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WHITE PAPER - 002

The Value of Work

Is Wales Creating the Right Jobs for a High-Value Economy?

An evidence-based examination of employment, earnings, economic value and business structure in Wales

Better Decisions Start with Better Intelligence

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Executive Summary

Wales has a large and diverse employment base, but job numbers alone do not describe the economic strength of that base. This paper examines where Welsh jobs are located, what those jobs pay, the gross value added (GVA) associated with their industries, how employment has changed since 2009, and the density and scale of the private-sector business base. It also places those findings alongside independent evidence on labour productivity. The central question is increasingly not simply how many jobs Wales creates, but how much economic value is created by the activities located in Wales.

The evidence does not support a simple claim that Wales has replaced manufacturing with retail and hospitality. Wholesale/retail and accommodation/food together represented about 23.0% of Welsh employee jobs in 2009 and 21.5% in 2024. Manufacturing also declined modestly as a share of employment. The more important question is whether Wales has developed enough high-value, high-wage and high-productivity employment at scale.

Eight findings stand out. Retail and accommodation/food together account for 278,000 employee jobs in 2024, or 21.5% of Welsh employee jobs. Manufacturing remains a substantial employment and value-creating sector, with Welsh median hourly pay approximately matching the UK manufacturing median. Detailed BRES data show that the broad employment-growth headlines conceal very different changes: accommodation/food growth was dominated by restaurants and mobile food services; health/social work growth was led by human health and especially hospital activities; public administration growth was concentrated in general public administration; and professional/scientific/technical growth was mixed, with R&D and head-office gains alongside accounting and veterinary expansion while engineering-related employment was broadly flat. Manufacturing employment was broadly stable overall but its internal composition changed materially. Wales also has low private-sector business density and a smaller share of private-sector employment in large businesses than England. Independent productivity evidence adds a further distinction: Welsh manufacturing compared favourably with the UK manufacturing average in the latest industry-level comparison identified, while sizeable gaps were reported in some knowledge-intensive services.

The resulting proposition is more specific than a call for 'better jobs'. Wales needs to increase the economic value of activity undertaken in Wales. That means protecting and expanding productive activities already performing well, building greater scale in high-value traded sectors, and capturing more of the functions surrounding production and services - research and development, engineering, purchasing, supplier development, finance, accountancy, sales, commercial management and strategic decision-making. A business may be located in Wales without the highest-value parts of its value chain being located here.

1. The Question

Economic debate often treats job creation as an end in itself. Yet 100,000 jobs in one industry are not economically equivalent to 100,000 jobs in another. Industries differ in wages, capital intensity,

supply-chain effects, productivity, ownership and the amount of value added generated within the economy.

This paper asks a narrower and testable question: does the present structure of Welsh employment and business provide the mix of activity needed to support a higher-value, more productive economy? It does not attempt to rank occupations by social worth, nor does it assume that GVA per employee job is a measure of an individual worker's productivity. Instead, it asks where employment is concentrated, how sectors compare on earnings and economic value, what independent productivity evidence tells us, and whether business scale may help explain the observed pattern.

2. The Evidence Base

The evidence base combines official statistical sources: Welsh Government employee jobs by SIC industry (2009-2024); detailed ONS Business Register and Employment Survey (BRES) data from Nomis for Wales, using the 2009-2015 series excluding PAYE-only units and the 2015-2024 series including PAYE-only units; ONS Annual Survey of Hours and Earnings (ASHE) Table 5; Welsh Government GVA (balanced) by industry; the 2022 Welsh Input-Output table; Welsh Government Size Analysis of Active Businesses; and the Department for Business and Trade Business Population Estimates for the UK and Regions 2025 detailed tables. The paper also draws on the January 2025 Productivity Institute paper Wales' Productivity Challenge: A Focus on the Future. ^[1-8]

The core comparison uses different reference years only where necessary. Employment structure and pay are shown for 2024. GVA per employee job is calculated using matched 2023 GVA and 2023 employee jobs. Labour productivity is treated separately: the most recent comparable industry-level evidence identified is based on experimental ONS output-per-hour data for 2019. Although dated, these data were still used in the January 2025 Productivity Institute assessment, indicating the limitations in the availability of newer comparable industry-by-region productivity evidence.

3. Wales's Employment Structure

Industry	Jobs 2024	Share	Change 2009–24
Health & social work	227,000	17.6%	+24.5%
Wholesale & retail; motor repair	172,500	13.4%	-8.0%
Manufacturing	133,000	10.3%	-2.1%
Education	119,000	9.2%	-4.4%
Public administration & defence	113,000	8.8%	+21.9%
Accommodation & food services	105,500	8.2%	+28.0%
Administrative & support	81,000	6.3%	+12.8%
Professional, scientific & technical	65,500	5.1%	+35.9%
Construction	62,500	4.8%	+4.0%
Transportation & storage	41,500	3.2%	+1.2%

**Real estate: detailed BRES gives approximately 12,000 employee jobs in 2009 and 20,000 in 2024. The comparison crosses a 2015 BRES coverage change and should be treated as indicative rather than a continuous exact series.*

Health and social work is the largest section, with 227,000 employee jobs in 2024 and growth of 24.5% since 2009. Wholesale/retail remains the second-largest section at 172,500 jobs, but employment is 8.0% below its 2009 level. Manufacturing has 133,000 jobs, down 2.1% since 2009. Accommodation and food has grown by 28.0% over the same period to 105,500 jobs.

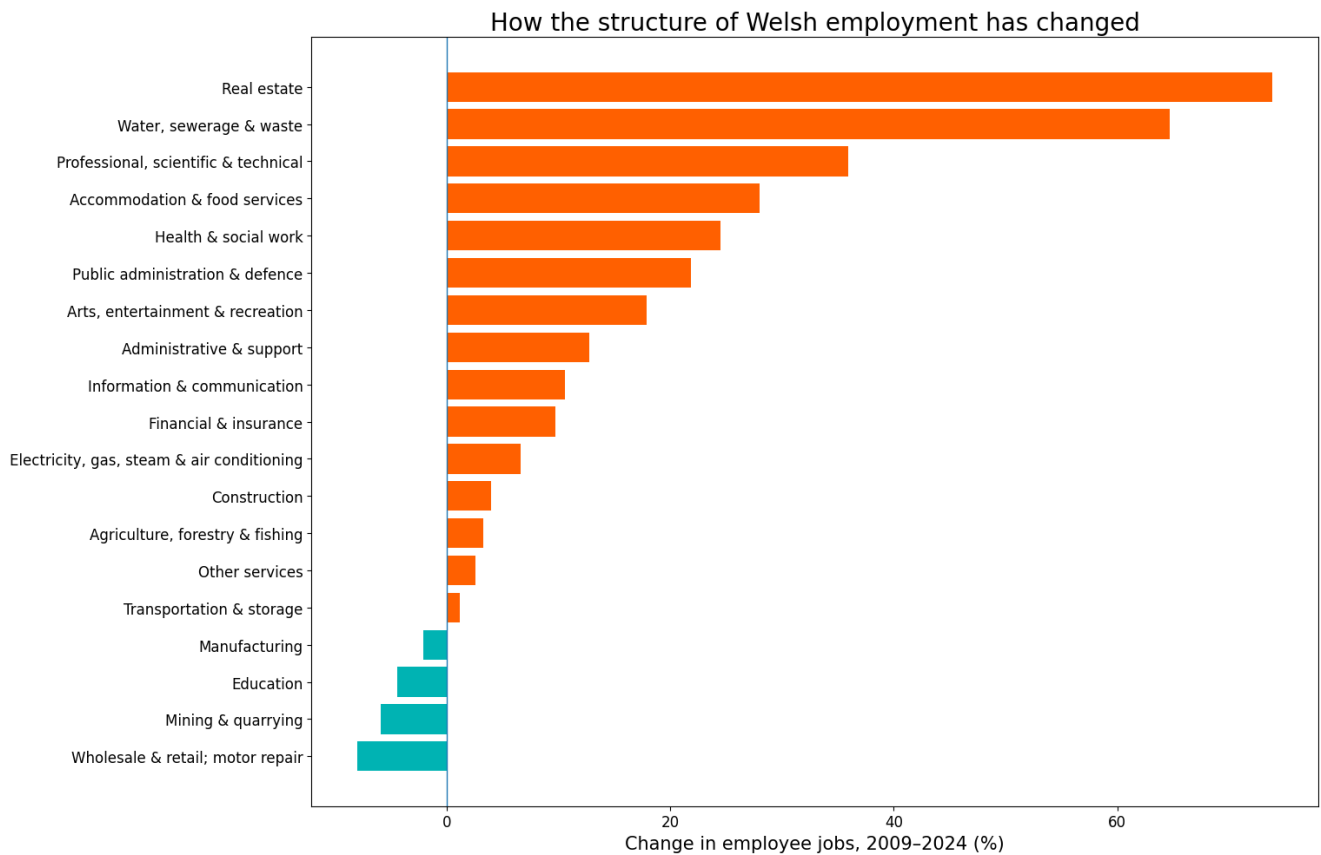


Figure 1. Change in Welsh employee jobs by SIC section, 2009–2024. ^[1]

3.1 What sits behind the employment-growth headlines

The broad SIC sections are useful for showing scale, but they can obscure the kind of work that actually expanded. Detailed BRES data provide a second view. Because BRES is a point-in-time survey and the coverage changes from 2015 to include PAYE-only businesses, the detailed figures are used here as approximate structural evidence rather than as a perfectly continuous time series. The overlapping 2015 estimates nevertheless indicate that the methodological break is small for the major sectors examined relative to their long-run changes. ^[2]

Four results are particularly important. Accommodation and food increased by roughly 23,000 employee jobs, with restaurants and mobile food services accounting for most of the net growth. Human health and social work increased by roughly 43,000 jobs in the detailed BRES series, around two-thirds of which was in human health; hospital activities alone increased by about 21,000. Public administration and defence increased by roughly 19,000 jobs, dominated by general public administration rather than defence. Professional, scientific and technical activities increased by roughly 17,000 jobs, but the growth was uneven: accounting, head-office activities, veterinary services and scientific R&D expanded, while architecture, engineering and technical testing as a group was broadly similar in scale to 2009. ^[2]

Broad sector	Approx. detailed BRES change, 2009-24	What drove the change
Health & social work	+43,000	Human health led growth; hospital activities about +21,000
Accommodation & food	+23,000	Restaurants/mobile food services about +17,000
Public administration & defence	+19,000	General public administration about +15,000; defence lower
Professional, scientific & technical	+17,000	Mixed: accounting, head offices, veterinary and R&D up; engineering group broadly flat
Manufacturing	-3,000	Headline broadly stable, but substantial internal restructuring

Table 2. What sits behind selected Welsh employment changes, detailed BRES evidence, 2009-2024. Figures are approximate and rounded.

Manufacturing provides the counterpoint. Detailed BRES data indicate approximately 136,000 manufacturing employee jobs in 2009 and 133,000 in 2024. Beneath that near-flat total, food manufacturing, pharmaceuticals and some electronic/instrumentation activities expanded, while automotive, machinery, fabricated metals and printing contracted. The evidence therefore describes restructuring rather than a simple disappearance of manufacturing employment.

4. What the Jobs Pay

ASHE provides a second dimension: the median hourly pay of employee jobs. Median hourly pay excluding overtime is used here because it is less affected by unusually high earners and avoids overtime differences obscuring the underlying rate of pay.

Industry	Wales £/hr	UK £/hr	Wales vs UK
Manufacturing	£17.59	£17.58	+0.1%
Wholesale & retail; motor repair	£12.75	£13.63	-6.5%
Accommodation & food services	£11.59	£12.00	-3.4%
Information & communication	£19.53	£23.83	-18.0%
Financial & insurance	£17.19	£25.74	-33.2%
Professional, scientific & technical	£17.56	£21.37	-17.8%
Administrative & support	£13.14	£14.50	-9.4%
Public administration & defence	£18.83	£19.16	-1.7%
Education	£18.63	£19.63	-5.1%
Health & social work	£16.41	£16.98	-3.4%

Manufacturing is a notable exception to the wider pattern: the Welsh median of £17.59 per hour is effectively identical to the UK industry median of £17.58. At broad-section level, information and communication is 18.0% below the UK median, professional/scientific/technical 17.8% below, and financial and insurance 33.2% below. However, the UK benchmark requires particular care for these knowledge-intensive services because London combines a large concentration of employment with substantially higher sector pay. The regional analysis below therefore separates London from the comparison. These figures describe differences in industry medians; they do not establish that otherwise comparable Welsh workers are paid less for the same work.

4.1 The London effect materially changes the comparison

ASHE 2024 revised data show that London is an exceptional pay market in all three sectors. Median hourly pay excluding overtime in London was £40.63 in financial and insurance activities, £27.90 in information and communication, and £27.36 in professional, scientific and technical activities. The corresponding Welsh medians were £17.19, £19.53 and £17.56.

Table 3. Wales, UK and London median hourly pay in selected knowledge-intensive sectors, 2024

Industry	Wales	UK	London	Non-London regional median*	Wales vs UK	Wales vs regional median*
Information & comms.	£19.53	£23.83	£27.90	£21.62	-18.0%	-9.6%
Financial & insurance	£17.19	£25.74	£40.63	£20.85	-33.2%	-17.6%
Professional, scientific & technical	£17.56	£21.37	£27.36	£18.89	-17.8%	-7.0%

**Median of the eight English regional medians excluding London. This is a transparent comparator, not a calculated combined non-London median; a true combined median cannot be derived by averaging or weighting published regional medians.*

The result changes the interpretation materially. Against the UK median, Wales appears 33.2% lower in financial and insurance activities. Against the median of the eight non-London English regional medians, the gap is 17.6%. The equivalent gaps narrow from 18.0% to 9.6% for information and communication, and from 17.8% to 7.0% for professional, scientific and technical activities. London therefore explains a substantial part of the apparent Wales-to-UK difference, although it does not remove it. ^[3]

The detailed 2-digit SIC results reinforce this conclusion. In financial services excluding insurance and pensions (SIC 64), median hourly pay was £18.11 in Wales and £44.71 in London. In insurance, reinsurance and pension funding (SIC 65), the comparison was £16.94 and £39.45; in auxiliary financial and insurance activities (SIC 66), £16.05 and £31.78. In information and communication, Welsh computer programming and consultancy (SIC 62) recorded £20.25 compared with £30.44 in London. Within professional services, Welsh legal and accounting activities (SIC 69) recorded £17.67 compared with £30.12 in London. These differences are consistent with a materially different mix of functions, occupations and seniority, but ASHE industry data alone cannot determine how much each factor contributes.

The broad Welsh estimates themselves are usable for structural comparison, but detailed cells become less robust as sample sizes fall. The published coefficients of variation for the Welsh broad-section medians are 4.9% for information and communication and 5.3% for both financial and insurance and professional/scientific/technical activities; several detailed 2-digit Welsh cells have

higher uncertainty or are suppressed. Detailed results should therefore be used to identify where further investigation is needed rather than as precise measures of a pay penalty.

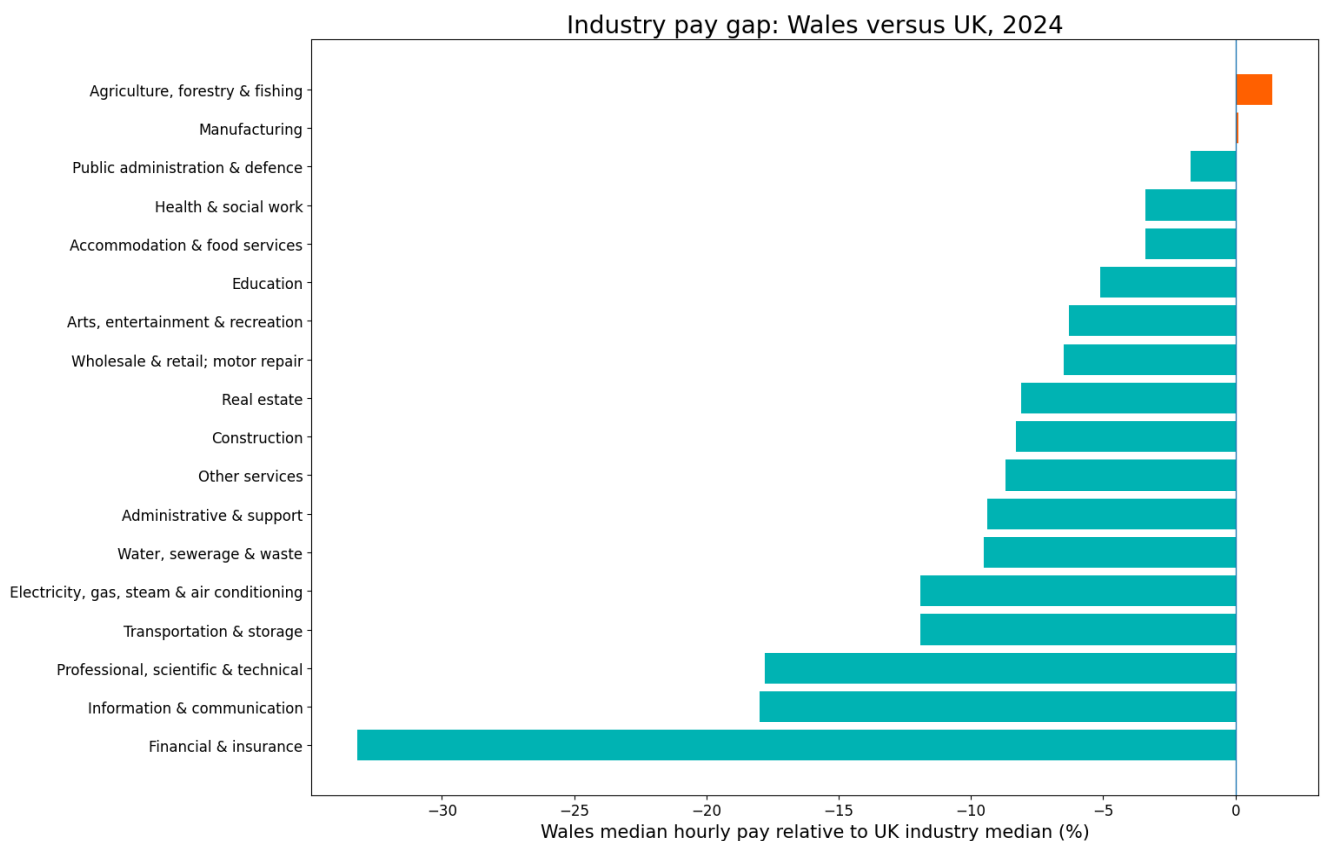


Figure 2. Wales median hourly pay relative to the UK median for the same broad industry section, 2024. The UK benchmark includes London; Section 4.1 shows why this materially affects interpretation for several knowledge-intensive services. ^[3]

5. Economic Value: Looking Beyond Job Counts

The latest available Welsh GVA data provide provisional 2023 estimates by detailed SIC industry. Matching these values with 2023 employee-job data provides an approximate structural measure of GVA per employee job. This should not be interpreted as individual labour productivity: GVA also reflects capital, profits, rents, industry accounting conventions and self-employment. Real estate is particularly affected by owner-occupiers' imputed rental and is therefore excluded from comparative interpretation. ^[4]

Industry	2023 GVA	2023 jobs	Approx. GVA/job
Manufacturing	£12.71bn	138,500	£91,747
Electricity, gas, steam & air conditioning	£1.62bn	6,000	£270,500

Industry	2023 GVA	2023 jobs	Approx. GVA/job
Water, sewerage & waste	£1.55bn	12,000	£129,250
Construction	£5.18bn	66,000	£78,485
Wholesale & retail; motor repair	£6.96bn	165,000	£42,194
Transportation & storage	£2.30bn	42,000	£54,762
Accommodation & food services	£2.58bn	113,500	£22,775
Information & communication	£2.38bn	29,500	£80,542
Financial & insurance	£5.13bn	32,000	£160,281
Professional, scientific & technical	£3.38bn	65,000	£52,062
Administrative & support	£2.84bn	94,500	£30,042
Health & social work	£9.59bn	221,500	£43,300

The contrast is substantial. Manufacturing generated £12.7bn of Welsh GVA in 2023 with 138,500 employee jobs, equivalent to roughly £91,700 per employee job. Accommodation and food generated £2.6bn with 113,500 employee jobs, roughly £22,800 per employee job. Information and communication generated £2.4bn from 29,500 employee jobs, about £80,500 per job, while financial and insurance activities generated £5.1bn from 32,000 jobs, about £160,300 per job.



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Further right = higher GVA/job | Higher = higher hourly pay | Larger bubble = more jobs

Where Welsh industries sit on economic value, pay and employment

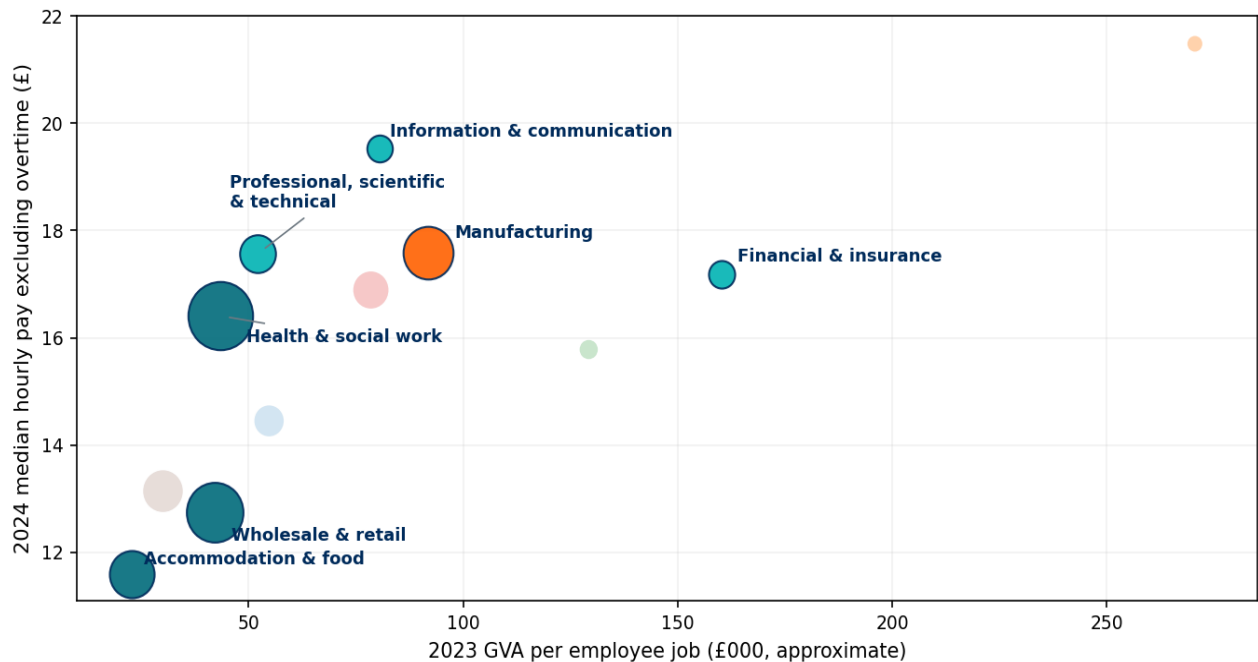


Figure 3. Economic value, pay and employment. Right = higher 2023 GVA/job; up = higher 2024 hourly pay; larger bubble = more 2024 employee jobs. Selected industries are labelled; real estate is excluded. [1, 3, 4]

6. What the Matrix Suggests

6.1 A large low-pay employment base

Wholesale/retail and accommodation/food together account for 278,000 employee jobs in 2024 — 21.5% of the Welsh total. Their 2024 median hourly pay is £12.75 and £11.59 respectively. Administrative/support activities add a further 81,000 jobs at a median £13.14 per hour. This does not mean every job in these industries is low paid, but it demonstrates the scale of employment located in sections with comparatively low median hourly earnings. [1, 3]

6.2 Manufacturing remains economically significant

Manufacturing combines scale, relatively high GVA per employee job and a Welsh median hourly rate that is effectively equal to the UK industry median. Its employee-job count has declined only modestly since 2009. Independent productivity evidence strengthens the significance of this result. The Productivity Institute's January 2025 assessment states that Wales's productivity gap is not driven by its greater reliance on manufacturing: using experimental ONS industry data for 2019, Welsh manufacturing productivity compared favourably with the UK average and had risen faster

than in the rest of the UK since the financial crisis. Manufacturing is therefore not simply a legacy sector in this analysis; it is an important reference point for activity that combines employment scale, economic value, UK-comparable pay and historically UK-comparable labour productivity. ^[1, 3, 4, 8]

6.3 Higher-value services are comparatively small — and some show both pay and productivity gaps

Information/communication, financial/insurance and professional/scientific/technical activities together account for 125,500 employee jobs in 2024, or 9.7% of Welsh employee jobs. Their economic profiles differ. All three have Welsh median hourly pay below the corresponding UK industry median, but Section 4.1 shows that the UK comparison is materially affected by London's unusually high sector pay. Using the median of the eight non-London English regional medians as a transparent comparator, the apparent Welsh gaps narrow to 9.6% for information/communication, 17.6% for financial/insurance and 7.0% for professional/scientific/technical. The financial-services difference remains substantial and warrants further investigation, but it should not be presented simply as a 33.2% Wales-specific pay deficit. The Productivity Institute's review of 2019 industry productivity evidence adds a separate dimension: information/communication and professional/scientific/technical activities were among the sectors with the largest Welsh productivity gaps relative to UK industry averages. ^[3]

6.4 Employment growth has not simply moved into retail and hospitality

A simple deindustrialisation-to-hospitality narrative is not supported by the employment series. Wholesale/retail plus accommodation/food represented about 23.0% of Welsh employee jobs in 2009 and 21.5% in 2024. Wholesale/retail employment fell over the period, while accommodation/food increased. The largest absolute employment expansion has occurred in health and social work.

6.5 Employment growth and economic value are not the same thing

The detailed employment evidence changes the interpretation of the headline growth rates. Accommodation and food created substantial employment, but its 2023 GVA per employee job was about £22,800 and its 2024 median hourly pay was £11.59. Manufacturing created little net employment over the full period, yet supported around 133,000 jobs in 2024, about £91,700 GVA per employee job in the matched 2023 data, and a Welsh median hourly rate effectively equal to the UK manufacturing median. These figures do not make one worker 'more valuable' than another; they show that equal changes in job count can have very different implications for aggregate earnings and economic value.

The same caution applies to nominally high-value services. Professional, scientific and technical employment grew strongly at broad-section level, but detailed BRES data show that the expansion was not a wholesale growth of engineering and technical employment. Scientific R&D and head-office activities did grow, which is economically relevant, but so did locally oriented activities such as

veterinary services and accounting. Sector labels alone are therefore an incomplete guide to the value-chain functions being built in Wales.

7. Business Structure: What We Can and Cannot Infer

The headline fact that SMEs account for 99.3% of active enterprises in Wales should not be treated as evidence of a distinctive Welsh weakness. The UK private-sector business population is also overwhelmingly composed of SMEs: the Department for Business and Trade estimates that SMEs accounted for 99.85% of UK private-sector businesses at the start of 2025. The four UK countries also show very similar business-number shares across the main size bands.

The more informative comparison is therefore not whether Wales is an 'SME economy', but the density and scale of its business base: how many businesses exist relative to the adult population, how much employment is associated with larger businesses, and how those patterns vary by industry.

7.1 Business density is a more distinctive Welsh characteristic

At the start of 2025 Wales had an estimated 194,200 private-sector businesses, equivalent to 742 businesses per 10,000 resident adults. This was below Scotland (786), Northern Ireland (905) and England (1,062). On this measure Wales had the lowest business density of the four UK countries. ^[7]

Country	Private-sector businesses	Businesses per 10,000 adults
England	4,996,260	1,062
Northern Ireland	138,735	905
Scotland	361,075	786
Wales	194,200	742

Table 5. Private-sector business population and business density by UK country, start 2025.

7.2 Wales has a lower share of private-sector employment in large businesses

Businesses with 250 or more employees represented only 0.1% of businesses in each UK country, but their employment contribution differed substantially. In Wales, large businesses accounted for 26.1% of private-sector employment, compared with 33.8% in Scotland and 41.3% in England. Medium-sized businesses accounted for 16.3% of Welsh private-sector employment, while businesses with 1–49 employees accounted for 38.9%.

Turnover shows a related, although less pronounced, pattern. Large businesses accounted for 42.2% of Welsh private-sector turnover compared with 49.5% in England. These figures do not imply that

larger businesses are inherently preferable, but they do show that the scale distribution of employment differs materially between Wales and England. ^[7]

7.3 Long-term business growth has been weak

The Business Population Estimates series shows that the number of private-sector businesses increased by 26.9% across the UK between 2010 and 2025. Wales recorded the smallest percentage increase of any UK country or English region over that period, at about 2%. The 2025 estimate for Wales was also 7% below 2020. These movements require caution because changes in estimated unregistered businesses can materially affect regional totals. ^[7]

7.4 The next question is where the scale gap occurs

The detailed tables allow the Welsh business population to be examined by both industry and employment size. This creates a direct bridge to the employment, earnings and GVA evidence in this paper. The Productivity Institute also identifies economies of scale, lower innovation among SMEs and constraints on access to equity finance as plausible contributors to productivity differences. The next stage should therefore test whether the lower Welsh share of employment in large businesses is concentrated in industries where Wales also shows lower pay, lower productivity, lower GVA per job or a comparatively small employment base. ^[7, 8]

8. Productivity: The Wider Context

The broader productivity evidence changes how the employment results should be interpreted. The Productivity Institute's January 2025 paper reports that Wales's overall labour productivity remained substantially below the UK average and argues that the gap cannot be explained simply by industrial structure. Its review finds important within-industry differences: manufacturing compares favourably with the UK, while substantial gaps are evident across parts of non-manufacturing production and services. This means that increasing employment in a nominally 'high-value' sector is not, by itself, sufficient. The nature of the activities and functions performed in Wales, the productivity of firms, investment, innovation, skills and business scale also matter. ^[8]

8.1 A timely policy test

This evidence has acquired additional relevance in 2026. The Welsh Government has adopted a national mission to halve Wales's productivity gap with the UK within ten years and is designing a new, business-led National Development Agency. The Programme for Government places particular emphasis on helping Welsh firms grow and scale, increasing the number of medium-sized businesses, innovation, international trade, inward investment and the creation of good-quality, well-paid jobs. The Expert Advisory Panel announced in September 2026 has been asked to help shape the agency's remit and functions. ^[9, 10]

The policy objective does not validate the analysis in this paper, nor does this paper assess whether the proposed agency will succeed. It does, however, create a practical test for the evidence. If Wales is to narrow its productivity gap materially, progress should ultimately be visible not only in the

number of jobs created, but in the productivity, earnings and economic value of those jobs; in the ability of firms to scale; and in the share of higher-value activity retained within Wales. The evidence assembled here can therefore provide part of a baseline against which structural change may later be assessed.

9. A Working Proposition

Wales's economic challenge appears to have four connected structural dimensions. First, a substantial share of employment remains concentrated in relatively low-paid and lower-GVA-per-job activities. Second, the detailed BRES evidence shows that much of the major employment expansion since 2009 occurred in health, hospitality and public administration, while manufacturing employment was broadly stable and engineering-related professional employment did not expand at the same rate as the broad professional/scientific/technical section. Third, some higher-value services show pay and productivity gaps, although London materially distorts simple Wales-versus-UK pay comparisons. Fourth, Wales has relatively low private-sector business density and a materially smaller share of private-sector employment associated with large businesses than England. ^[3]

The resulting proposition is that Wales's productivity challenge is unlikely to be solved by changing the headline sector mix alone. What matters is the economic value and productivity of the activity performed within sectors, the functions located in Wales, and the capacity of firms to invest, innovate, export and scale. This proposition is descriptive, not causal; detailed occupational, ownership, firm-size and value-chain analysis is required before attributing the observed gaps to particular causes.

10. What the Evidence Suggests Wales Should Build Towards

The evidence points towards a more demanding objective than maximising employment. Wales should seek to increase the value created by economic activity located in Wales. GVA is not a complete measure of economic welfare, and GVA per employee job is not a direct measure of individual productivity, but the scale of the differences in this paper shows why the economic value of activity cannot be ignored.

10.1 Eight facts that should shape the debate

- 278,000 employee jobs - 21.5% of the Welsh total - are in wholesale/retail and accommodation/food, sectors with 2024 median hourly pay of £12.75 and £11.59 respectively.
- Manufacturing supported 133,000 employee jobs in 2024; matched 2023 data indicate about £91,700 GVA per employee job, while Welsh manufacturing median hourly pay (£17.59) was effectively equal to the UK manufacturing median (£17.58).
- Financial and insurance activities show approximately £160,300 GVA per employee job, but only around 32,000 employee jobs in the matched 2023 data.

- Information/communication, financial/insurance and professional/scientific/technical activities together account for 125,500 employee jobs in 2024 - 9.7% of Welsh employee jobs.
- Wales had an estimated 742 private-sector businesses per 10,000 adults at the start of 2025, compared with 1,062 in England.
- Businesses with 250 or more employees accounted for 26.1% of Welsh private-sector employment, compared with 41.3% in England.
- Detailed BRES evidence indicates that the largest selected employment gains were concentrated in health/social work, accommodation/food and public administration. Hospital activities alone added roughly 21,000 employee jobs, while restaurants/mobile food services added roughly 17,000.
- Professional/scientific/technical employment grew strongly overall, but the detailed mix matters: scientific R&D and head-office activities expanded, while architecture, engineering and technical testing as a group was broadly similar in scale to 2009.

10.2 Raise GVA by increasing the value of activity performed in Wales

The immediate economic objective suggested by the evidence is higher Welsh GVA generated through more productive activity. That does not mean pursuing GVA at any cost, nor treating one sector as inherently superior to another. It means recognising that equal numbers of jobs can be associated with very different levels of economic value. The policy question should therefore move from 'how many jobs?' towards 'what activity, what value and what capability are being located in Wales?'

The current Welsh Government has adopted a national productivity mission measured by GVA per hour worked and has stated an ambition to halve Wales's productivity gap with the UK within ten years. That policy direction is consistent with the evidence in this paper, but it does not itself prove which interventions will work. The results here suggest that sector composition, within-sector value and business scale all need to be measured together. ^[9, 10]

10.3 Move up the value chain within sectors - not simply between sectors

A high-value sector does not automatically create high-value Welsh activity. The same SIC industry can contain very different functions, salaries, decision-making authority and knowledge intensity. This is especially important when interpreting the Welsh results for financial services, information/communication and professional/scientific/technical activities. The London-adjusted analysis reduces the apparent pay gaps, but does not remove the underlying question: which functions are actually located in Wales?

For inward investment and indigenous business growth, the economic-development objective should therefore extend beyond attracting a production site or counting the jobs attached to it. Wales should seek a progressively larger share of the surrounding corporate value chain:

- research and development, product and process engineering and design;
- purchasing, strategic sourcing, supplier development and supply-chain management;

- finance, accountancy and commercial analysis;
- sales, international marketing and customer management;
- programme management, digital capability and intellectual property;
- senior management, strategic decision-making and responsibility for future investment.

Two investments employing the same number of people are therefore not necessarily economically equivalent. An operation centred on production or administration can be valuable, but an operation that also embeds R&D, purchasing, commercial functions, management and strategic capability is likely to anchor more knowledge, higher-value work and future decision-making in Wales.

10.4 Manufacturing demonstrates why this distinction matters

The evidence in this paper does not support treating manufacturing as a legacy sector. It combines employment scale, relatively high GVA per employee job and UK-comparable median pay, while the independent industry-productivity evidence identified for this report is favourable to Welsh manufacturing relative to the UK manufacturing average. Detailed BRES data add an important qualification: the broad employment total was remarkably resilient between 2009 and 2024, but the composition changed. Food products, pharmaceuticals and some electronic and instrumentation activities expanded, while automotive, machinery, fabricated metals and printing contracted. The strategic question is therefore not simply whether manufacturing survives, but which capabilities Wales retains and develops within it. ^[1, 2, 3, 4, 8]

The lesson from GSCI's UK automotive analysis is relevant here. Foreign investment can bring capital, technology, methods and productive employment, but 'made here', 'sourced here' and 'owned here' are not economically identical. Strategic ownership and higher-value corporate functions influence where decisions on investment, technology, sourcing, product allocation and intellectual property are made. The implication for Wales is not to reject inward investment, but to seek deeper investment: production accompanied, wherever commercially realistic, by engineering, R&D, purchasing, supplier development, finance, sales and strategic responsibility. ^[13]

10.5 Build scale and retain more of the value created

The business evidence adds a second requirement. Wales does not merely have an SME economy - every UK country does. The more distinctive features are lower business density and a smaller employment share associated with large businesses. Wales therefore needs more firms capable of progressing from micro to small, small to medium, and medium to larger scale, particularly in productive and externally traded activities.

Stronger Welsh supply chains can then retain more of the expenditure generated by those activities. Public procurement can contribute to this objective, but it is not a substitute for generating external income and productive private-sector activity. Successive Welsh Governments have used procurement to support local supply chains; the 2026-30 Programme for Government adds an explicit ambition to move Wales-based supplier procurement towards 70% and proposes a measure

of Welsh economic value from public procurement. This should be treated as one value-retention mechanism within a wider productivity and GVA strategy, not as the strategy itself. ^[5, 11]

10.6 A different test for economic-development success

The analysis suggests that future economic-development projects should be assessed against more than headline job numbers. A stronger appraisal would ask:

- How much additional Welsh GVA is the activity expected to generate?
- What is the expected value and pay profile of the jobs created?
- Which high-value functions will actually be located in Wales?
- How much R&D, engineering, purchasing, commercial and strategic capability will become embedded here?
- What Welsh supply-chain expenditure can realistically be created?
- Does the investment strengthen a business ecosystem that can scale, innovate and win external markets?

10.7 The evidence matrix

The following matrix summarises the structural signals in the evidence. It is not a ranking of sectors; it shows why job count alone is insufficient.

Industry / indicator	Employment scale	GVA/ job signal	Pay signal	Structural reading
Manufacturing	High	High	UK-comparable	Existing Welsh strength: protect scale and deepen high-value functions
Wholesale & retail	Very high	Lower	Lower	Large employment base; value growth depends on productivity and higher-value activity
Accommodation & food	High	Low	Low	Important employment/service role; limited route alone to closing the GVA gap
Information & communication	Small	High	Below comparator	Potential high-value growth; test function mix and scale
Financial & insurance	Small	Very high	Below comparator	Very high GVA signal; investigate which functions Wales captures
Professional, scientific & technical	Medium	Mid	Below comparator	Growth sector; potential to deepen specialist and traded functions
Business density / scale	Low vs UK peers	-	-	More firms and more firms reaching medium/large scale are required

10.8 Conclusion

The evidence therefore points to a sharper economic objective for Wales: increase the value created in Wales, not simply the number of jobs located here. The employment record since 2009 shows why. Large numbers of additional jobs were created in health, hospitality and public administration, while manufacturing employment was broadly stable and the growth within professional/scientific/technical activities was more mixed than the headline suggests. Those jobs all have economic and social value, but they do not make the same contribution to traded income, aggregate earnings, GVA or productive capability.

Manufacturing illustrates the opportunity. Wales has retained substantial scale, UK-comparable manufacturing pay and relatively high GVA per employee job, even while the sector has restructured

internally. The objective should be to protect and grow competitive production while embedding more R&D, engineering, purchasing, supplier development, finance, sales, programme management and strategic functions around it. The same test should be applied to services: a high-value SIC code or a strong employment-growth rate is not enough if the activity added is concentrated in lower-value functions or if the highest-value decisions remain elsewhere.

To some, this may appear obvious. But this report uses evidence-based analysis to explain why Wales should focus not simply on creating more jobs, but on increasing the economic value created by those jobs - by growing higher-GVA activity, attracting and retaining higher-value corporate functions, developing businesses capable of operating at greater scale, and ensuring that more of the value chain is located within Wales.

The evidence suggests that the challenge is not simply to move employment from one broad sector to another. It is to move Wales up the value chain - within sectors as well as between them.

For future economic development, 'located in Wales' should therefore no longer be sufficient evidence of success. The more important question is: how much of the value is created in Wales - and how much capability is being built here to create the next generation of value?

11. Questions the Evidence Raises

This paper does not attempt to prescribe a detailed economic strategy for Wales. It does, however, suggest that some conventional measures of economic success deserve closer examination. The evidence raises a series of questions that policymakers, economic-development organisations, businesses and researchers may wish to consider.

Within the manufacturing subsectors that expanded or contracted, what happened to GVA, pay, productivity, ownership and Welsh supply-chain content?

Within financial services, information/communication and professional/scientific/technical activities, which occupations and corporate functions are disproportionately located in Wales, and which are under-represented?

Can inward-investment and major indigenous-company data be analysed by function - R&D, engineering, purchasing, finance, sales, headquarters and production - rather than only by sector and job count?

Where, by industry, does the Welsh business-scale gap occur, and which sectors offer the strongest route for firms to progress from micro and small to medium and larger scale?

How much Welsh supply-chain value is retained when demand increases in different industries? The 2022 Input-Output table can be used to examine direct and indirect effects.

How have industry shares of total Welsh GVA changed since 2009, and has the economic structure shifted more or less than the employment structure?

Can the 2019 industry productivity comparison be updated or replicated from newer ONS data, particularly for manufacturing and knowledge-intensive services?

A final question follows from the opening premise of this paper: if Wales succeeds in creating another 100,000 jobs over the next decade, what kind of jobs should they be - and how much additional economic value and productive capability should they create in Wales?

12. Methodological Cautions

Employee jobs are not the same as total employment and exclude self-employed jobs. They should not be directly equated with the employment measure in the Size Analysis of Active Businesses. ^[1, 6]

ASHE estimates describe employee jobs and some detailed estimates are suppressed or statistically uncertain. Broad-section medians are used for the principal comparisons. ^[3]

GVA per employee job is an approximate structural ratio, not a direct measure of labour productivity. Capital intensity, profits, self-employment and accounting conventions differ between industries. ^[4]

Real-estate GVA includes owner-occupiers' imputed rental and should not be compared with labour-intensive industries using a simple GVA-per-job ratio. ^[4]

The 2023 GVA figures are provisional. The 2024 employment and pay figures are therefore presented separately rather than combined into a false 2024 GVA-per-job measure. ^[4]

Observed Wales-UK or Wales-regional pay gaps do not establish a Wales-specific wage penalty. Occupation, seniority, detailed activity mix, firm size and ownership must be investigated before causal conclusions are made.

The non-London comparator is the median of eight published English regional medians. It is not an employee-weighted 'England excluding London' median. ^[3]

The industry productivity comparison is based on experimental ONS output-per-hour statistics for 2019. It is dated and should not be presented as a current industry-productivity measurement. ^[8]

The DBT Business Population Estimates include estimated unregistered businesses and allocate regional/country business and associated employment by head-office location; they should not be treated as a direct count of all jobs physically located in Wales. ^[7]

No fixed local-spending multiplier is assumed. The extent to which expenditure recirculates within Wales depends on supply-chain structure, imports and other leakages. ^[5]

Higher GVA is used here as an economic-value indicator, not as a complete measure of social welfare or public value.

Detailed BRES figures are rounded survey estimates and BRES is designed primarily as a point-in-time measure rather than a continuous time series. The 2009-2015 series excludes units registered for PAYE only, while the 2015-2024 series includes them. The overlapping 2015 estimates are used as a check on the scale of this discontinuity, and detailed long-run changes are described approximately rather than as exact counts. ^[2]

References and Sources

Reference convention. Numbered references support externally verifiable factual claims, tables and figures in the paper. GSCI calculations and interpretations are identified in the text and methodological cautions.

- [1]** Welsh Government, Employee jobs by industry, Welsh local authority, English region and GB country, 2009-2024.
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- [4]** Welsh Government, Gross value added (balanced) by industry (SIC 2007), area and year; 2023 values provisional.
- [5]** Welsh Government, Input-Output Table, industry-by-industry, 2022.
- [6]** Welsh Government, Size Analysis of Active Businesses in Wales, selected editions 2017-2025.
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- [8]** The Productivity Institute, Melanie Jones, Wales' Productivity Challenge: A Focus on the Future, Productivity Insights Paper No. 051, January 2025.
- [9]** Welsh Government, Programme for Government 2026 to 2030, Chapter 3: Unleashing the potential of the Welsh economy, and creating good well-paid jobs, September 2026.
- [10]** Welsh Government, Cabinet meeting 1 June 2026: A national productivity mission - Closing the gap with the UK.
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Evidence and Research Statement

Evidence status. Where a statement is directly supported by a published source, a numbered reference is supplied. Where the paper calculates a result from source data, it is identified as GSCI analysis. Where the paper draws an interpretation or proposition from the evidence, this is distinguished from the underlying source evidence.

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