Understanding productivity in Wales:
What it is, why it matters and what can be done about it

What is Productivity?

Productivity is about how we turn our resources into outcomes for firms, people and places. It focuses on improving work quality and effectiveness rather than simply increasing hours worked, leading to better wages, profits, and living standards.

Key Challenges in Wales

1. Low productivity levels:

- Wales has the lowest productivity of all UK regions, sitting 17% below the UK average
- Certain areas, like Powys and Gwynedd, fall significantly short of the Welsh average.

2. Regional disparities:

- Productivity varies greatly across Wales, with areas such as Cardiff and Flintshire outperforming others but still below the UK norm.

3. The gap:

- Despite devolution and the "levelling up" agenda, Wales' productivity gap with the rest of the UK remains unchanged.

4. Barriers to improvement:

- Low levels of business investment and spending on research and development.
- Wales' peripheral location and lack of large cities.
- Too many workers with relatively low levels of qualifications.

Why productivity matters

An often-asked question around this topic continues to be, 'What does improved productivity mean to me?'

In this section, we briefly break down why productivity should matter to everyone.

- For workers: Higher productivity leads to better wages and improved work-life balance.
- For businesses: Boosts competitiveness, profits, and capacity to invest.
- For public services: Cuts costs, improves service quality, and helps tackle issues like NHS waiting times.
- For the economy: Raises living standards, increases government revenue, and supports environmental and social goals.

What needs to be done

1. Invest in skills and health:

- Improve education and training to build a more skilled workforce.
- Improve health to reduce economic inactivity.

2. Support for businesses:

- Foster innovation and technology adoption.
- Ensure better access to funding, especially for small and medium-sized enterprises (SMEs).

3. Strengthen infrastructure:

- Improve digital and transport links to reduce regional inequalities, and better connect Wales with the rest of the UK.
- Use Wales' smaller scale for coordinated regional collaboration.

4. Policy integration:

- Align productivity goals with initiatives like the Well-being of Future Generations Act.

5. Raise awareness:

- Highlight the benefits of productivity growth to encourage wider engagement and action.

Future outlook

Closing Wales' productivity gap is a long-term challenge that requires coordinated effort from government, businesses, and communities. By tackling these issues, Wales can unlock its potential and secure a brighter, more prosperous future for all.

To read more on the outlook of productivity in Wales, click here.

For an outlook on productivity nationwide, read our Productivity Primer.