

# Welsh Government Statement of Areas of Research Interest: Economic and Fiscal Issues



Llywodraeth Cymru  
Welsh Government

December 2025

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This document sets out the Welsh Government's research priorities for economic and fiscal issues.



# Statement of Areas of Research Interest: Economic and Fiscal Issues

## 1. Introduction and Purpose

- 1.1. This Areas of Research Interest (ARI) document summarises the Welsh Government's research questions relating to economic and fiscal issues in Wales.
- 1.2. The Welsh Government is committed to shaping a more prosperous and sustainable economy that benefits all individuals and communities across Wales. In an era marked by fiscal devolution, technological transformation, demographic shifts, and global uncertainty, we rely on high-quality, Wales-specific research to inform policy and investment decisions.
- 1.3. This ARI is structured around nine themes reflecting the core economic and fiscal challenges and opportunities facing Wales today. Each theme represents a strategic priority area where research and evidence are essential to inform Welsh Government policy, investment, and long-term planning. The themes are designed to:
  - Align with devolved responsibilities, such as taxation, economic development, skills, and housing, where Wales has the power to shape tailored solutions.
  - Address cross-cutting societal challenges, including demographic change, climate resilience, and post-Brexit adjustment.
  - Ensure policy relevance, by focusing on areas where evidence can directly support decision-making, evaluation, and delivery of the Well-being of Future Generations (Wales) Act.
  - Promote inclusive and sustainable development, recognising the need for economic growth that reduces inequality and strengthens community resilience.
- 1.4. This ARI is one of several being developed by the Welsh Government. This ARI is neither exhaustive nor definitive; we want it to initiate dialogue with the wider research community and serve as a guide the areas where further research can support future-proofed policy development in Wales. We will review this ARI document annually and update where necessary.
- 1.5. This ARI is not currently an invitation to tender for Welsh Government funding for specific research projects.

1.6. We invite researchers, institutions, think tanks, and partners to contribute to these evidence needs and to engage with us in shaping innovative, impactful policy solutions.

## 2. Theme 1: Fiscal Devolution and Public Finances

2.1. As Wales assumes greater responsibility for its public finances, we seek research that deepens understanding of Wales's fiscal position and capacity and supports the development of devolved taxation policy and budgeting frameworks. Priorities include:

- **Design and impact of devolved taxes** (e.g. Land Transaction Tax, Landfill Disposals Tax, Welsh Rates of Income Tax), including distributional effects, behavioural responses, and tax competition dynamics.
- **Revenue forecasting and tax base analysis**, including improved modelling of household income, property values, waste disposal, and economic activity across sectors and geographies.
- **Interaction with the UK fiscal framework**, particularly the operation of the block grant adjustment mechanism, fiscal risk management tools (e.g. the Wales Reserve), and implications of intergovernmental funding arrangements (e.g. Barnett Formula).
- **Fiscal sustainability analysis**, including the long-term impact of demographic change, climate-related fiscal pressures, and public investment strategies.
- **Tax and Anti-Racism**. Exploring how tax policy and administration can proactively address and dismantle systemic racism, ensuring the Welsh tax system is designed and implemented in ways that supports anti-racist outcomes across Wales.

## 3. Theme 2: Economic Growth, Productivity, and Regional Development

3.1. Strengthening Wales' economic foundations and improving productivity performance are central to achieving the Well-being of Future Generations goals. We are seeking evidence to inform policies that promote long-term, inclusive, and regionally balanced growth. Priorities include:

- **Determinants of productivity** at both firm and regional level, including the role of digital adoption, skills utilisation, innovation, infrastructure investment, and business scale-up support.

- **Structural and spatial inequalities**, including persistent income and productivity gaps between and within regions, and how targeted interventions can address these.
- **Low-carbon and circular economy transition**, including research on green industrial strategy, net-zero aligned investment, clean energy innovation, and labour market impacts of decarbonisation.
- **The foundational economy**, particularly research on improving the productivity, resilience, and community value of essential sectors such as care, food, housing, and local retail.
- **The rural economy**, particularly research exploring opportunities to diversify and strengthen rural economies through innovation, sustainable land use, green industries, tourism, local food systems, and support for SMEs and social enterprises.
- **Economic growth and well-being**, including research on the relationship between economic growth and well-being, and which policies or interventions may support improvements to both.
- **Economic development and the Welsh language**, including how the Welsh language contributes to economic development, including its role in supporting regional regeneration, business growth, and labour market outcomes.

## 4. Theme 3: Labour Market Dynamics, Skills, and Fair Work

4.1. Understanding labour market trends and the effectiveness of policy interventions is crucial to promoting fair work and skills alignment in a rapidly changing economy. We welcome research on:

- **Employment and participation trends**, including disparities in access and outcomes by gender, age, ethnicity, disability, and geography.
- **The impact of automation, AI, and digitalisation** on job roles, sectors, and workforce displacement; as well as strategies for reskilling and upskilling.
- **Youth employment, underemployment**, and the barriers to securing, high-quality work, especially among those not in education, employment, or training (NEET).

- **Workforce development strategies**, including the effectiveness of apprenticeships, vocational pathways, lifelong learning, and employer-led training in meeting current and future skills needs.
- **Fair work research**, including implementation of the Fair Work Wales agenda, the living wage, job security, and workers' voice in the Welsh labour market.

## 5. Theme 4: Economic Inequality, Poverty, and Inclusive Growth

5.1. Economic shocks and structural disadvantages have exacerbated persistent levels of poverty and inequality in Wales. We seek research exploring the links between economic growth and poverty, including how inclusive growth strategies can reduce deprivation and help target relevant policies to those most in need including:

- **Measurement and monitoring of poverty**, including the development of robust indicators, child poverty tracking, and regional analysis of poverty and deprivation in Wales.
- **Impact of tax, welfare, and public services on household income and wellbeing**, including microsimulation modelling to assess policy scenarios.
- **Community wealth building models**, cooperative ownership, participation in digital economies, local procurement strategies, and the role of the social economy in addressing inequality.

## 6. Theme 5: Social Mobility and Economic Opportunity

6.1. Improving social mobility is central to building a fairer and more inclusive economy in Wales. We welcome research that explores the barriers and enablers of upward mobility, particularly for individuals and communities facing structural disadvantage. Key areas of interest include:

- **Longitudinal analysis of social mobility**, including intergenerational changes in income, education, occupation, and wealth across different regions and demographic groups.
- **Drivers of economic opportunity**, such as access to quality education, housing, transport, digital infrastructure, and employment pathways.

- **The role of early years and education policy**, including the impact of childcare provision, school attainment, and post-16 education on long-term life chances.
- **Geographic mobility and place-based disadvantage**, examining how location affects access to opportunity and how targeted interventions can reduce spatial inequality.
- **Intersectional barriers to mobility**, including the compounded effects of gender, ethnicity, disability, and socio-economic background on life outcomes.
- **Policy levers to promote mobility**, such as inclusive labour market strategies, targeted skills investment, and reforms to housing and welfare systems.

## 7. Theme 6: Wealth Distribution and Intergenerational Transfers

7.1. Understanding the dynamics of wealth accumulation and transfer is increasingly important for addressing long-term inequality and economic resilience in Wales. We welcome research that explores:

- **Patterns of wealth distribution**, including disparities in asset ownership (e.g. housing, pensions, financial investments) across income groups, regions, and generations.
- **Intergenerational transfers of wealth**, such as inheritance and gifts, and their impact on social mobility, housing access, and lifetime economic outcomes.
- **Taxation of wealth and transfers**, including the behavioural and distributional effects of inheritance tax, property taxation, and potential reforms to support fairness and fiscal sustainability.
- **Wealth and wellbeing**, examining how asset ownership influences financial security, mental health, and life satisfaction, particularly in the context of economic shocks.
- **Policy interventions to reduce wealth inequality**, including mechanisms for asset-building among low-income households, community ownership models, and inclusive financial services.

## 8. Theme 7: Demography, Planned Migration, and Population Change

8.1. Demographic trends, including population ageing, internal migration, and international mobility, present both challenges and opportunities for the Welsh economy and public services. We are particularly interested in research on:

- **The role of planned migration** in supporting population sustainability, reversing depopulation trends (especially in rural and post-industrial areas), and meeting skills shortages in key sectors such as health, social care, construction, and technology.
- **Economic and fiscal impacts of migration**, including contributions to tax revenue, housing demand, public service usage, and labour market participation.
- **Retention and integration of migrants**, including barriers to inclusion, language support needs, community cohesion, and access to rights and services.
- **Strategies to attract international talent**, particularly in the context of UK-wide immigration policy constraints, and Wales' distinct needs for labour mobility and regional development.
- **Population forecasting and modelling**, incorporating birth rates, life expectancy, migration trends, and their long-term implications for housing, transport, education, and health planning.

## 9. Theme 8: Post-Brexit and Post-Pandemic Economic Resilience

9.1. Wales continues to adapt to structural shifts resulting from EU Exit and the COVID-19 pandemic. We are interested in research that assesses the medium- and long-term consequences of these disruptions including:

- **Trade, investment, and market access** post-Brexit, including sector-specific impacts, opportunities for new international partnerships, and changes in regulatory alignment.
- **Labour market shocks**, including the end of EU freedom of movement and sectoral recruitment challenges.
- **Evaluation of pandemic recovery measures**, including furlough, business support grants, and their legacy effects on productivity.

- **Supply chain resilience and economic diversification**, including regional vulnerabilities and opportunities for reshoring or innovation-led growth.

## 10. Theme 9: Data, Modelling, and Evaluation

10.1. High-quality economic and fiscal analysis requires improved data infrastructure and methodological rigour. We welcome research that strengthens Wales's analytical capabilities:

- **Development of Wales-specific economic models**, including general equilibrium models, microsimulation tools, and regional input-output frameworks.
- **Innovative use of data**, such as real-time transaction data, geospatial analysis, and administrative data access and linkage to inform more granular policy insights and targeted interventions.
- **Policy impact evaluation**, including cost-benefit analysis, counterfactual impact evaluation, and theory-based approaches for public programmes and fiscal interventions.
- **Addressing data gaps**, particularly in devolved policy areas, small area statistics, disaggregated labour market data, and sectoral breakdowns.

## 11. Conclusion

11.1. The Welsh Government welcomes opportunities to collaborate with researchers on any of themes in the ARI and on economic issues relevant to the Welsh Government more generally. For further information please contact: [EconomicResearch@gov.wales](mailto:EconomicResearch@gov.wales).