

**FACING-UP TO THE FOUNDATIONAL ECONOMY: REGIONAL DEVELOPMENT,
PUBLIC POLICY AND EMPLOYMENT IN WALES**

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ABSTRACT

There has been increasing interest in Foundational Economy (FE) ideas, with academics seeing the FE as a way of thinking radically differently about local development. Amongst policymakers, the Welsh Government has been a leader in exploring ways to support FE growth. Yet there has been relatively little critical reflection on the potential benefits and drawbacks of policy focusing on the FE in practice. Using Wales as a case study to provide insights and learning into the FE and policy design, we develop an analysis of FE employment and job quality and critically assess the Welsh Government's policy approach.

1. INTRODUCTION

Across advanced economies there has been an increasing concern about ‘who gains from growth’? This has encouraged the development of a plurality of alternative economic concepts, models and ideas which are set-up as possible means to rethink the purpose and practice of economic development (Crisp et al, 2023). Within these debates Foundational Economy (FE) ideas are presented as providing a very different conceptualisation of regional development; one which is linked to minimum standards in access to good and services, and a prioritisation of well-being over established growth metrics. FE ideas have been influential in academic debates over alternative approaches to development, but importantly have now begun to inform policy approaches in several different national/sub-national contexts.

The FE comprises goods and services which are essential components for everyday life. The FE has generated significant interest and excitement among academics as a very different way of ‘doing regional development’. Indeed, it has been argued that:

“The Foundational Economy offers a new way of conceptualising the very purpose of economic development, and how it can improve the lives of the many, not just the few”
(Heslop et al. 2019).

In this context the FE offers a means of both re-framing and practically developing a new approach to ‘left behind’ places (MacKinnon et al, 2022). FE ideas are also receiving support from policymakers in parts of Europe, and here Wales is amongst the pioneers. The Welsh Government has highlighted the developmental potential of the FE (Lang and Marsden, 2018; 2023), and in 2020 a ‘Challenge Fund’ was established to support development and innovation in the FE. Some FE ideas are also being embedded in wider policy developments in Wales. Yet there has been relatively little critical reflection on the potential benefits and drawbacks of policy focusing on the FE, or of what a focus on the FE actually means in practice. This is important as academic debates regarding the FE have tended

towards a more abstract understanding of the concept, leaving a critical research gap around ‘transforming foundational economy thinking into policy practice’ (Hansen, 2022: 7).

One area where the FE has attracted attention is around the potential for improving employment, and specifically job quality, in economic sectors typified by comparatively low-pay (Lee et al, 2018; Hansen, 2022), which have historically been largely ignored by economic development policy and industrial strategy. However, there is relatively little evidence on broader job quality conditions in the FE, or a clear case for why and how a greater policy focus on the FE can improve the quality of existing jobs. The characteristics and diversity of jobs in the FE are also not well understood. The heterogeneous nature of the FE raises questions about the extent to which policy can be really made for the FE rather than discrete sectors within it (or alternatively economy wide, such as via minimum standards). In this paper, using employment as a focus, we evaluate the experience in Wales of translating the concept of FE thinking to applied policy actions.

The paper is structured as follows. Section 2 traces the development of FE concerns and conceptualisation, benchmarking against existing understandings of the FE as a model for development. Section 3 develops the case study of the FE in Wales; providing an overview of the nature of employment in different parts of the FE and examining the policy approach which the Welsh Government has taken to the FE. Section 4 provides a discussion of policy implications following from the analysis and Section 5 concludes.

2. LOCATING THE FOUNDATIONAL ECONOMY

The FE is concerned with those sectors and activities which can be thought of as foundational in contemporary economies and societies. This includes a heterogeneous collection of goods and services which collectively are argued to constitute the ‘social and material infrastructure of civilised

life' (FEC, 2019: 3). The conceptual development of the of the FE has been significantly driven by academics within the University of Manchester's Centre of Socio-Cultural Change, before expanding to a wider Foundational Economy Collective (FEC) group (e.g. Calafati et al, 2019, 2023; Froud et al., 2018; Froud, 2019; FEC, 2018; Leaver and Williams, 2014). The focus on the FE is a reaction to, and against, an economic model which has concentrated on competitiveness, the privatisation of public services [FEC, 2018]), and a predominant focus on high-growth/high-tech economic sectors, which constitute a minority of employment (Bentham et al, 2013; Leaver and Williams, 2014). The FE is described as including:

‘the goods and services which are the social and material infrastructure of civilised life because they provide daily essentials for all households. These include materials services through pipes and cables, networks and branches distributing water, electricity, banking, services and food’ and the providential services of education, and health and social care, as well as income maintenance.’ (FEC, 2018: 3)’.

The FE consists of three domains, the first two of which relate to collective systems of the provision of essential goods and services to households:

- Material – including utilities, networks, banking and food, so connecting people to everyday essentials
- Providential – providing universal services including education, health, care and public welfare
- Overlooked – including goods and services culturally defined as essential and requiring occasional purchase, including hairdressing, house maintenance and recreation activities

(<https://foundationaleconomy.com/activity-classification/>)

The material and providential are the inner foundational domains of necessary daily consumption (including food, education and health). The overlooked represents goods and services which are considered culturally important or expected (Martynovich et al, 2003). Hence, the overlooked is to some extent ‘spatially and historically contingent’ since the culturally defined necessity of particular goods and services varies between places and over-time (Russell et al, 2022; 1072). The perceived cultural necessity of many overlooked goods and services however points towards the importance of their role as part of the social infrastructure of ‘civilised life’ (FEC, 2018). The overlooked sector also aligns with the recent conceptualisation of the ‘Everyday Economy’, which is similarly sensitive to cultural necessity (Berry, 2022). Addressing employment and job quality issues in parts of the overlooked sector is also argued to be important in resolving long-standing issues in the UK economy associated with low-wage work (Keep, 2023).

The employment footprint of the FE is large. Estimates suggest that 44% of UK workers are located in material or providential FE provision (FEC, 2020), and in some urban areas the figure is higher still (Engelen et al, 2017). A FE focus implies a shift from an emphasis on production towards a policy of standards of social consumption irrespective on wealth and income – i.e. the availability and accessibility of ‘adequate foundational provision’ (Calafati et al, 2019: 17). The FE is situated within a wider discourse of rethinking local and regional development, emphasising the mundane but essential parts of the economy, sectors which ‘rarely figure in the theory and practice of local and regional development but can be reorganized in ways that generate welfare gains and diffuse prosperity amongst localities and regions with different and/or weaker sets of assets and resources’ (Pike et al, 2018: 100).

Questions remain about how to measure development in the FE, since Gross Value-added (GVA) and Gross Domestic Product (GDP) based metrics do not capture the emphasis on the real value of foundational provision to individuals and communities (Heslop et al., 2019). Productivity measures

also vary significantly across the FE, and arguments for an economic efficiency approach to sectoral development have more limited real-world relevance in parts of the FE, necessitating a need to focus more on the wider social value these sectors deliver (Froud et al, 2020). Other important questions remain about the FE and gender, given the over-representation of women in low-paid foundational work; climate change; and supporting active citizens rather than dispassionate consumers (Heslop et al., 2019).

The spatial is an important part of the FE (Heslop et al., 2019). For local governments the implications might include a need to provide better services for their local communities with profits reinvested locally, development of local value chains, and labour market policies to increase skills and income (Bowman et al, 2014; Marques et al, 2017).

The FE is one approach within a group of ideas around alternative economic models, including other approaches such as community wealth building (CWB), inclusive economies and doughnut economics (for an overview of these different approaches see Crisp et al, 2023). Setting-out the distinguishing features of the FE from other approaches, Russell et al (2022) identify:

1. **The Zonal Perspective** – activities close to everyday needs and (individual and societal) well-being (the diverse economies which underpin everyday life).
2. **A focus on ‘maximalist social innovations’** – the potential of ‘socially innovative practices that cut across conventional distinctions such as public/private and state/non-state’ (p.1076) – local and regional experimentation with citizen activism at its core.
3. **The ‘reconstitution of citizenship’** – the development of collective agency through participation in delivery.

The zonal perspective, while helpful conceptually, presents some challenges when moving from the abstract to the practical in terms of the mapping the FE to existing categorisations of economic activity. The FE Collective website presents an approach to mapping between FE activities and the equivalent Standard Industrial Classification (SIC) codes (<https://foundationaleconomy.com/activity-classification/>). Selected examples of this mapping are provided in Table 1 for illustrative purposes. This mapping exercise raises several questions. As described, the idea of everyday needs and well-being implies value judgement about what really matters, and how this might differ across individuals and communities. Moreover, what are classified as mundane necessities can change over time. In Table 1 these issues are illustrated by the inclusion of pet food production and sales in the FE definition (in the material and overlooked zones respectively), while the production and sale of bicycles is not. For some the social value of pet food might be higher than bicycles, for others the opposite would be true. The definitions also seemingly introduce confusion into what is essential production and what it is not. Here the manufacture of bricks is included, but glass (for windows) is not. Similarly, the construction of buildings and infrastructure are included, but some professions integral to the construction process (here quantity surveying) are not. Counterintuitively, the operations of private real estate agents are included, but not the activities of housing associations with a social housing remit. This discussion is not meant as a specific critique of the mapping process per se; rather it provides a first pass illustration of the challenges when moving from abstract to concrete and the potential difficulties this creates for policy priorities and policy design.

Table 1: Selected FE activities

SIC	Sector	FE zone
10920	Manufacture of prepared pet foods	Material
47760	Retail sale of flowers, plants, seeds, fertilizers, pet animals and pet food in specialised stores	Overlooked
30920	Manufacture of bicycles and invalid carriages	Non-FE
47640	Retail sale of sports goods, fishing gear, camping goods, boats and bicycles	Non-FE

23320	Manufacture of bricks, tiles and construction products, in baked clay	Overlooked
23110	Manufacture of flat glass	Non-FE
41202	Construction of domestic buildings	Overlooked
42110	Construction of roads and motorways	Material
74902	Quantity surveying activities	Non-FE
84210	Foreign affairs	Providential
84220	Defence activities	Providential
68201	Renting and operating of Housing Association real estate	Non-FE
68310	Real estate agencies	Overlooked

Source: selected examples from <https://foundationaleconomy.com/activity-classification/>

There is also a question about the policy-trade-offs when determining which parts of the economy to support and how. Contemporary economies are complex and inter-related, access to foundational goods and services can be integrated with the production and provision of non-essentials.

International evidence shows employment multipliers from ‘high-tech’ job creation into local non-tradeable employment, raising the question of where policy efforts might be focused (Moretti, 2013; Lee and Clarke, 2019). On the other hand, it has been argued that the FE can build regional resilience. Engelen et al (2017) argue that the FE can act as an important stabiliser for cities. This is partially supported by Martynovich et al’s (2023) analysis of Swedish labour markets which finds that a well-developed FE can play a role in absorbing short-term economic shocks, albeit the importance to longer-term regional resilience is more limited. They also find a positive role for integration between FE and non-FE sectors in supporting resilience, leading to conclusions about the importance of regional policy ‘considering the regional economies as a whole rather than treating tradeable/competitive and foundational sectors as independent entities’ (p.594).

In the following sections we examine some of the policy questions identified here using a case study of the experience of Wales.

3. A CASE STUDY OF THE FOUNDATIONAL ECONOMY IN WALES

Context and methods

The Welsh Government works within a devolved political settlement in the UK. This follows a model of ‘reserved powers’, with some aspects of policy being made in Wales and others reserved for the UK Government. Senedd Cymru (the Welsh Parliament) has legislative powers in some policy domains of relevance here – including around health and social care, housing, education, transport, business and economic development. It also has some quite limited tax-raising and tax-varying powers.

The Welsh Government has been at the forefront of examining the potential for policymakers to support the development of the FE. The focus on the FE is embedded within the wider policy framework in Wales set by the Well-being of Future Generations Act (2015). This requires the Government and public sector authorities to consider the well-being of future generations in current decision-making, so necessitating a longer-term perspective. It also rebalances from a focus on GVA and economic growth to one of well-being (Minto and Parken, 2020; Morgan, 2021).

The ideas of the FE have been embraced by the Welsh Government for the developmental possibilities they are deemed to present, to the extent that FE thinking has been described as an opportunity for ‘a profound shift in our thinking and doing’ (Welsh Government, undated). In the original articulation, the focus on the FE seems to be in part a way to simplify the sector focus of the Welsh Government’s approach to industrial strategy – including an increasing emphasis on tourism, food, retail and care (although these operated alongside a focus elsewhere on Tradable Services and High Value Manufacturing as policy priorities) – and utilising these sectors to support growth, resilience and community cohesion (Welsh Government, 2019). The Prosperity for All: Economic Action Plan (Welsh Government, 2017; 2) discusses opportunities for growth and innovation in the foundational sectors, described as the ‘backbones of many local economies’, and ties this to jobs

growth local resilience. These foundational sectors again sit alongside what the Welsh Government terms ‘thematic sectors’ of tradable services, high-value manufacturing and enablers (including digital and energy) which are focused more on growth and exports. From the outset, as Morgan (2019: 86-87) highlights, ‘the Welsh Government presents the FE as a source of employment growth, while foundationalists see it as a means to improve the *quality* of jobs, a difference that has yet to be resolved’.

In the following sections we provide a novel analysis of employment in the FE in Wales, setting-out the job quality context and associated challenges in parts of the FE. We then examine the development of, and projects funded through, the Foundational Economy Challenge Fund, which involved competitive funding allocations designed to support FE development. We also review official policy documents to locate the overall aims of the Welsh Government in relation to the FE and to assess its development over time.

Eight online semi-structured interviews with stakeholders were conducted to supplement the data and help critique the documentary analysis. These helped in interrogating and contextualising the findings based on official documents; allowing for a fuller understanding of the practical policy development process, including the translation of policy statements and intents into delivery, and the competing ideas which shaped this. The interviews focused on understanding the development of FE thinking and practice in Wales, including questions around: How is the FE understood in conceptual and practical terms? Why and how has the foundational economy concept been embraced and implemented? What is the relationship between FE approaches and other areas of policy focus/priorities? and, what has been the experience of design and implementation of the Foundational Economy Challenge Fund? The interviews were analysed around themes covering the historical evolution of FE thinking and practice in Wales; variegated understandings of the FE; enablers and constraints to FE policy and practice development; lessons from the FE Challenge Fund; the

differentiation of approaches across foundational sectors; and, competing visions for regional development. Interviewees were purposively sampled from organisations involved in the policy development and practice delivery of FE thinking in Wales. Interviewees included representatives from the Welsh Government, civil society, the civil service, academia, the third sector, think tanks and employer organisations. To protect the anonymity of interviewees, responses are not attributed.

Assessing employment in the Foundational Economy in Wales

Table 2 describes the distribution of employment in FE activities in Wales using the thematic schema of material, providential and overlooked zones. The definition of the FE used is from the FE Collective mapping which breaks the FE down into SIC codesⁱ. Due to data availability at the Wales level, the analysis uses SIC codes at the 4-digit level (not the 5-digit level), leading to some very minor discrepancies from this list.

The majority of work in Wales (around three-quarters, or almost 900,000 jobs) is in the FE, if the ‘overlooked’ is included alongside the ‘material’ and the ‘providential’ (as recent studies suggest it should be [FEC, 2018; Froud et al, 2020; Russell et al, 2022]). The biggest proportion of employment is in the providential sector (around 4 in 10 of all jobs), reflecting the longstanding significance of public sector work in total employment in Wales (Jones and Green, 2009). The material and overlooked sectors are of broadly similar size, each representing approximately one in every 6-7 jobs.

Table 2: The proportion of employment in Wales by FE sector, 2022-2023

Sector	Per cent of all employment	Total employment
Material	14.7	177,785
Overlooked	17.2	207,110
Providential	41.0	494,619
Non-FE	27.1	327,003
Total	100	1,206,517

Source: Authors’ estimates from the Labour Force Survey, 2022-2023. Pooled estimate of July-Sept 22; Oct-Dec 22; Jan-Mar 23; Apr-June 23. Sector of employment in main job of workers employed in Wales.

Building on this initial description of the size of FE, the following labour market analysis utilises Labour Force Survey (LFS) data to provide evidence on job characteristics in relevant sectors. The analysis focuses on workers whose employment is in Wales; all data are weighted for the relevant income or person weights. The analysis covers employees only (i.e. it excludes the self-employed). Limiting analysis to employees means that microenterprises will be under-represented, and these are more numerous in some sectors (such as construction) than others. The net result is that the overall size of the FE's Material and Overlooked components will be slightly under-estimated relative to the Providential.

Job characteristics in the FE

Table 3 shows selected dimensions of job quality in the FE using LFS data. Pay is a key indicator of job quality. Median hourly wages in FE material and overlooked sectors are low by comparison to non-FE jobs and to those in the FE providential sector. In the overlooked sector hourly wages at the 25th percentile were just £8.61, in the material they were £9.80. This is below the National Living Wage for those aged 23 years and over which was raised to £10.42 in April 2022. This also reflects different sectoral age profiles and particularly the large number of younger workers in the retail and hospitality sectors. Similar patterns are observed for weekly wages. There are also quite pronounced differences in median wages, with comparatively low median wages found in the material and overlooked sectors. With respect to the providential sector it is notable that although wage rates are generally higher, there are pockets, particularly in parts of social care, which are typified by low wages and poor employment conditions (Green and Sissons, 2021).

Non-standard employment, defined as employment which does not conform to a permanent full-time historical norm, is relatively prevalent across the FE (as well as non-FE jobs). In the overlooked sector more than one-third of jobs are part-time and 9% are temporary (with temporary work also more common in the providential sector [7.7%]). The providential sector, including health and

education, also has a significantly higher proportion of public sector employment, at around 75%. As would be expected, the providential sector has a significantly higher level of in-work training.

Training rates are much lower in the material and overlooked sectors (with similar rates in non-FE jobs). Training rates are an important aspect of job quality as skills development can help to support career development and progression over time. Union coverage, indicating the ‘voice and representation’ dimension of job quality, is also highest in the providential sector at 57% (and is comparatively high in the material sector). Union coverage is extremely low in the overlooked sector.

Sectoral workforce composition varies by gender and age, with female workers making-up a larger share of the providential and to a lesser extent the overlooked sectors. Younger workers are significantly over-represented in the overlooked sector.

Table 3: Characteristics of the FE in Wales

	Material	Overlooked	Providential	Non-FE
Hourly wages (£) – 25 th percentile	9.80	8.61	11.19	<i>10.98</i>
Hourly wages (£) – median	12.50	11.01	14.91	<i>14.22</i>
Percent of jobs part-time	28.7	36.0	24.5	<i>14.1</i>
Percent of jobs temporary	3.6	9.0	7.7	<i>5.2</i>
Percent of employment in public sector	8.5	7.3	75.0	<i>9.0</i>
Received job-related training in previous 13 weeks	23.4	22.5	39.1	<i>23.2</i>
Pay/conditions affected by union agreements	34.8	8.6	56.9	<i>13.3</i>
<i>Percent of workforce female</i>	34.3	40.7	66.7	<i>36.0</i>
<i>Percent of workforce under 30 years old</i>	11.6	35.9	6.4	<i>8.1</i>

Source: Authors’ calculation from the Labour Force Survey, pooled estimate of July-Sept 22; Oct-Dec 22; Jan- Mar 23; Apr-June 23. Unweighted sample sizes: Material 654; Overlooked 698; Providential 1,862; Non-FE 1,108.

The following sections now consider the development of Government policy for the FE in Wales in light of the considerable challenges around employment and job quality issues which have been highlighted.

Innovating in the FE? The Foundational Economy Challenge Fund in Wales

To support the development of the FE, a significant intervention was the £4.5m Foundational Economy Challenge Fund, announced in 2019 (with projects beginning in 2020), which sought to support the incremental growth of, and learning about, FE development. The funding was via a competition open to public, private and third-sector businesses in the FE with the aim to ‘conceive and introduce innovative ways of working which help to raise the profile of the FE and to stimulate debate and learning on what works’.

In addition to the idea of the FE Challenge Fund being experimental, the Welsh Government emphasised a focus on:

- ‘[G]rowing the ‘missing middle’: We want to increase the number of grounded firms in Wales and establish a firm base of medium-sized Welsh firms which are capable of selling outside Wales but have decision making rooted firmly in our communities.
- Spreading and scaling best practice: We will start looking at social value within procurement. We will support Public Service Boards to use and strengthen local supply chains’.ⁱⁱ

(<https://businesswales.gov.wales/foundational-economy>)

Here we summarise the coverage and emphasis of the FE Challenge Fund. Online Appendix 1 provides full details about the projects fundedⁱⁱⁱ. The distribution of the projects was targeted to ensure each region (South, Mid and North) received an allocation. In total forty-seven projects were supported, with a mean allocation of £69,802, and a range between £26,852 and £200,000. Hence the

projects were relatively small in size with an emphasis on testing ideas rather than large-scale impact. The projects funded represent a relatively diverse mix of activities but with some notable features. Sixteen projects were allocated to local/county councils. Other organisations funded included social enterprises and the third sector plus a small number of private sector organisations. Interviewees highlighted the limited engagement of firms with the Challenge Fund, particularly given the framing around the ‘missing middle’ of firms, as a limitation. It is worth noting the onset of the Covid-19 pandemic coincided with the projects starting which makes assessment of them more difficult; however here our concern is more with project aims and focus than delivery.

Figure 1 summarises the thematic focus of the FE Challenge Fund projects. As discussed in the preceding literature review, the FE has been presented as a means of radically reframing the aims and potential of development policy. As such, the themes (and by extension the projects) are plotted against an appraisal of the extent to which they largely reproduce existing approaches to economic development or whether they represent a more radical break with these. They are also grouped by whether their primary focus is on production, service quality, employment support or procurement and social value.

Figure 1: Summary of the thematic focus of FE Challenge Fund Projects

Orientation to established policy /practice	Domain			
	Production	Service quality	Employment support	Procurement and social value
Business as usual	<p>Business/economic development:</p> <ul style="list-style-type: none"> -Using community assets as work spaces/hubs -Developing the visitor economy -Start-up and small business support -Town centre revitalisation <p>Support for foundational firms:</p> <ul style="list-style-type: none"> -Increasing local markets and product development, circular economy practices <p>Alternative providers and models:</p> <ul style="list-style-type: none"> -Support for non-profits, social enterprise -Support for Coops Community land transfer for forestry and food production 	<p>Addressing maintenance issues in social housing</p> <p>Improving care quality:</p> <ul style="list-style-type: none"> -More support for vulnerable patients -Trial new care technologies -Community support initiatives and use of community assets for health and well-being 	<p>Employment entry and skills initiatives:</p> <ul style="list-style-type: none"> -Apprenticeships in construction and care sectors -Work experience and placements <p>Career development in care:</p> <ul style="list-style-type: none"> -Skills provision for care workers 	<p>Support to compete for contracts:</p> <ul style="list-style-type: none"> -Connecting local business to procurement and development opportunities (including in health, housing and construction)
Radical innovation				

The production domain contains three types of project activities. There are six projects which adopted what can be considered as ‘business as usual’ types of economic development activities. These included the adaption of sites and services to support business growth or revitalising particular commercial spaces (e.g. town centres). Overall, there appear relatively weak links between such projects and the wider aims of a FE-based approach. The production domain also includes two examples of support for specific firms in parts of the FE orientated towards growing local markets and/or product development in the food sector. Within such provision the social aims are largely not clear, above and beyond a support for local growth focused on specific firms. A final group of production activities included six projects which represented more a break from ‘traditional’

economic development practice and included an emphasis on supporting the development of alternative forms of organisation like social enterprise and cooperatives to provide local goods and services. Perhaps the most innovative element, which speaks most directly to FE thinking in terms of essential provision, was a project involving community land transfer for direct forestry and food production activities.

The service quality domain represented nine of the funded projects. Seven of these projects were concerned with service quality in the care sector. Some of these involved the provision of additional support for particular (vulnerable) groups or adopted a model of community support. Others looked to utilise new technologies in the provision of health and care.

Twelve of the projects offered different forms of employment support. In large part these were based on fairly standard economic development models and thinking, and included apprenticeship models and work experience aimed at supporting employment entry. There is relatively little about these that obviously reflects FE thinking, aside from the sectors in which they are located. There was some modest focus on job quality in those projects concerned with career development in the care sector in terms of the potential to support career and wage progression aims.

Finally, a cluster of ten projects were focused on measures and practices to support local businesses to compete for procurement contract opportunities by providing links and tools to connect local business to such opportunities (including in health, housing and construction). These projects which are tied to the ideas of social value, appear to be more strongly aligned to a Community Wealth Building (CWB) approach (as discussed in more detail subsequently).

Overall, the set of projects was quite limited in the extent to which they represented a clearly FE-informed approach to development. Many were either reflective of, or were not far removed, from what might be considered ‘standard’ practice in local and regional economic development. Taken together they do not embody a very ambitious or even particularly coherent approach which is embedded in FE thinking. Rather the projects collectively appear somewhat ad hoc and suggest an approach which is more reactive to the funding opportunities, rather than the design of funding being used to shape the approaches taken by projects and their potential alignment to FE learning.

Interviewees identified that one important reason for this settlement was the perceived need to spread the project funding in some sense equitably across the different regions of Wales. There is some focus on job quality, but this does not come through strongly; sector growth and employment entry appears a more significant driver. Where there is a more significant alignment to aspects of foundational thinking is around those projects engaged with alternative ownership models.

In terms of driving lasting change, interviewees noted issues relating to the financial sustainability of many of the projects once Challenge funding ended. They did highlight, however, that a strong collaborative culture at grassroots level, supported partly through some of the more innovative projects funded by the Challenge Fund, has generated ongoing activity in terms of sharing practice examples of approaches adopted and what works in different local contexts in Wales (see also Foundational Alliance Wales, 2024). This was identified universally as a positive feature.

4. PLACING THE FOUNDATIONAL ECONOMY IN WELSH POLICY

In addition to the experimental approach of the Challenge Fund, there is some evidence of the wider embedding of a FE focus in Welsh Government policy. This embedding is however characterised by an unevenness across both policy domains and economic sectors, alongside a sense of a lack of consistency in how the FE is understood and approached. Over time the traction of the FE also appears to wax and wane, and the relations of the FE to other, competing or complementary, ideas

around economic development have yet to be crystalised. We examine and summarise these issues in this section, including with reference to points raised in interviews with policymakers, practitioners and commentators in Wales.

Wider but narrower: A shrinking of foundational space?

The evolution of FE policy in Wales suggests that the practical application of FE thinking has in reality meant a shrinking of foundational space. As the focus of policymaking has widened from the project specific approach of the Challenge Fund to substantive areas of government policy, this has been accompanied by a narrowing of the both the sectoral and conceptual underpinnings of the FE. This narrowing has focused to a significant extent on procurement as the main policy ‘lever’ for FE development, and with health being the main focus of progress.

In respect of the widening of FE policy beyond the Challenge Fund this has been most apparent for health sector stakeholders. Guidance around the *Healthier Wales foundational economy programme* (Welsh Government, undated) emphasises the aim that a FE focus is increasingly embedded within procurement decisions. Interviewees identified that this focus on health is, in part, in recognition that over half of the Welsh Government’s budget is spent on health and care, so this is where it is felt the greatest change might be made. The emphasis here is primarily on the potential for procurement and supply chains to support the FE locally, although other aspects of the strategy begin to focus on local benefits of workforce development in healthcare to support good jobs with training, and the direct role of service delivery within communities to supply core services and FE health provision. The approach remains in its infancy and there is a lack of definitional and implementation detail. The 2023-2026 Public Health Wales Strategic Plan (Public Health Wales, 2022) presents NHS providers roles as ‘anchor institutions’ and describes the need to embed FE principles into the approach to values and innovation in place; however, there is strikingly little detail on how this might be achieved in practice. Overall, it is clear that FE ideas are starting to be taken-up in the health policy space, but as

interviewees discussed these ideas remain somewhat fuzzy, and are heavily anchored on the perceived opportunities around procurement which appears to now be the de-facto focus of much FE policy.

This narrow focus on procurement can be also seen in the questions posed by the Wales Senedd Economy, Trade and Rural Affairs Committee 2024 consultation on the FE which heavily emphasises the role of procurement.

There has also been some emphasis on bringing foundational thinking into selected new emerging and priority sectors in Wales. This can particularly be seen in relation to the green economy and housing.

Some early tentative linkages have been drawn between the FE and the need to decarbonise the economy, particularly in relation to national energy infrastructure projects. Interviewees also identified the role of individual housing associations who, in a more diffuse way, have also taken forward actions on a smaller scale, such as retrofitting, so speaking to the FE agenda.

FE policy however remains quite undeveloped in large parts of the economy, including in some of those initially identified as a core focus. Both policy documents and interview evidence shows that this is particularly the case in parts of the overlooked FE where the Welsh Government and local authorities have few policy levers, including the retail sector where important job quality challenges persist. Similar issues can also be seen in parts of the material FE; for example in the interviews the continued retrenchment of provision of banking services in communities was discussed.

There remains an ongoing tension between the focus on tradable and non-tradable sectors. The Manufacturing Future for Wales A Framework for Action (2021) posits seeking ‘a more effective balance between tradeables and the FE, which provides the essential skills and services that underpin everyday life in our communities’. However, there is little supporting detail for where this balance lies or how this might be achieved beyond some high-level ambitions around reshoring and the role of public procurement.

The most recent articulation of the Welsh Government (2023) strategy for economic development reframes the FE to the ‘everyday economy’. The focus here is again articulated mainly in relation to procurement opportunities (albeit implications for employment are highlighted). The strategy targets the growth of ‘good jobs’ in the energy sector (nuclear and offshore wind), and a less clearly defined notion of ‘tech jobs’. There remains a discursive emphasis on Fair Work, but again with little detail on how this might be achieved. The FE features less in discussions of innovation. It is referenced quite inconsistently in the Welsh strategy for innovation, Wales Innovates, which again suggests the FE is functioning as something of a umbrella concept capturing ideas of broad-based and/or good growth (Welsh Government, 2023).

Overall, there is some evidence of embedding of elements of the FE, but this has been accompanied by a shrinking of both the conceptual space of the FE and its sectoral coverage. Policy ‘levers’ for supporting FE development are heavily reliant on procurement practices (as elaborated below). Some tentative links are drawn between green jobs and good jobs but both policy documents and the interview evidence suggests that at present these are quite speculative rather than grounded.

While the FE has begun to appear across a range of policy documents and priorities, its use at times suggests it is functioning more as a label than as a coherent concept. In the interviews the FE was variously described as a ‘shifting signifier’ and ‘umbrella approach’ which means different things to different people.

A pluralist approach to regional development

For all the issues around conceptual clarity and policy progression what is clear is that the FE has informed the Welsh Government’s thinking in a wider sense around how to do economic

development. The interviews suggested that the FE sits within a broadly conceived ‘good growth’ agenda, which seeks to balance economic imperatives against social and environmental costs, and to weigh the costs and benefits of current versus future generations (in line with the Well-being of Future Generations Act). However, a number of the interviewees highlighted there was limited consensus on how different approaches to regional development fitted together, or did not do so; it was also felt by some interviewees that fundamentally there was not a shared understanding of what the Welsh Government are seeking to achieve through FE policy.

The focus on the FE itself though has shifted towards a particular emphasis on procurement and an embrace of ideas, learning and language from other local areas which have adopted forms of Community Wealth Building (CWB). The importance of procurement as an avenue for supporting FE activities is captured by former Welsh Senedd Minister Lee Waters:

Procurement is not just a tool for accountants; it's a key lever for social and environmental justice.

A recent Welsh Government commissioned report recommends the establishment of an FE Academy to support knowledge exchange and learning for public service organisations to embed activities aimed at developing the FE in Wales, with the focus on the potential for procurement (Walpole et al, 2023). This procurement focus has been further embedded through the Social Partnership and Public Procurement (Wales) Act 2023 which provides a framework for social partnership working, the promotion of fair work and ‘socially responsible’ procurement. These are positive developments; however the duties remain relatively light-touch and as yet it is unclear how they will be implemented.

The adoption of a framing around CWB also reflects earlier Welsh Government interest in procurement as a lever for social benefit. This has been subsumed under the label of CWB, but in way that is somewhat narrowly interpreted around ideas of economic multipliers and leakage from local economies. It was highlighted in the interviews that these are ideas which it is relatively easy to garner support for, including from the business community. In practice, this means that local stakeholders can demonstrate in a performative way adherence to a FE and/or a CWB approach in local procurement policies. However, less progress is apparent on aspects such as models of ownership (beyond the Challenge Fund), or Fair Work, which also feature as core components of CWB approaches. These are aspects which pose more fundamental societal questions and where it is more difficult to build a consensus among stakeholders.

There are other important ideas in Welsh policymaking which may also shape the future framing of the potential of the FE. The Well-being of Future Generations Act (2015) provides a ‘legally-binding common purpose’ of seven well-being goals and sets down the ways specified public bodies must work together in pursuit of these. There is some common sentiment with the FE, albeit the language is different. Indeed, some interviewees identified that there is potential going forward for a FE focus to be subsumed within the ambit of the more immediately accessible idea of building a ‘Wellbeing Economy’.

The weakest link? Where does job quality fit in relation to the FE approach?

There is limited evidence of conspicuous success in harnessing FE policy for improving working conditions. This is not the result of an absence of emphasis on job quality, with the idea of fair work permeating broadly across the Welsh Government’s agenda. But, as widely reported by interviewees, it does reflect a lack of tangible focused policy in this domain and the comparative weakness of the Welsh Government’s influence over central aspects of employment policy (including regulation which is set by the UK Government). Interviewees identified that it is these limits of powers which

have in part necessitated a focus narrowed-down to the perceived opportunities of procurement and supply-chains in seeking to address multiple related issues. It was also felt widely among interviewees that the annual budget cycle, which operates a balanced budget model, stymies a more strategic long-term approach to these issues.

There are again distinct sectoral patterns here. There has been little progress in much of the overlooked FE, where our preceding analysis shows the most significant job quality issues exist. The recent shared strategic vision for the retail sector (2022) provides no real sense of how FE thinking or concerns about job quality will be addressed, or development opportunities in this space. The most obvious progress has again been in the providential FE, with particular developments in social care including a key pledge of the Welsh Government's Programme for Government to pay social care workers in Wales the Real Living Wage. However, across the healthcare sector in general progress towards targeting workforce development, job quality and supporting local workers to progress through careers has been more limited (Calafati et al, 2022). One of the interviewees also highlighted in relation to social care that while there was some progress on pay, fundamental issues relating to foundational thinking around ownership and profit extraction in the sector had not been addressed.

5. POLICY IMPLICATIONS

The establishment of FE-focused policy makes Wales something of a trailblazer in re-thinking and re-framing development priorities. As such it offers an important case study in addressing an existing research gap around how foundational thinking might be implemented through policy practice (Hansen et al, 2022).

The practical application of FE policy in Wales suggests several lessons. The Welsh Government approach has clearly highlighted the significance of foundational provision as both a source of

employment, but also as underpinning the economy and social infrastructure of place (Calafati et al, 2019). However, given the scale of transformation in the delivery of foundational goods and services envisaged by more abstract visions of the FE, the scale of change, and spending levels allocated to this, have been modest.

Returning to Russell et al.'s (2022) FE schema the evidence suggests that the zonal perspective applies less as a conceptual device to identify activities closest to individual and social well-being in everyday life, and more as a means of concentrating efforts on those sectors of the economy where the government has the most traction. Progress on 'maximalist social innovations' has been relatively muted. The FE Challenge Fund supported some projects which were more radical, alongside projects which were much less of a departure from existing orthodox approaches.

Procurement has emerged as the central policy strand. This has the potential to support benefits, but is quite distant from the idea of experimentation and social innovation. In relation to the reconstitution of citizenship there is scant evidence of progress, with the ideas of FE tending to be framed in a more technocratic manner.

The policy evidence and discourse in Wales suggests that although there is support for the idea of economic development policy targeting the FE, there is less consensus about what this means in practice, or connection to a more conceptual understanding of what a FE approach is seeking to achieve. It seems that, at least in policy terms, the FE may suffer from being perceived as a 'fuzzy concept'. This makes it unclear where a FE approach fits within a wider regional development framework. The aspect which seems to have the greatest traction currently is that which is associated more with the ideas of CWB around the role of (local) procurement in supporting community benefits. Where the FE fits to other core foci such as the Well-being of Future Generations Act lacks clarity too. At this stage the FE focus certainly does not represent a sea-change in the Welsh

Government approach to economic development; rather it sits alongside more established economic development priorities targeting economic growth and high-value sectors.

Given the heterogeneous nature of employment issues in the FE and the large proportion of Welsh employment that the FE constitutes there is a question around the extent to which policy can effectively target the FE also a whole, rather than discrete sectors given their different characteristics, business models and prospects, or whether economy-wide interventions (such as minimum standards) might be more appropriate interventions. This is also significant given that access to foundational goods and services is inter-woven and integrated with the production and provision of ‘non-essentials’.

Irrespective of the appetite for developing policy focused on the FE, the ability of the Welsh Government is limited by the nature of the devolution settlement and the lack of powers in core employment policy domains. From a practical perspective, the arguments developed by Engelen et al (2017) in relation to cities and fiscal devolution are significant in the context of devolved government in Wales. A large and well-targeted tax base is necessary to support the supply of high-quality public goods and services.

6. CONCLUSIONS

The FE has become an increasingly influential concept in academic debates around reframing approaches to development and the everyday economy. Yet there has been a major gap between these conceptual developments and existing practice of developing policy for the FE. In this respect the example of Wales offers the potential for learning about how approaches to the FE can be operationalised through Government policy and practice.

In this paper we have outlined some of the employment issues associated with the FE in Wales. Parts of the FE are typified by chronic low-pay, yet there is little evidence of significant engagement or progress with job quality as part of FE discussions. This represents an important missed opportunity to rebalance the policy focus, and to seek to develop practical learning on mechanisms to address poor job quality alongside an existing focus on employment growth. Issues with poor job quality also tend to pervade different parts of the economy in a way that is not limited to FE and non-FE distinctions (despite some clear sectoral patterns). The Fair Work Commission in Wales provided a route-map around job quality (Fair Work Commission, 2019), but the extent to which it has been embedded in economic development activities has been variable.

The Welsh example also helps us to understand some of the challenges of implementation of FE thinking. In a sense this task is not easy due to the fuzzy boundaries of the FE and how it bleeds into other alternative local economic development approaches. The practical difficulties in delimiting the boundaries of the FE were also illustrated by some examples from the FE Collective definitional schema. While a zonal understanding works well conceptually, translating this to the complex, messy and inter-related nature of local economies is not straightforward; it involves both practical and values-based decisions.

In Wales there has been a narrowing of the FE focus to prioritise the opportunities associated with public procurement in a way that draws inspiration less from FE discussions than from the ideas of CWB (although even here the take-up of core CWB ideas is partial). Overall, in respect of both FE ideas and CWB the Wales case study highlights policymakers' tendency to select aspects of development approaches which are politically and practically easier to operationalise, rather than those which imply more radical changes to economic systems, employment relations and patterns of ownership.

It is important to acknowledge some of the limitations of our study. Our research has analysed the development in FE thinking in a particular national context and within a devolved administration. The nature of the devolved settlement has been a significant influence on shaping the way FE thinking has been practically developed in way that may not be the case under different conditions of governance; assessing the process of developing FE thinking in policy in different contexts would therefore provide further and alternative insights. Our study also covers a specific period of the initial phases of FE policy in Wales. The development of FE thinking in Wales remains a ‘work in progress’, and the approach is continuing to evolve. Our research has also largely looked at the development of FE thinking from a top-down perspective, particularly focusing on the role of Government and policy. It is important to note, as highlighted by some of our interviewees, that within parts of Wales there are also examples of more grounded and bottom-up projects, practices and community-led developments which engage with issues of FE thinking in specific local contexts. Among other things these aim to reframe the idea of (social) value and to more effectively utilise community assets. The potential role of these grounded movements in driving change in FE thinking at a community scale, and how these link (or not) to developments at other scales, is an important area of future research.

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Ethics statement

This paper uses expert interviews to test the analysis. The interviews were conducted to be exploratory and focus on testing our understandings based on the evidence review, rather than seeking to evidence specific stakeholder or organisational perspectives. To protect the anonymity of interviewees and organisations, responses are not attributed. Interviewees were given an outline of the research aims prior to interview and the focus, aims and publication plans were re-confirmed at interview. This included confirmation that attributable quotes would not be used. Interviewees provided verbal consent for the interviews to be used to inform the paper. We therefore confirm that all subjects have provided appropriate informed consent.

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There are no interests to declare.

Data availability statement

There is no data available.

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ⁱ The definitions were downloaded from <https://foundationaleconomy.com/activity-classification/#:~:text=Providential%20foundational%20economy%20includes%20a,order%2C%20fundamentals%2C%20public%20administration> on 27 March 2020.

ⁱⁱ Public Service Boards (PSBs) were introduced in Wales in 2015 as part of the Well-being of the Future Generations (Wales) Act. A Board was established for each Local Authority area and included representation from local and national government, National Resources Wales, health and emergency services and representatives from the voluntary sector. The Boards provide local assessment of progress against the national objectives of the Act, setting local objectives around well-being and supporting the delivery of the aims of the Act.

ⁱⁱⁱ The data on the projects which are analysed here was published at: <https://businesswales.gov.wales/foundational-economy>. The information was downloaded on August 11th 2023. On the projects webpage some of the projects are listed twice. These duplicate entries have been removed for the analysis in this paper.