

# Economic indicators at a glance – December 2011

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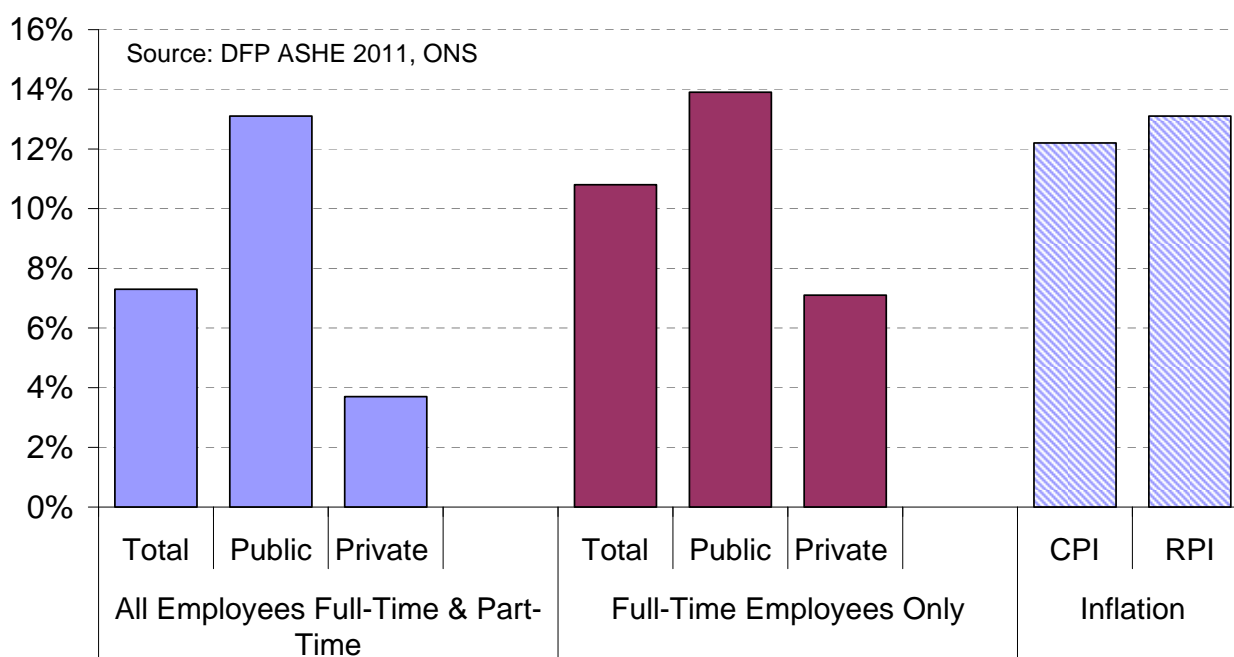
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**Appears in Belfast Telegraph Business Month published 5th December 2011**

## Chart of the Month – Earnings growth being eroded / wiped out by inflation

The impact of the recession on the local labour market has been most evident in terms of the tens of thousands of job losses and rising unemployment. Last month's release of the Annual Survey of Hours & Earnings survey provides further evidence of the impact on the earnings of employees. Since the downturn began pay cuts and wage freezes have been commonplace within the private sector. More recently the public sector has experienced a freeze in the annual inflation element of their overall pay award. This has reduced the size of pay rises (*linked to annual increments*) within the public sector. Median gross weekly earnings for all employees (*i.e. full and part-time*) in the public sector increased by 3.7% over the year to April 2011. This compared with an increase of 0.4% for the private sector. RPI & CPI inflation averaged 5.0% and 3.5% over the same year. Meanwhile the median gross weekly earnings for full-time employees in the public sector rose by 3.9% y/y in April 2011. The equivalent rise in the private sector was 3.5%. Looking over the last four years it is clear that overall Northern Ireland median wages, and those in the private sector, have failed to keep up with inflation. RPI & CPI inflation (*annual averages*) increased cumulatively by 13.1% and 12.2% respectively. The median public sector wage has increased by 13.1% over this period for all employees and 13.9% for full-time employees only. By comparison, the median private sector wage has increased by 3.7% over the four year period whereas full-time employees have fared slightly better at 7.1%. These figures indicate that the public sector has managed to keep wages in line with inflation, however, this trend is unlikely to continue in 2011/12 given higher rates of inflation and partial pay freezes.

## Increase in Northern Ireland Median Wages 2007-2011 Cumulative

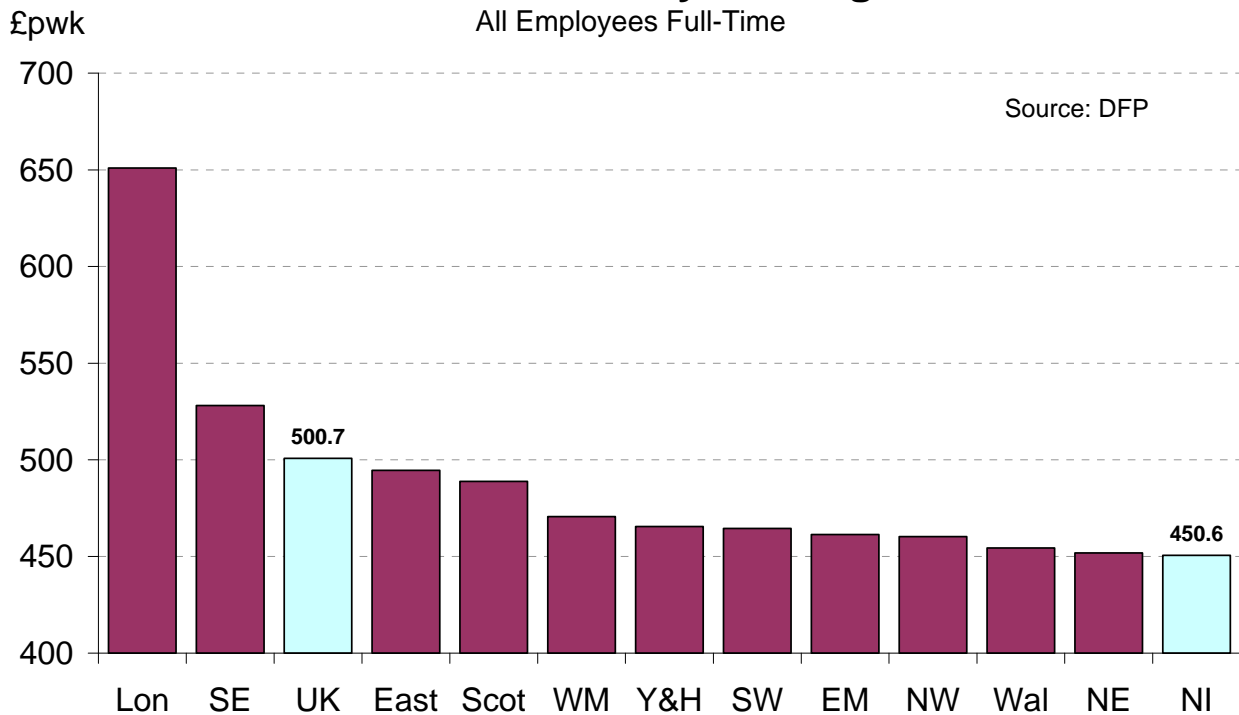


### **Northern Ireland has the lowest wages within the UK**

Last month's Annual Survey of Hours & Earnings (ASHE) for April 2011 revealed that Northern Ireland has the lowest median gross weekly earnings (£450.6) of all the UK regions. These figures relate to full-time employees and exclude overtime and bonuses. NI's median earnings are slightly lower than those in the North East & Wales and 10% below the equivalent figure for the UK. Meanwhile, the median gross annual earnings for full-time employees was £23,185 in 2011, almost 12% below the equivalent figure for the UK. 1 in 5 full-time employees earned more than £36,411 during the last financial year whilst the same proportion earned less than £15,674. 10% of full-time employees earned more than £44,601 per year, while 10% earned less than £13,053. The top 5% and 1% of full-time employees earned more than £55,000 and £86,000 respectively.

## **Median Gross Weekly Earnings 2011**

All Employees Full-Time

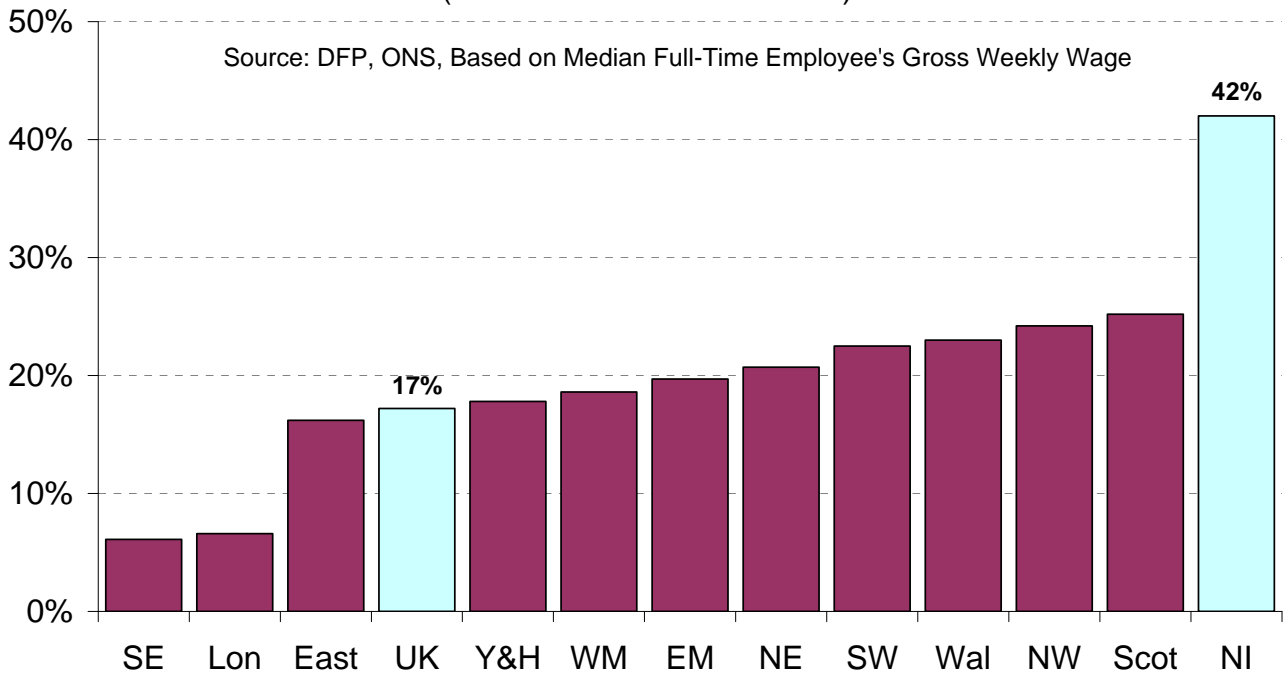


### **Public-Private wage differential more marked in NI than elsewhere**

Northern Ireland's headline earnings figures conceal significant divergence between the public and private sectors. At April 2011, the median gross weekly wage of a full-time employee within the public sector stood at £557.9. This was broadly in line with the equivalent UK figure (£555.9) but was almost £164 per week more than the private sector median. This 41.5% public-private wage differential is the widest margin of any of the UK regions (UK=17%). The headline differential, however, does not compare like-for-like jobs, skills and qualifications. Furthermore, Northern Ireland's industrial mix has a higher proportion of lower wage industries such as agriculture and construction relative to other regions. As a result, annual full-time median public sector wage (£28,720) is on a par with the UK, but the median private sector wage £20,275 is the lowest of all the UK regions and almost 18% below the UK equivalent.

# Public Sector Wage Premium 2011

(i.e. % above Private Sector)



*Richard Ramsey,*  
5th December 2011

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