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INNOVATION | JERSEY ECONOMY | PRODUCTIVITY | POLICY

Innovation and Jersey's economy: why it matters and what needs to change

An analysis of Jersey's innovation economy, the structural barriers holding it back, and the policy changes needed to build talent, back productive investment, and create the right regulatory frameworks.

James Linder | 19 March 2026

Jersey faces the same structural pressures as every other advanced economy: an ageing population, a growing public sector, and slowing productivity. These aren't passing headwinds. They'll shape the island's economy for decades, and the policy response needs to match that timescale.

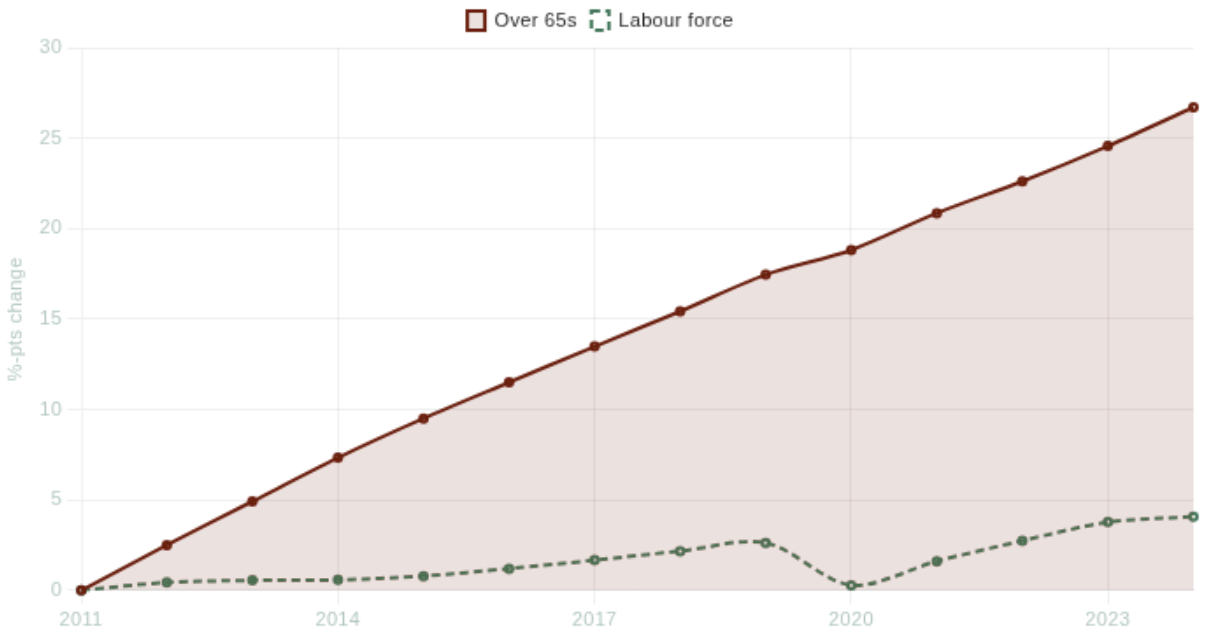
The global picture

FIGURE 1

THREE 'P' MEGATRENDS SHAPING ADVANCED ECONOMIES

Population: ageing

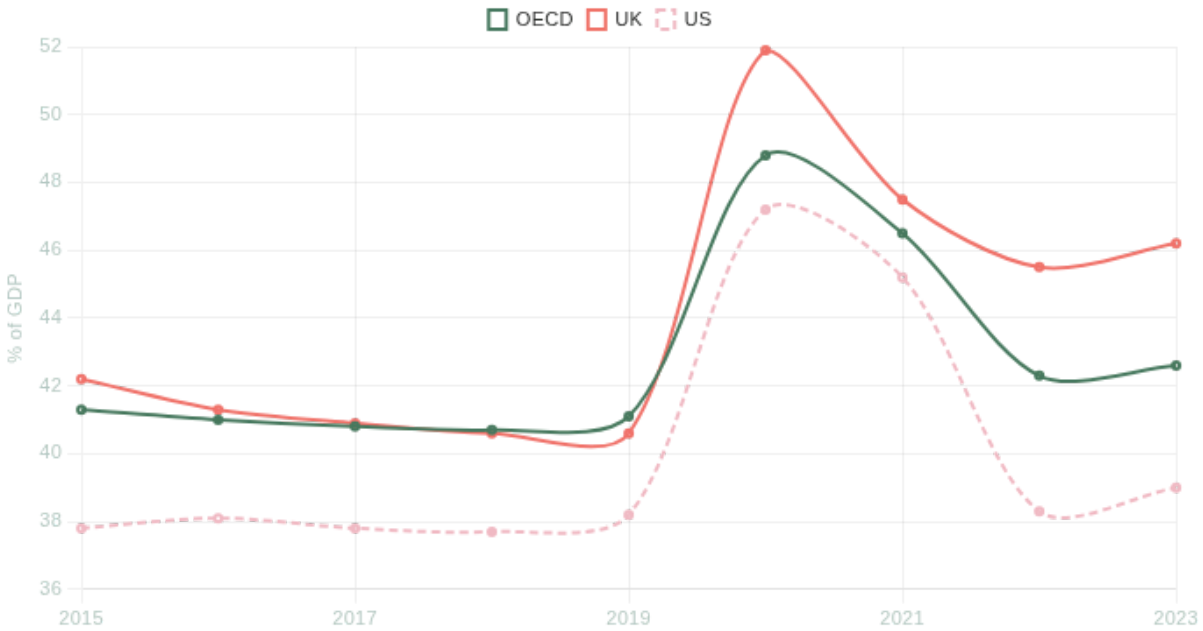
OECD change in labour force and over 65s (%-pts of pop)



Population is ageing. Across the OECD, the share of over-65s is climbing while the labour force grows more slowly. That puts pressure on public finances and constrains economic output.

Public sector: growing

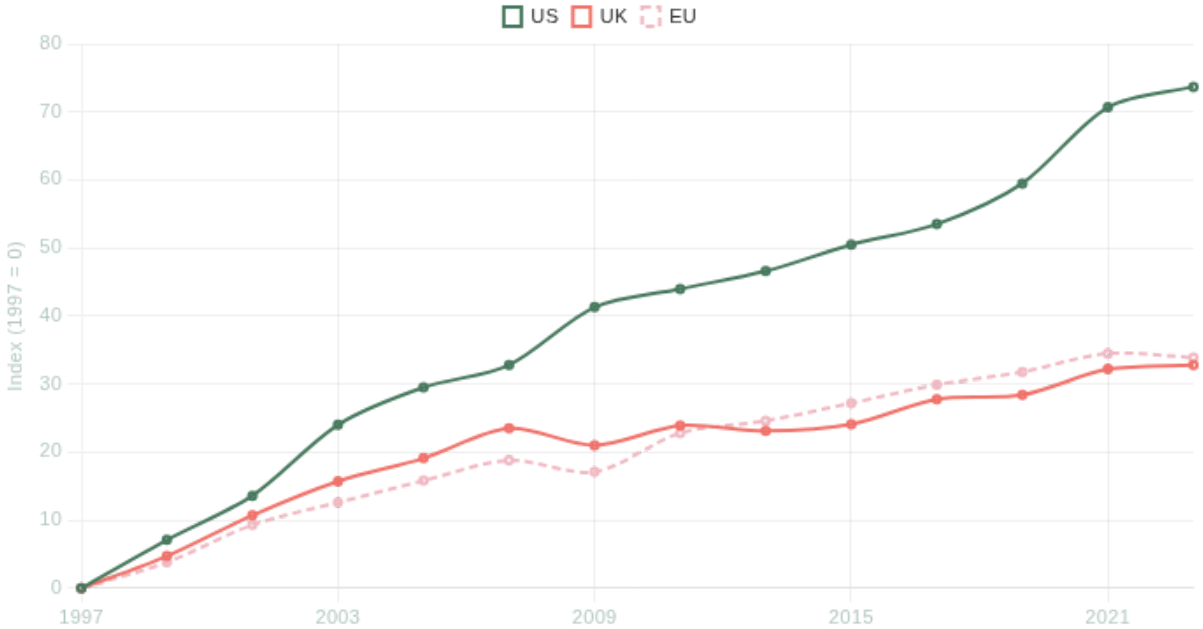
Public spending as a share of GDP for UK, OECD, and US



The public sector is growing. Public spending as a share of GDP has risen across the UK, OECD, and US. The UK now spends over 45% of GDP through the public sector, up from around 38% in 2016.

Productivity: slowing

Output per hour worked index for UK, US and EU (1997 = 0)



Productivity is slowing. Output per hour worked, indexed to 1997, shows the US at roughly 75% cumulative growth. The UK has managed only around 30%. The EU sits in between.

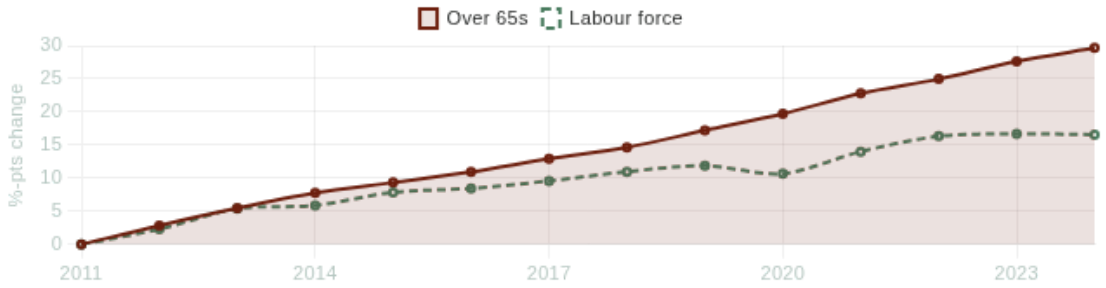
How these trends are playing out in Jersey

FIGURE 2

HOW THESE 'P'S ARE PLAYING OUT IN JERSEY'S ECONOMY

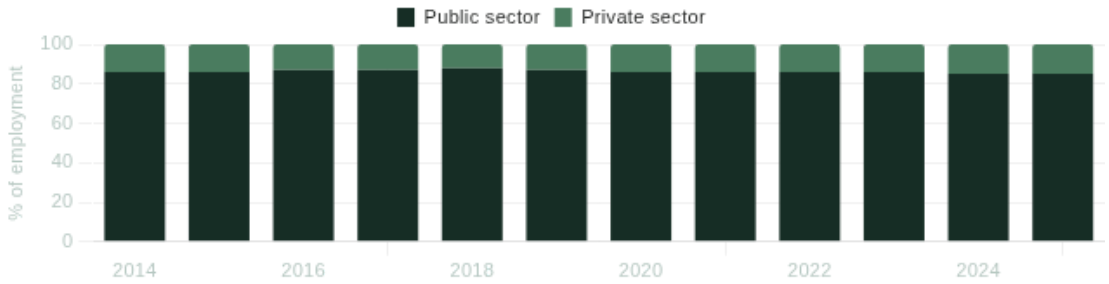
Population: ageing

Change in labour force and over 65s (%-pts of pop)



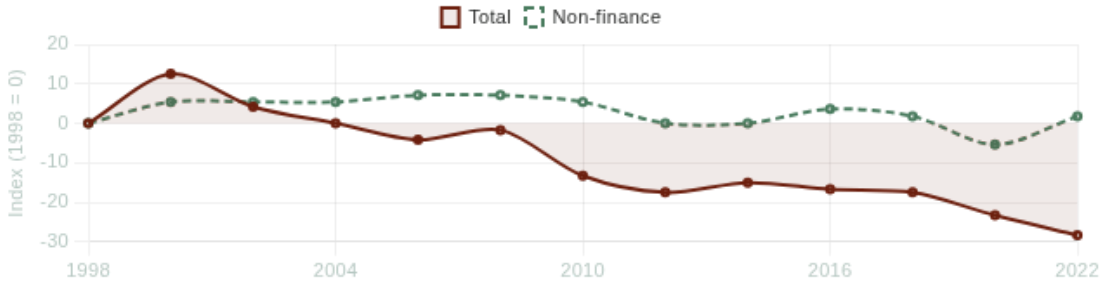
Public sector: evolving

Public sector jobs against private sector jobs as a share of employment



Productivity: stagnating

Labour productivity total against non-finance labour productivity



Statistics Jersey data tells a more concentrated version of the same story.

Population. Jersey's demographic trajectory mirrors the OECD pattern, with an ageing population putting increasing pressure on a constrained workforce.

Public sector. Between 2014 and 2025, public sector jobs as a share of total employment have grown, while private sector employment has been relatively flat as a proportion.

Productivity. This is where Jersey's picture gets most concerning. Total labour productivity has been volatile, and when you strip out finance, non-finance labour productivity has been in decline since the early 2000s, dropping by roughly 30% from its peak.

Why innovation matters

Innovation helps the economy create more value, which strengthens incomes, public finances, and long-term resilience.

It increases productivity by helping Jersey do more with the same workforce. That offsets ageing demographics, supports living standards, and protects the island's tax base.

It improves competition by helping firms adapt and compete internationally. More export potential, more value imported to the island, and more

economic diversification.

It creates better jobs. Innovation-driven industries produce internationally competitive, well-paid roles. Higher wages, better career options, and a more attractive place to live and work.

What creates innovation?

Innovation needs five things working together:

A talented workforce with high-value career pathways, technical and specialist skills, strong talent pipelines, and a culture of lifelong learning.

Innovative industries with entrepreneurship and firm creation, scalable high-value sectors, fast technology adoption, and innovation that spreads across the wider economy.

A connected ecosystem with strong networks, space to start and scale, cross-sector collaboration, and clusters with convening power.

A dynamic environment with clear policy direction, trusted regulation, strong institutions, and a business environment that's easy to navigate.

Risk capital, including public investment that de-risks growth, access to capital from idea to scale, and funding that backs innovation rather than just assets.

The structural barriers

Innovation gets held back by a small number of recurring market failures. The five main barriers map to the five foundations above:

1. Employers limit skills investment because people can leave before the investment pays off

2. New sectors struggle to take root because they do not emerge without an ecosystem
3. Disconnected ecosystems limit collaboration because people do not understand market needs
4. Unclear rules slow innovation as rigid policies fail to support a dynamic environment
5. Investors avoid early-stage ventures because new ideas have uncertain returns

Overcoming the barriers

Each barrier has practical policy responses:

- **Talented workforce:** co-funded training programmes, longer-term talent pipeline building
- **Innovative industries:** targeted support for emerging sectors, early-stage ecosystem seeding
- **Connected ecosystem:** co-working and convening spaces, sector networks and cluster-building activity
- **Dynamic environment:** clear regulatory frameworks, stronger institutional clarity
- **Risk capital:** grant programmes, public-backed investment mechanisms

How other jurisdictions do it

Looking at how the UK and Malta organise their innovation ecosystems is instructive.

For workforce talent, the UK runs national skills programmes through DSIT, while Malta uses MDIA. Jersey has the DJ Academy and Digital Jersey handling talent attraction.

For innovative industries, the UK has UKRI and Malta has a dedicated Research Ministry. Jersey's equivalent is Impact Jersey.

For risk capital, the UK uses Innovate UK and Malta has Malta Enterprise. Jersey again relies on Impact Jersey for innovation funding.

For connected ecosystems, the UK has Digital Catapult and techUK/Tech Nation. Malta uses MDIA/DiHubMT and Tech.mt. Jersey has Digital Jersey running hubs, testbeds, and acting as an industry voice.

For the dynamic environment, the UK splits responsibilities across the Economy department, ICO, and Ofcom/CMA. Jersey uses JOIC for data protection, JCRA for competition and telecoms, and Digital Jersey for digital inclusion.

How is Jersey's innovation economy doing?

The question for each foundation is whether it's actually working:

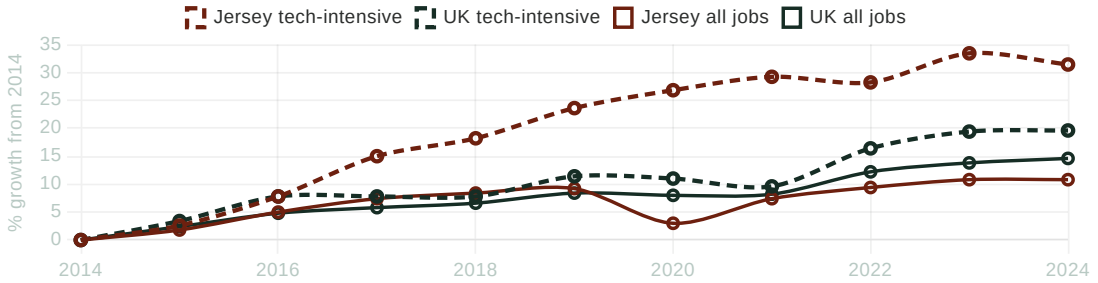
- Is Jersey building and attracting the skills needed for future growth?
- Is Jersey creating the conditions for firms to innovate, adopt, and scale?
- Is Jersey connecting the right people and organisations to turn ideas into growth?
- Is Jersey easy to build, operate, and innovate in?
- Is enough capital reaching innovative firms at the right stages of growth?

Tech-intensive industries have grown

FIGURE 3

TECH-INTENSIVE INDUSTRIES HAVE GROWN SIGNIFICANTLY

Tech-intensive jobs growth (dotted) against all jobs growth (solid), Jersey and the UK, % growth from 2014. Sources: Statistics Jersey, ONS.



Tech-intensive industry (excluding legal and accounting) has grown by 31%, adding around 950 jobs to reach approximately 4,000, or 7.3% of the workforce. These jobs pay roughly 35% above the economy-wide average.

Both Jersey and the UK show tech-intensive jobs growing faster than overall employment, but Jersey's growth rate has been steeper: over 30% since 2014 compared to around 20% in the UK.

Skills and talent gaps

Jersey's education sector is roughly 65% the size of the UK's relative to the economy, largely because the island has no significant university sector. That's a real structural challenge for building the talent pipeline.

Innovation underinvestment

Jersey spends about 1.1% of GDP on economic development. The UK spends 3.9%. Luxembourg 6.3%, Malta 7.3%, Switzerland 3.9%.

On R&D and innovation support specifically, Jersey is at about 0.01% of GDP versus 0.5% in the UK. A fifty-fold gap.

As Jersey's Fiscal Policy Panel noted in September 2024:

> *"The growth is in day-to-day spend rather than investment into the economy's productive capacity."*

Connected ecosystem growth

The island had 2 coworking spaces in 2015. It now has 12. Co-working capacity has increased from approximately 65 desks to around 400 over the same period, across spaces including DJX, DJ Hub(s), Eagle Lab, Kingsman, Regus, Santander Work Cafe, NatWest Work, Reel Space, and House of Champions.

A middling business environment

Compared with the UK and Malta, Jersey's business environment shows a mixed picture. Across strategy, delivery, regulation, and talent infrastructure, Jersey generally lags behind both the UK (which benefits from scale and institutional depth) and Malta (which has pursued a more aggressive innovation strategy). Jersey's weakest area is knowledge and talent infrastructure, which reflects the R&D and education gaps described above.

What needs to change

Build and retain talent

Government should invest in deeper skills pathways, stronger talent attraction, and institutional capacity that supports workforce development over time.

Back productive investment

Government should increase investment in productive capacity through targeted grants, co-investment programmes, and support that crowds capital

into productive activity rather than assets.

Create the right regulatory frameworks

Government should enable future high-value sectors like data trusts, sustainable finance, and biosciences through forward-looking regulation that gives innovators confidence to build in Jersey.

Where this leaves us

In a slower, more competitive world, Jersey can't coast on past strengths. Innovation is how the island raises productivity and sustains living standards. That depends on getting the foundations right: talent, industries, ecosystems, regulation, and capital. There has been real progress, but the island isn't where it needs to be yet.

If you would like to discuss how these trends affect your organisation or sector, get in touch.

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