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EXPLORING WHAT WORKS

FRONTIER REPORT



01 CREATE

Creating Businesses, Creating Employers

How Wales Can Broaden Enterprise And Enable Ambition

September 2026

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Shahbaz Husain | September 2026

THE PROPOSITION

Wales should encourage viable enterprise across the full spectrum — from supplementary-income and owner-operated businesses to future scale-ups — while making it markedly easier for firms with genuine demand and ambition to take the next step. The governing principle is simple: enable ambition; do not prescribe it.

The Argument In Brief

Wales is already an SME economy. In 2025, 99.3% of active enterprises were SMEs and 94.6% were micro-enterprises. SMEs accounted for 62.3% of employment and 42.5% of measured turnover. [1]

That does not mean Wales simply needs more start-ups. Early-stage entrepreneurial activity was 11% in 2024, broadly in-line with the UK rate of 12%. The more striking gap was in perceived opportunity: only 32% of Welsh non-entrepreneurs saw good local opportunities to start a business, against 43% across the UK. [2]

The policy challenge is therefore broader. Wales needs a larger and more diverse base of viable enterprises, but it also needs to recognise that those enterprises want different things. Some are designed to supplement household income. Some provide a good living for one owner. Some will employ a handful of people. A small proportion can scale substantially. Treating the first two categories as failed versions of the last is poor economics and poor policy.

The right objective is to lower avoidable barriers at each stage of the journey and intensify support when commercial demand and ambition justify it. The first employee deserves particular attention: for a solo entrepreneur it isn't just a case of doubling the workforce overnight. It will also introduce payroll, employment obligations, management and fixed-cost risk. Peer-reviewed evidence shows that stronger sales growth tends to precede the first hire; not every solo business should employ simply because policy wants it to. [5]

This report proposes a simple principle for Welsh enterprise policy: Enable ambition, do not prescribe it.

That means encouraging enterprise widely, making the transition to 'employership' easier for demand-ready firms, recognising ordinary incremental growth as well as high growth, and organising support around the business journey rather than around the programme map.

Exhibit 1 — Enterprise success has more than one form

Supplementary income	Owner-operated	Micro-employer	Growth SME	Scaler
Adds income / tests an idea	Provides owner livelihood	Creates jobs for others	Builds management, markets and capability	Sustained rapid expansion

These are not rungs that every business should be required to climb. Policy should make movement possible, not mandatory.

Wales's challenge is not simply a shortage of entrepreneurs

The headline indicators point to a more nuanced problem. GEM recorded Welsh total early-stage entrepreneurial activity at 10.8% in 2024. That was below the UK estimate of 12.0%, but not statistically significantly so. Entrepreneurial intentions remained high: 22.6% of non-entrepreneurial working-age adults expected to start a business within three years. [2]

The weaker signal is opportunity perception. Only 31.9% of non-entrepreneurs in Wales believed there were good opportunities to start locally in the following six months, significantly below the UK figure of 43.2%. Fear of failure was also high, at 60.8%, although broadly in line with the UK rate. [2]

Registered business demography tells a similar story. In 2024, Wales had a business birth rate of 10.1%, against 11.1% for the UK, and a provisional death rate of 9.6%, close to the UK's 9.8%. These figures cover VAT/PAYE-registered enterprises rather than the entire population of very small unregistered businesses, so they should not be confused with the broader Welsh Government size analysis. [3]

THE IMPLICATION

Wales does not need a narrative of entrepreneurial failure. It needs to understand why local opportunity is perceived more weakly, help more viable ideas become businesses, and make it easier for businesses with traction to progress.

One SME policy cannot fit 246,500 enterprises

The label "SME" hides extraordinary diversity. The OECD reviewed 169 SME and entrepreneurship typologies and concluded that heterogeneity is itself a core challenge for SME policy. Size alone tells policymakers little about an owner's objectives, business model, age, sector, financial needs or capacity to grow. [4]

This matters because policy language has a habit of treating growth as a universal aspiration. It is not. A profitable one-person consultancy, trades business or shop can be economically successful without becoming a large employer. Equally, some firms have ambitions that conventional small-business support can underserve.

There is evidence of substantial growth ambition in parts of the SME population. A 2025 Make UK/Civitas survey found almost two-thirds of SME manufacturers aspired to become large businesses within five to ten years. That is valuable evidence of ambition, but it is manufacturing evidence and should not be generalised to every SME sector. [11]

Welsh policy should therefore maintain broad, accessible start-up and business support while distinguishing more clearly between different trajectories. Business Wales already recognises some of this diversity in practice. Its start-up offer spans self-employment, business formation and support for businesses taking their next steps, while the

Accelerated Growth Programme is explicitly designed for ambitious entrepreneurs and SMEs with the potential to scale at pace. [16] [17]

The opportunity is to make that differentiation a coherent principle across the system rather than a set of separate gateways.

FRONTIER PRINCIPLE

Enable ambition, do not prescribe it. A good owner-operated business is not a failed scale-up. A firm with the demand and capability to grow should not be held back because policy support was designed for the average business.

The first employee is an economic transition in its own right

For a solo entrepreneur, the first employee is qualitatively different from the tenth or hundredth. It doubles the workforce in one decision and creates a new set of obligations: payroll, employment administration, supervision, equipment, workplace processes and a recurring fixed cost. Coad, Nielsen and Timmermans describe it as arguably the single biggest growth event facing a solo entrepreneur. [5]

Their Danish matched employer–employee study found that entrepreneurs who hired had faster sales growth in the preceding year, and subsequently stronger sales outcomes, while profit outcomes became more dispersed. The authors themselves caution against treating the estimates as purely causal. The policy message is nevertheless important: sales growth tends to come before employment growth. A first hire is usually a response to opportunity and demand, not something that should be induced in every solo business. [5]

UK longitudinal work by Andrew Henley reaches a compatible conclusion from a different direction. Only a minority of microbusinesses create jobs for others, and owner characteristics and resources appear more important to the solo-to-employer transition than local place effects. US longitudinal research similarly finds that hiring rates among non-employer start-ups are low and concentrated among more growth-oriented businesses; a large entrepreneurship-training experiment found no evidence that training increased the likelihood of hiring a first employee. [6] [7]

Belgium shows why blunt first-hire incentives can misfire

Belgium offers a useful policy experiment. A 2016 reform permanently exempted new employers from social-security contributions for their first employee. A 2024 European Economic Review study found an immediate 31% increase in new first-time employers after the reform. [14]

That sounds like success until the outcome is followed further. A 2026 National Bank of Belgium study, using firm-level administrative data, found that subsidised post-reform start-ups were more likely to survive as employers, but employed fewer workers and generated lower output, value added and profits than comparable pre-reform start-ups.

The authors interpret this as a compositional effect: the subsidy induced lower-productivity firms to enter employership. [15]

The lesson is not that labour costs do not matter. They plainly affect the first-hire decision. It is that maximising the number of first hires is not the same as maximising successful employer formation. Wales should make a first hire easier for businesses that are commercially ready, rather than subsidise the act of hiring indiscriminately.

Ordinary growth deserves more attention than the policy vocabulary gives it

Policy tends to celebrate two moments: the birth of a start-up and the arrival of a scale-up. Most business development happens between them. A firm growing from three employees to six, from eight to fifteen, or from £400,000 turnover to £1 million may never meet a formal high-growth definition, yet can materially expand employment, management capability and local demand.

Wales also trails the UK high-growth rate. In 2024, 4.4% of Welsh firms with ten or more employees met the ONS high-growth definition, compared with 4.9% across the UK. Wales ranked eighth among the twelve UK nations and English regions. [3] [9]

High-growth firms matter disproportionately. OECD work indicates that roughly 10–15% of SMEs that scale up contribute around half of new jobs. It also cautions against equating scaling with high-tech start-ups: firms scale through innovation, investment, wider markets and network expansion across many sectors. [8]

This is consistent with McKinsey's granular SME productivity work. UK SMEs have a comparatively narrow productivity gap with large companies by international standards, but large differences persist by subsector; the implication is to work at a finer grain than "SMEs" as a single category. [10]

Welsh policy therefore needs two lenses at once: intensive support for businesses with credible growth potential, and better visibility of ordinary progression among the much larger population of established SMEs.

Support should follow the business journey, not the programme map

Wales does not begin from an institutional vacuum. Business Wales already provides fully funded start-up guidance, digital learning, one-to-one advice and routes into specialist growth support. The Accelerated Growth Programme provides a distinct offer for businesses capable of scaling quickly. [16] [17]

The question is therefore less "what new agency is required?" than "does the business experience the system as one journey?" A founder should not need to understand which contract, programme or institution owns the next stage of support. The system should recognise the transition and route the business accordingly.

Ireland shows the value of a visible local front door

Ireland's Local Enterprise Offices provide a useful peer comparator. Established within local authorities but operating inside a national micro-enterprise policy framework, the 31-office network is positioned as the first-stop shop for businesses locally. Its 2024–30 policy statement explicitly extends support across entrepreneurship, advice, enterprise supports and local economic development. [12]

The Irish Government reports that the network supported a net increase of more than 28,000 jobs in its first ten years. In 2024, LEOs financially supported 7,176 client firms employing 39,541 people; 81% of new jobs created by those supported firms were outside Dublin. These are programme outputs, not a causal evaluation, but they demonstrate that a nationally coherent, locally visible enterprise-support network can operate at meaningful scale. [12] [13]

The transferable lesson for Wales is not to copy Ireland's institutions. It is to make the front door obvious, keep the relationship through the business journey and judge support by progression rather than contacts.

Wales should measure progression, not merely activity

A system designed around enterprise progression should measure the transitions it is trying to enable. Published Welsh headline business-demography statistics do not currently provide a clean, routinely reported measure of businesses moving from non-employer to first-employer status. That is a material data gap if employer creation is an economic objective.

Exhibit 2 — A better enterprise progression dashboard

Stage	Useful measure	What it tells us
Start	**Business births; early-stage activity; opportunity perception**	**Whether viable enterprise formation is broadening**
Sustain	**1-, 3- and 5-year survival; repeat turnover**	**Whether starts become durable businesses**
Employ	**Non-employer → first employee transition**	**Whether commercially ready firms become employers**
Grow	**Movement between employment/turnover bands**	**Whether ordinary SMEs are progressing**
Scale	**High-growth rate; sustained new scale**	**Whether Wales is producing and retaining scalers**

The dashboard should distinguish outcome measures from programme activity. The number of businesses attending a webinar or receiving advice is useful operational information; it is not evidence that the enterprise base has become stronger.

What should change

1. **Make "enable ambition, do not prescribe it" the organising principle of enterprise support.**
   Welsh Government should explicitly recognise multiple forms of enterprise success. Broad start-up and owner-operated business support should remain available, while more intensive interventions are triggered by evidence of demand, opportunity and ambition rather than by an assumption that every SME should scale.
2. **Treat the first employee as a named transition within Business Wales.**
   A first-employee readiness offer should bring together cash-flow testing, full employment-cost modelling, payroll and HR readiness, recruitment, management capability and signposting to finance. It should help an owner answer "are we ready?" rather than encourage hiring for its own sake.
3. **Organise support around transitions rather than schemes.**
   Business Wales should function as a continuing front door from idea through early growth, with clear hand-offs into specialist services. Ireland's LEO network is worth examining for its combination of national coherence, local visibility and a first-stop-shop role; the institutional form need not be copied.
4. **Measure ordinary growth as well as start-ups and scale-ups.**
   Welsh Government should develop and publish progression measures, including the non-employer-to-employer transition, movement between size bands and sustained growth. This would show whether the system is strengthening the broad middle of the SME population rather than only celebrating exceptional firms.
5. **Preserve scarce intensive support for firms with evidence of opportunity.**
   High-growth support remains justified because scalers create disproportionate employment. But eligibility and intervention should reflect the different trajectories through which firms scale — investment, innovation, markets and networks — rather than concentrate narrowly on fashionable sectors or founders.

Who can act?

Welsh Government can act directly	UK Government / Westminster action
Business support design, advice, economic-development grants and finance within existing powers, skills provision, data and evaluation.	**Employer National Insurance, most employment law, company/business-association law and most tax incentives.**
A Welsh first-employee readiness service does not require new primary legislation.	**Any proposal to change payroll taxes or employment rights to alter the first-hire decision requires UK action.**
Senedd scrutiny can ask whether existing business support is producing progression outcomes.	**Welsh Government can make an evidence-based case to UK Government where reserved rules create a demonstrated barrier.**

Wales operates under a reserved-powers model. The Government of Wales Act 2006, Schedule 7A, as amended by the Wales Act 2017, reserves employment and a number of financial, economic and trade-and-industry matters to the UK Parliament. Recommendations touching those areas require UK-level action or careful competence analysis. [18] [19]

Creating the firm is only the first problem

A stronger enterprise base matters because it creates more opportunities for employment, innovation and future growth. But an isolated small business still faces disadvantages of scale: it cannot economically own every capability, reach every market or solve every problem internally.

The companion CONNECT Report examines a related structural question: how independent SMEs can gain the knowledge, capability and market reach that larger firms can often command inside a single organisation.

References and archive links

All links below are included so that the underlying sources can be downloaded or saved. Where a source reports programme outputs rather than causal evaluation, the report says so.

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15. Deng, H.; Desiere, S.; Cockx, B.; Bijnens, G. (2026). Subsidy for the first hires and firm performance. National Bank of Belgium Working Paper 488. Source / download — Later evaluation of the Belgian reform: employer survival rose, but output, value added, profits and employment were lower among post-reform start-ups.

16. Business Wales (current service). Entrepreneurship and Start up. Source / download — Current Welsh start-up and self-employment support offer.

17. Business Wales (current service). Accelerated Growth Programme. Source / download — Current Welsh high-growth support offer.

18. Government of Wales Act 2006, Schedule 7A, as amended. Source / download — Primary constitutional source for matters reserved to the UK Parliament.

19. Welsh Parliament. Reserved Powers Model for Wales. Updated 16 December 2024. Source / download — Supporting explanation of the reserved-powers settlement and Schedule 7A.

Use of artificial intelligence

Artificial intelligence tools were used in the preparation of this publication as research and editorial aids. They assisted with:

- identifying, cross-checking and corroborating sources and factual claims;
- testing internal consistency, including terminology, evidence strength and, where relevant, constitutional competence;
- improving the structure, clarity and readability of the text; and
- identifying claims or areas requiring further verification.

The selection and interpretation of evidence, analysis, arguments, conclusions and recommendations are those of the author. Sources cited in the publication were checked against the underlying material before inclusion.