, whilst tackling low qualifications and increasing the mobility of workers.
- transport systems for better connection, connecting people to opportunities and public services, widening labour markets, allowing a better matching of people to jobs, allows better access to more training opportunities. Bringing communities together and enabling businesses to grow and expand.
- prioritise modern methods of construction in home building and advance land for social and affordable homes whilst supporting our partners to deliver low carbon quality homes.
- new mission driven support for R&D designed to draw more UK funding into Wales, supporting a thriving higher education sector and jobs of the future. This will support data-driven innovation and the adoption of new technologies such as artificial intelligence, advancing our ambitious digital strategy for Wales.
- social partnership: strengthening our partnership with businesses, unions, regions (including local government) and wider partners to invest with a shared purpose. We will take a team Wales approach to make decisions which consider future generations.

Next steps

Wellbeing economy

We will work with the Wellbeing Economy Governments (WEGo) group, an initiative where member countries (Scotland, Iceland, New Zealand, Wales and Finland, with Canada actively participating) are working together to understand

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the key priorities for a wellbeing economy. We want to position Wales as a leading nation in our approach and to innovate and place a specific focus upon the role of business, place and people to meet a range of needs.

Monitoring and evaluation

The Well-being of Future Generations (Wales) Act 2015 requires Welsh Ministers to set national indicators and milestones to assess progress towards achieving Wales' well-being goals. There are currently fifty national indicators and seventeen national milestones, and we will continue to monitor these indicators across environment, economic and social well-being to consider how the economic mission is being delivered. We will develop work with partners to understand and utilise existing data and to map the labour market to explore where we can maximise co-ordination at a system level. We will also commission an evaluation of the economic mission to consider the impact.

Four national priority areas

Priority area 1: a just transition and green prosperity

1. Accelerate the decarbonisation of Welsh businesses and industry and their resilience to a changing climate and enabling industry to explore new growth opportunities including, by becoming a world-leader in low-carbon manufacturing, playing to Wales's existing strengths.
2. Support businesses in Wales to understand the short and long-term impacts of climate change and factor this into their business models going forward, taking pro-active steps towards improving their sustainability, demonstrating their positive impact on the people and places around them.
3. Focus upon resilient and efficient infrastructure through our electrical grid (such as offshore wind), sustainable transport, house building, waste, digital

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and water which will be a key enabler for us to achieve our net zero ambitions and grow businesses and supply chains to meet needs.
4. Create the expertise and capabilities in Wales to support the transition to net zero by growing a skilled workforce and supporting businesses to generate demand, to support our net zero ambitions and to be able to respond to the required economic changes, thereby delivering a just transition.
5. Enable current and future development of a low carbon and a circular economy in Wales to increase opportunities for local businesses to create local jobs and stimulate new supply chains and investments.

What do we want to achieve?

The Green economy is going to be one of the most important areas of economic development for the next decade. We want to grow our supply chains, unlock business opportunities, and empower communities to lead on ambitious green funding investment. We want to ensure that businesses are resilient to changing climate conditions and that our businesses our meeting targets to reduce emissions. We want to create places where businesses can maximise the benefits of green infrastructure for sustainable growth.

What do we know?

Reducing carbon emissions across Wales

Wales-based businesses emissions account for 12% to 13% of UK industry and business emissions. Analysis by the IMF (**World economic outlook: April 2022 | International Monetary Fund**) suggests the overall size of job shifts due to the net zero transition may be relatively low over time, compared to other shifts for example from industrial to service sectors, or general job changes. Whilst this transition may be relatively low, the transition will need to be managed as it may

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be particularly acute in certain places and affect particular types of people. To date, the share of brown job workers moving to green jobs has been low (**Net zero transition to mean significant change for 1.3 million workers | LSE Business Review**). Higher skilled workers find it easier to reallocate away from high-emitting jobs. Lower-skilled workers find it harder. Within jobs and sectors, changes in skill requirements will occur. Training and incentives for re-skilling will be essential to ensure low-income workers can transition away from high-emitting jobs and gain new skills in their current roles. This will require effort and input from firms, government and workers.

Priority area 2: a platform for young people, fair work, skills and success

1. Create employment, self-employment and training opportunities for young people, which will aim to fully utilise existing interventions and strengthen stakeholder partnership arrangements, to create a straightforward journey for young people of all circumstances and backgrounds.
2. Utilise the evolving aspirations of young people across the curriculum reform in Wales and to develop and reform apprenticeships, vocational qualifications, and entrepreneurial learning to increase skills and employability opportunities.
3. Focus upon high quality careers and work-related experiences across the curriculum from ages 3 to 16, and beyond, expanding children and young people's experiences of work from a much younger age, which will offer a full range of opportunities for all young people to be more agile and responsive to economic needs.
4. Deliver the provision of mental health and wellbeing support to overcome barriers which hold young people back from accessing employment and education opportunities.
5. Develop local opportunities for young people and families to access fair work, education, skills, affordable housing, transport, childcare and cultural

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opportunities.

What do we want to achieve?

We want to develop vibrant, well-connected villages, towns and cities that are appealing to young people and families, where homes and fair work are attainable, and wealth is generated and retained locally. We want young people to thrive and grow by accessing the right employment or education opportunities at the right time. This means equipping our young people with the skills for now and the future and providing support to remove barriers to access employment opportunities. This includes linking with businesses to ensure that we are creating the workforce to access job opportunities and to ensure that these skills are built across the curriculum.

What do we know?

The importance of people and their skills

Our **Young Person's Guarantee national conversation report: phase 1** and **Young Person's Guarantee generation Z series: annual report 2022** have told us that young people value work experience opportunities, access to transport and mental health and wellbeing support as key provisions for them to access the job, education or training they want. Skills are repeatedly found to be the main or major explaining factor in difference between places productivity, or alternatively, wages. For example, evidence shows up to 90% of differences in average wages across areas can be attributed to differences in the types of people who work in different places, including the skills they hold and use (**Spatial disparities across labour markets | Inequality: the IFS Deaton Review**). Looking within Wales and comparing qualifications with employment across places, there is a consistent trend that on average, having no

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qualifications means people have a much lower chance of being in employment. Higher qualifications are also likely to have positive effects on peoples' productivity and the amount they earn.

Priority area 3: stronger partnerships for stronger regions and the everyday economy

1. Focus upon place based economic development and the need for better integration of a range of policies and programmes to enhance local services, such as transport, health, education, planning and housing.
2. Strengthen the foundational economy and shorten our supply chains to support direct goods or services we buy, including to maximise procurement opportunities, to enable local employment opportunities.
3. Support fair work, which is the presence of observable conditions at work which means workers are rewarded, heard, and represented, secure and able to progress in a healthy, inclusive working environment where rights are respected.
4. Focus upon economic inactivity and to create opportunities for people across all ages to access fair work, including to help support people with mental health and societal barriers, people with protected characteristics and lone parents.
5. Remove barriers to employment and career pathways for disabled people, women, carers, and ethnic minority people whilst improving workplace practices and culture.

What do we want to achieve?

We want to focus upon place and making communities stronger and more resilient. We want people to participate in fair work, which provides a sense of purpose and means that people have money, time, and resources for a healthy life for themselves and their families. We want to identify and address barriers

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that some of our communities' face in accessing jobs and skills and to strengthen partnerships with our employers to create inclusive workplaces and opportunities.

What do we know?

Economic inactivity

Economic inactivity has been a long-term issue for Wales. Whilst over the longer run, the trend in Wales has fallen, over recent years that trend has stopped or even reversed, as is the case at the UK level. Demographics are also important, as Wales has a higher population share than the UK of people aged 50 to 64 years, who tend to have higher inactivity rates. Decreases to economic inactivity, through increases to employment, would increase well-being and boost the economy. Research finds a negative effect on well-being moving from employment to inactivity due to ill-health and positive effects on moving the other way.

Priority area 4: investing for growth

1. Deliver actions set out in the Innovation Strategy for Wales Delivery plan and build upon Wales's national and regional strengths and assets to focus upon a concentrated number of significant industries which can be grown to be internationally competitive.
2. Unleash the potential of the different assets and strengths of Wales's regions. Agree a new, shorter set of priorities with regions to focus on urgent opportunities. Build on cluster-based approaches, active labour market, investment and business support policies to increase skills and employment opportunities.
3. Focus on improvement of industrial and commercial sites and premises,

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property, transport, connectivity, and digital infrastructure across businesses to improve and maximise competitiveness and to attract business growth.
4. Continued access to high-quality support for growth and specialist business to increase productivity, enable growth, access finance and improve learning and development skills.
5. Support businesses to build capability for growth, exporting and maximising opportunities, including trade deals, to support active participation within UK and international trade, whilst enabling the maintenance of high domestic labour and social standards.
6. Back innovation and commercialisation, including into new and rapidly evolving technologies, such as Artificial Intelligence, and future proof our economy through investment into research and development to complement labour as well as to replace it with future proofed employment.

What do we want to achieve?

We want to help businesses grow, whether startup, scaleup or established corporate which will help to drive regional productivity and boost competitiveness. Investment and growth can bring high quality, high skilled jobs to rural and deprived communities, providing better jobs, closer to home. We want to attract inward investment from overseas and boost trade and exports to increase market opportunities, help businesses to access skills and talent to support their growth aspirations and to bolster Wales's innovation and digital capabilities.

What do we know?

A new economic environment

The Welsh economy is continually experiencing change and global shifts create

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new opportunities and risks. The Biden Administration in the USA has chosen a new direction that is setting the bar for economies that are serious about securing growth and restoring trust.

Since 2021, businesses have invested $500 billion in US manufacturing and clean energy, two sectors of strength in Wales across businesses with major US links. Major economies and investors are looking to the sectors that support good jobs in Wales as the source of long term sustainable growth with the compound semi conductor cluster proving the scale of the opportunities in this new environment.

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