


# Index of Average Earnings

## June 2018

Statistics Jersey: [www.gov.je/statistics](http://www.gov.je/statistics)

 @JsyStats

### Summary

In June 2018:

- average weekly earnings<sup>1</sup> in Jersey were 3.5% higher than in June 2017
- the latest annual increase was 0.9 percentage points greater than that of the previous twelve-month period (2.6% to June 2017) and the highest seen since June 2008
- private sector earnings increased by 3.6% and public sector earnings increased by 3.1% over the twelve months to June 2018
- adjusting for inflation, all-sector average earnings decreased in real terms for the first time in six years
- all-sector average earnings were 0.9% lower in real terms than in June 2017:
  - average earnings in the private sector were 0.8% lower
  - average earnings in the public sector were 1.3% lower
- over the last 10 years, earnings have been essentially flat in real terms, increasing by 0.4% since 2008
- median average weekly earnings of full-time equivalent<sup>2</sup> (FTE) employees was £590 per week
- mean average weekly earnings of full-time equivalent employees was £740 per week

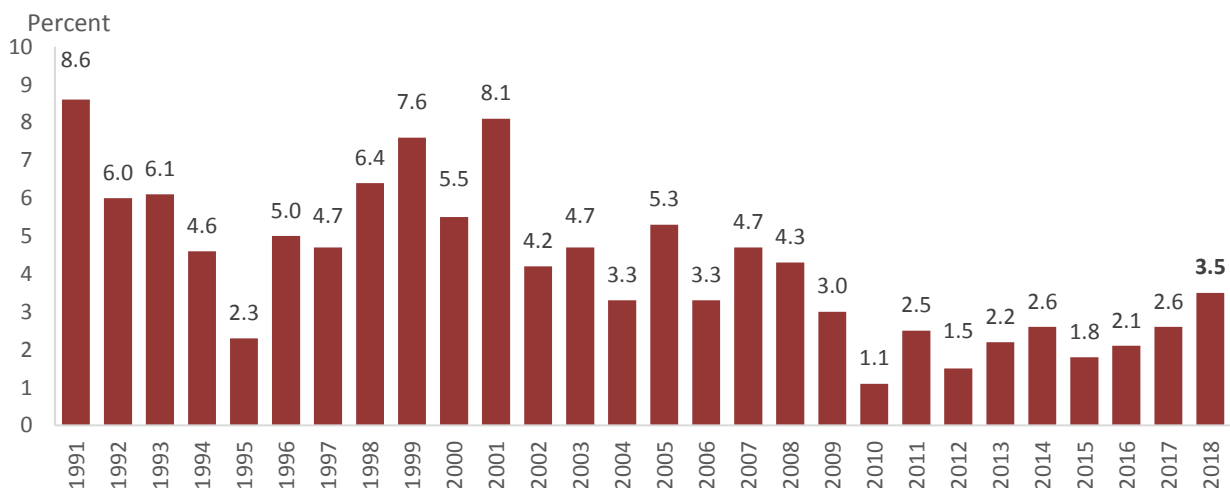
### Index of Average Earnings

Figure 1 shows annual percentage changes in the Index of Average Earnings since 1991 in June of each year. In June 2018 average earnings were 3.5% higher than in June 2017.

The latest increase is 0.9 percentage points greater than that recorded for the previous twelve-month period (2.6% to June 2017), and the largest increase seen since 2008, when earnings rose by 4.3%.

The latest increase is greater than the preceding five-year average of 2.3% per year, but below the long-term annual average of 4.2% per year since 1990.

Figure 1 – Annual percentage change in the Index of Average Earnings, 1991-2018



<sup>1</sup> The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2018 index measures changes in average earnings received between June 2017 and June 2018.

<sup>2</sup> Average earnings are calculated on the basis of a full-time equivalent (FTE) worker. Workers include full-time and part-time employees and also self-employed people. Part-time employees are weighted in the calculation of FTEs according to hours worked.

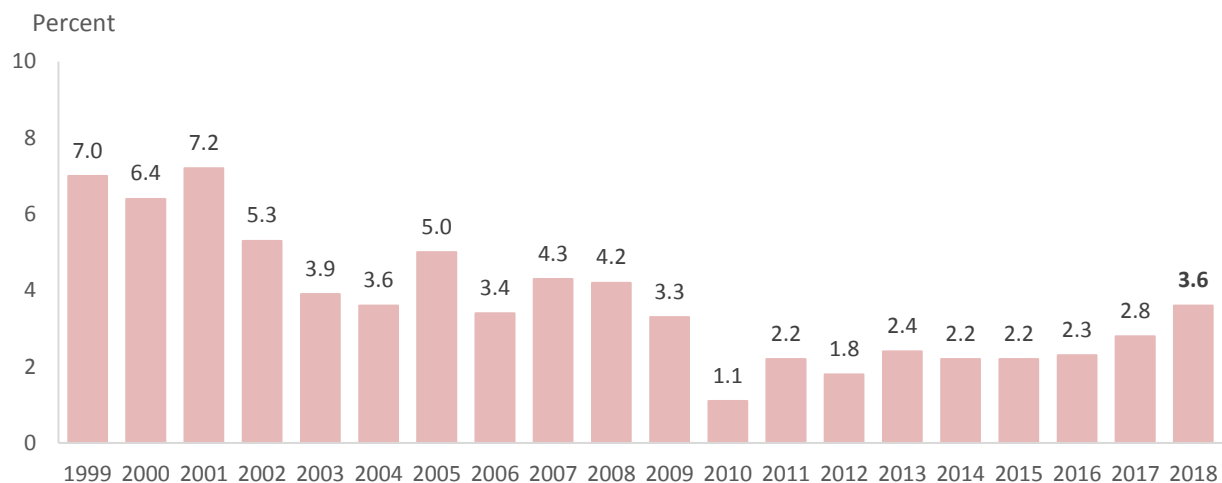
## Private sector

Over the twelve months to June 2018 average earnings in the private sector rose by 3.6%.

This latest annual increase is greater than the preceding five-year average of 2.4% per annum (from June 2012 - June 2017) and is the largest annual increase seen since June 2008.

Between 1999 and 2008, earnings in the private sector had increased by 4.8% per year on average (Figure 2).

Figure 2 - Private sector annual percentage change in average earnings from 1999 to 2018



## Public sector

Public sector average earnings increased by 3.1% over the twelve months to June 2018. This annual increase was predominantly due to the implementation of retrospective pay awards (relating to 2017) for the majority of pay groups (of between 1% and 3%)<sup>3</sup>.

Comparison of the rate of growth of earnings in the public and private sectors is complicated by lags in the implementation of pay awards for some public sector pay groups. It is therefore informative to compare the rates of increase in earnings in the public and private sectors over a longer time period to smooth out the effects of such factors.

Since 1999<sup>4</sup> public sector earnings have increased by 79% compared with an increase of 93% for the private sector. These overall increases correspond to average annual increases since 1999 of 3.1% per year for the public sector and 3.5% per year for the private sector.

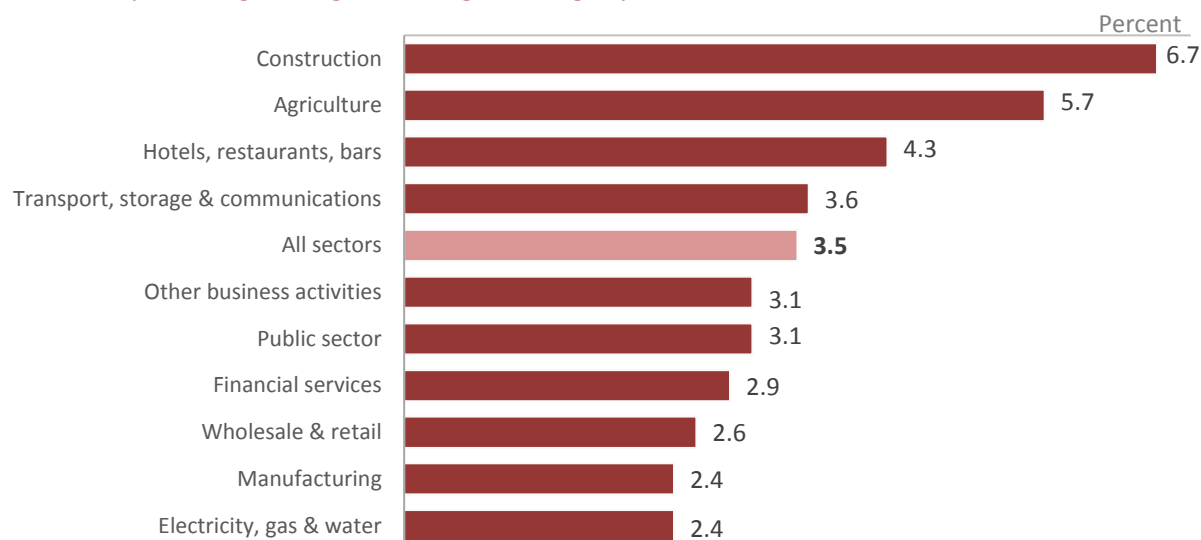
<sup>3</sup> There were also pay awards for 2018 for a small number of pay groups. Average earnings also increased for four pay groups that accepted the Workforce Modernisation offer. Increased overtime and incremental pay scale awards were additional factors for some staff.

<sup>4</sup> 1999 is the earliest year that public and private sector comparisons can be made on a consistent basis.

## Individual business sectors

Figure 3 shows the annual change in average earnings for individual business sectors. The majority of sectors saw average earnings increase by around two to four percent over the year to June 2018.

Figure 3 - Annual percentage change in average earnings by sector, June 2018



Transport, storage and communications includes Ports of Jersey, Jersey Post and JT Global.

Other business activities includes businesses servicing other businesses /households, private sector education, health and other services.

Notable movements for the individual sectors include:

- Average earnings in the construction sector increased by 6.7%. This is the largest annual increase seen for more than 10 years (6.7% in June 2007), and is greater than the previous 5-year average (3.0% per year) for this sector.
- Average earnings increased by 5.7% in agriculture and by 4.3% in the hotels, restaurants and bars sector. These increases were predominantly driven by the rise in the minimum wage, implemented in April 2018.
- Average earnings (excluding bonuses) in the finance sector rose by 2.9%. The latest increase was at the same level as that of the previous year (2.9% in June 2018) and slightly greater than the preceding five-year average of 2.7% per annum for this sector.

## Average earnings in real terms

It is informative to consider the change in average earnings in ‘real terms’, by adjusting for retail price inflation<sup>5</sup>.

Figure 4 shows the Index of Average Earnings since 1990 in nominal (not adjusted for inflation) and real terms (adjusted by the Jersey Retail Prices Index, RPI).

In nominal terms, since 1990 average earnings in Jersey have more than tripled, increasing by 214%. However, after adjusting for inflation, average earnings have increased by more than a sixth (18%) over this period.

Figure 4 – Index of Average Earnings in nominal and real terms (June 1990=100)

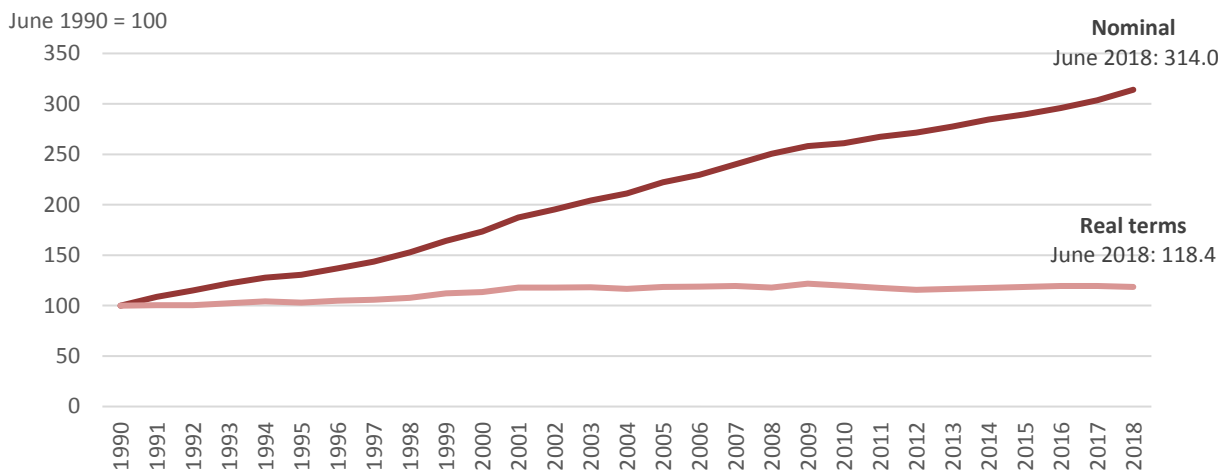
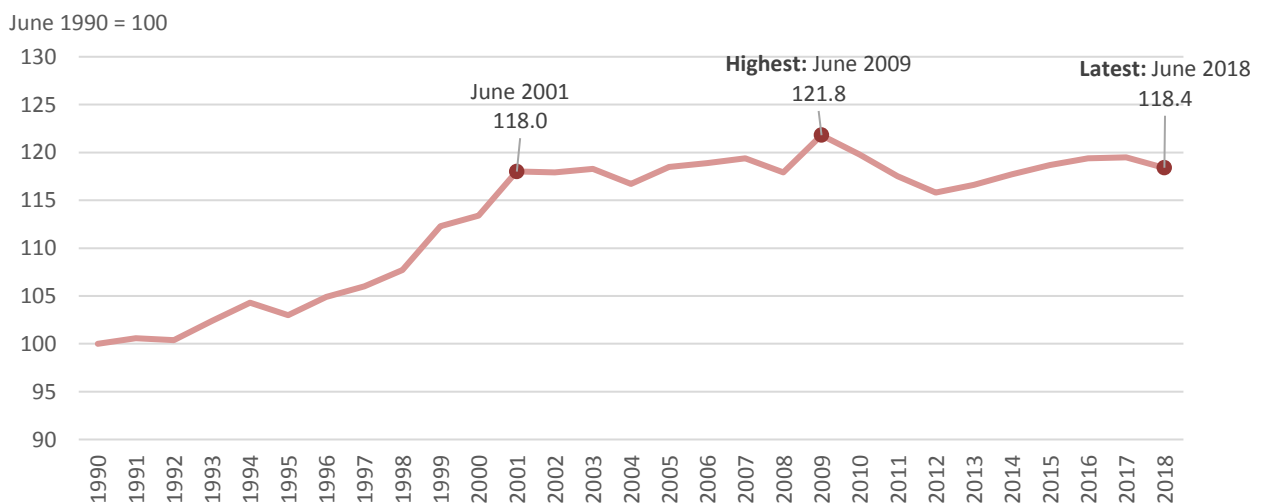


Figure 5 shows the Index of Average Earnings in real terms since 1990. It is apparent there have been two periods of real-term change in average earnings in Jersey:

- 1990-2001 saw real-term growth in earnings of more than a sixth (18%) over the period
- 2001-2018 saw earnings remain relatively flat in real terms, increasing by 0.3% over the 17-year period

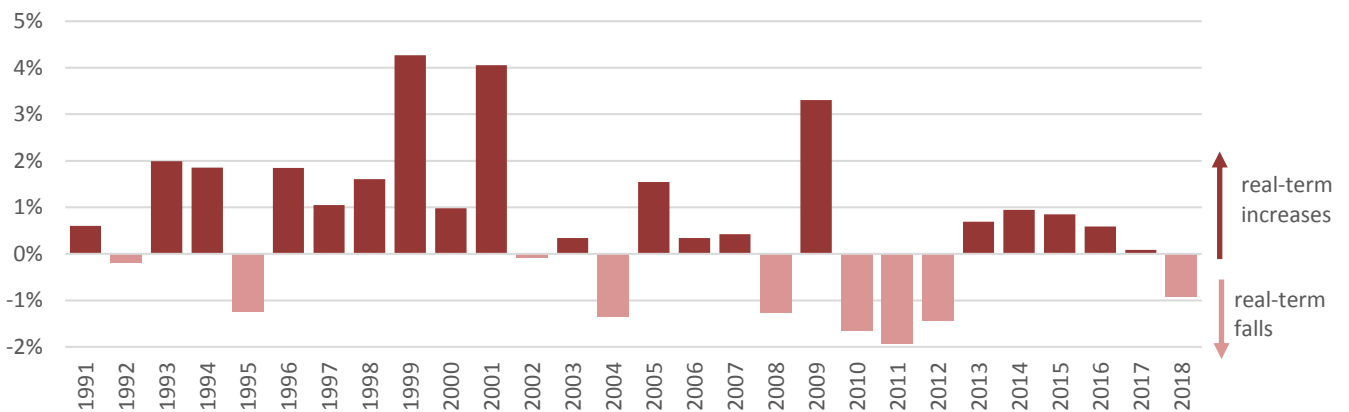
Figure 5 – Index of Average Earnings in real terms from 1990 to 2018 (June 1990=100)



<sup>5</sup> The increases in retail prices used in this analysis are based on the indices in June of each year.

Figure 6 illustrates the real-term annual percentage changes in average earnings for each year from 1991 to 2018.

Figure 6 – Real-term annual percentage change in the Index of Average Earnings, 1991 to 2018



During the twelve months to June 2018 the Jersey RPI increased by 4.5%. Average earnings increased by 3.5% over the same period, meaning that earnings decreased by around 1% in real terms<sup>6</sup>.

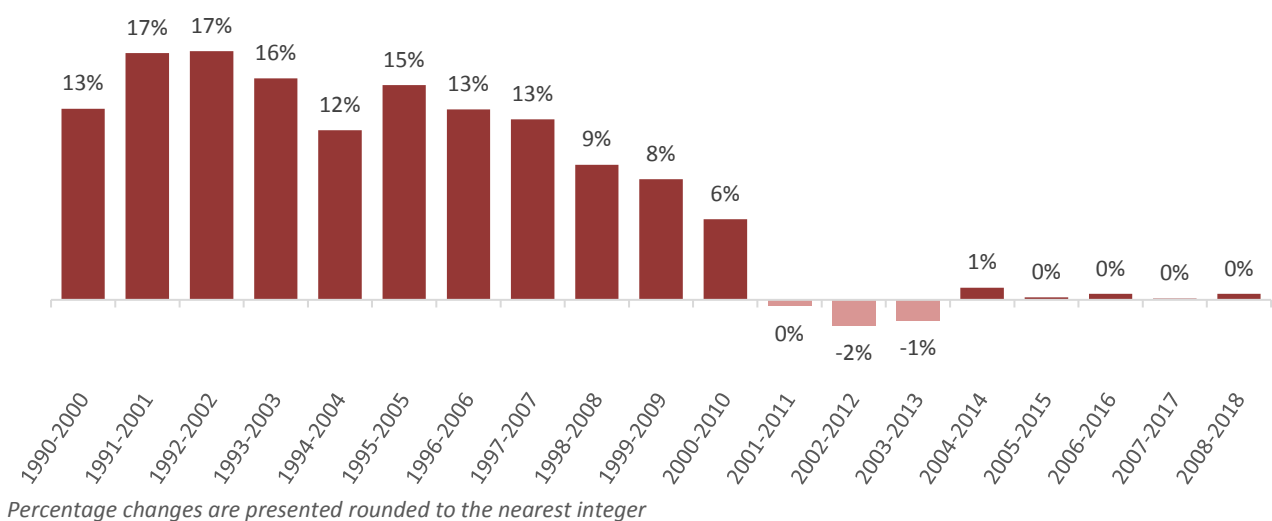
The latest twelve-month period to June 2018 is the first occasion in six years (since June 2012) that average earnings have decreased in real terms. There have been real-term annual decreases in earnings in nine out of the last 28 years.

It is also informative to look at real-term earnings over a longer time period than simply the annual change.

Figure 7 shows 10-year total changes in real-term earnings since the decade ending 2000, and the two distinct periods of earnings growth are apparent. Prior to the decade ending 2011, the average 10-year real-term increase in average earnings was around 13%. Since 2011, there has been essentially no improvement in real-term earnings in each of the subsequent 10-year periods.

In the most recent 10-year period (2008-2018) average earnings were essentially flat (an increase of 0.4% in real terms).

Figure 7 - Rolling 10-year total change in average earnings, in real terms

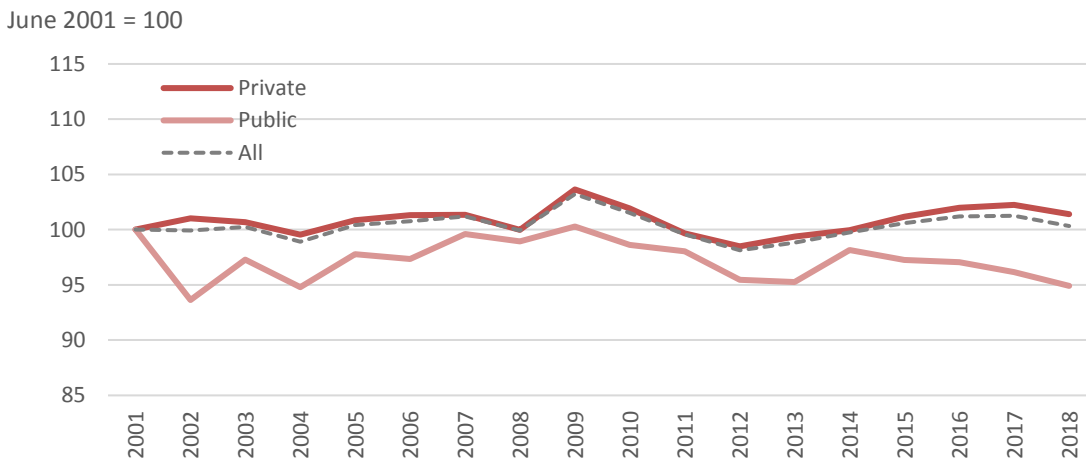


<sup>6</sup> Using the published indices for the Jersey Index of Average Earnings and the All Items RPI gives a real term decrease of 0.9% (rounded to one decimal place)

## Public and private sectors in real terms

Figure 8 shows the real-term change in earnings for the public and private sectors separately since 2001.

Figure 8 – Index of Average Earnings in real terms for the public and private sectors from 2001 to 2018 (June 2001 = 100)



Although all-sector earnings have been essentially flat in real terms since 2001, private sector earnings have increased in real terms (by 1.4%) whereas public sector earnings have fallen (by 5.1%) over the 17-year period.

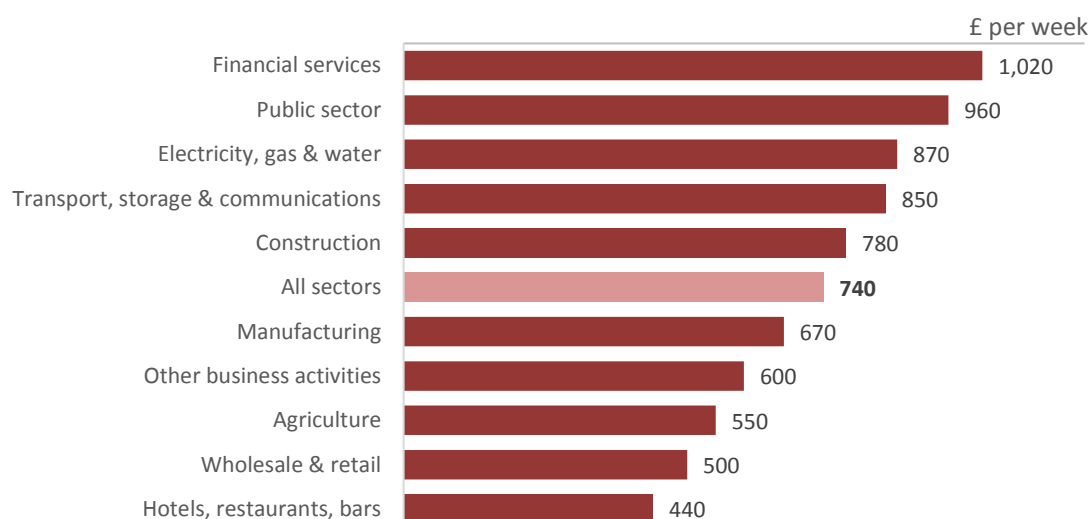
During the latest twelve-month period, earnings decreased in real terms for both the private and public sectors (decreases of 0.8% and 1.3% respectively).

## Level of earnings

The methodology used to compile the Index of Average Earnings is specifically designed to measure the change in earnings. However, the data collected also provides information on the level of earnings in June: mean average weekly earnings *per full-time equivalent (FTE) employee*.

On an FTE basis, part-time staff are converted into full-time equivalents based on the number of hours worked. Part-time workers will, therefore, actually earn a fraction of the weekly averages presented, depending on the proportion of a full-time week worked.

Figure 9 - Average weekly earnings in June 2018, by sector (£ per week per FTE)



Based on data recorded for the 2017 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by almost £130 per week per FTE employee.

Figure 9 shows that mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2018 was £740 per week<sup>7</sup>.

At a sectoral level, average earnings (per FTE) ranged from £440 per week in hotels, restaurants and bars to £1,020 per week in financial services.

It should be noted when interpreting these results that as a consequence of the earnings distribution being asymmetric (i.e. skewed towards higher values) the mean provides a greater measure of “average” earnings than the median. Analysis of the distribution of incomes from the Jersey Income Distribution Survey (IDS) indicates that around two-thirds of workers earn less than the mean earnings.

The level of average earnings derived from this survey should therefore be considered as an informative measure, particularly for comparisons between sectors.

## Median earnings

A median average cannot be calculated from the company-level data collected for the Index of Average Earnings, since this requires earnings at an individual employee level.

The Jersey Income Distribution Survey carried out in 2014 / 15 collected information on individual employment earnings, enabling an estimate of median employment earnings to be estimated. The results derived from the IDS data have been up-rated from the survey period using the Index of Average Earnings to

<sup>7</sup> The figures for the levels of weekly earnings shown in Figure 8 should be considered as estimates with a 95% confidence interval of approximately  $\pm£20$ . See appendix for notes on uncertainty levels for individual sectors.

provide an estimate of median earnings in June 2018 of £590 per week per FTE employee (see the appendix for methodology).

### **Comparison with the UK**

The earnings measures for the two jurisdictions are not strictly comparable due to differing methodologies<sup>8</sup>; however it can be inferred that average earnings in the UK increased by lower rates than in Jersey over the year to June 2018:

- overall, average weekly earnings in the UK rose by 2.8% compared with 3.5% in Jersey
- private sector average earnings in the UK increased by 2.9% compared with 3.6% in Jersey
- public sector earnings in the UK increased by 2.5% compared with 3.1% in Jersey

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<sup>8</sup> The Average Earnings Index (AEI) in the UK has been replaced as the headline measure of average earnings by the Average Weekly Earnings (AWE) statistic. The AWE measure uses headcount rather than FTE; furthermore, unlike the AEI, the AWE does not require application of the matched pair approach for respondent companies (see appendix for notes).



## Appendix - notes

### Methodology

The Index of Average Earnings in Jersey is determined from earnings data collected from a large representative sample of firms in the private sector and from all States of Jersey Departments.

The Index of Average Earnings is compiled annually, using a “matched pair” approach. The main purpose of the Index is to provide a measure of the change in earnings.

Sampled firms are asked to report earnings paid in the last week of June (whether paid weekly or monthly): the total gross wages and salaries paid to employees before any deductions are made for employees’ social security contributions, employees’ contributions to pension funds, etc. The reported figures are to include any Jersey weighting allowances, non-contractual gifts and commission. Redundancy pay, directors’ fees and employers’ contributions to insular insurance and pension schemes are not included; bonus payments, holiday pay and back pay are also excluded.

Companies are also asked to provide the number of staff covered by the earnings payments reported. Part-time staff are converted into Full-Time Equivalents (FTEs) according to numbers of hours worked. In this way the overall measured change is less susceptible to changes in the proportions of full-time and part-time employees in the work-force.

From the information collected, the average weekly earnings is calculated for each respondent company, salaries paid monthly or four-weekly having been converted into weekly figures. The average weekly earnings for each company is then compared with that of the previous year in order to calculate an annual percentage change. Only companies with a “matched pair” of earnings for the current and previous years are included in the final calculation of the index.

Mean average earnings are aggregated for each sector, in order to calculate a measure of average weekly earnings by sector. These sectoral averages are then weighted together according to the sectoral share of total employment to give the overall average weekly earnings and hence percentage change between one year and the next.

This survey is designed to measure changes in average earnings by matching records in consecutive years from sampled firms. Hence, the figures for the levels of weekly earnings should be considered as estimates with a 95% confidence interval of approximately  $\pm£20$ . The levels of earnings determined for June 2017 using 2018 data are consistent at this level of uncertainty for all sectors except agriculture and hotels, restaurants and bars. The variation is due to revisions in the 2017 data to ensure comparison on a like-for-like basis with the current year. However, the change in average earnings for these sectors, and overall, are unaffected by the changes in level.

An estimate of median employment earnings has been produced using data from the 2014 / 15 Jersey Household Income Distribution Survey. This approach uses gross earnings of employees and the self-employed (excluding bonuses) to derive an hourly rate, which is then uprated to a full-time equivalent. Earnings data are weighted according to industry, to ensure the sample of jobs is representative of employment in Jersey.

### Response rate and coverage

- Around 500 firms in the private sector were sent a survey questionnaire and around 320 completed questionnaires were received back, representing a response rate of 65%.
- Of the returned questionnaires, over two-thirds were matched with a return from the previous year and were subsequently validated and used in the final compilation of the Index.
- The number of employees whose earnings are used to calculate the Index of Average Earnings represents nearly half (44%) of all workers in Jersey.

*Statistics Jersey, 24 August 2018*

## Appendix – data tables

Table A1: Index of Average Earnings for Jersey in nominal (headline) and real terms  
- index values and annual percentage changes (at June of each year).

	Nominal (headline)		Real terms*	
	Index	% Change	Index	% Change
<b>1990</b>	100.0		100.0	
<b>1991</b>	108.6	8.6	100.6	0.6
<b>1992</b>	115.1	6.0	100.4	-0.2
<b>1993</b>	122.1	6.1	102.4	2.0
<b>1994</b>	127.7	4.6	104.3	1.9
<b>1995</b>	130.6	2.3	103.0	-1.2
<b>1996</b>	137.1	5.0	104.9	1.8
<b>1997</b>	143.5	4.7	106.0	1.0
<b>1998</b>	152.7	6.4	107.7	1.6
<b>1999</b>	164.3	7.6	112.3	4.3
<b>2000</b>	173.4	5.5	113.4	1.0
<b>2001</b>	187.4	8.1	118.0	4.1
<b>2002</b>	195.2	4.2	117.9	-0.1
<b>2003</b>	204.3	4.7	118.3	0.3
<b>2004</b>	211.1	3.3	116.7	-1.4
<b>2005</b>	222.2	5.3	118.5	1.5
<b>2006</b>	229.5	3.3	118.9	0.3
<b>2007</b>	240.2	4.7	119.4	0.4
<b>2008</b>	250.6	4.3	117.9	-1.3
<b>2009</b>	258.0	3.0	121.8	3.3
<b>2010</b>	260.9	1.1	119.8	-1.6
<b>2011</b>	267.3	2.5	117.5	-1.9
<b>2012</b>	271.4	1.5	115.8	-1.4
<b>2013</b>	277.4	2.2	116.6	0.7
<b>2014</b>	284.5	2.6	117.7	0.9
<b>2015</b>	289.7	1.8	118.7	0.8
<b>2016</b>	295.8	2.1	119.4	0.6
<b>2017</b>	303.4	2.6	119.5	0.1
<b>2018</b>	314.0	3.5	118.4	-0.9

\* The real terms Index of Average Earnings is calculated as the nominal (headline) Index of Average Earnings divided by the Jersey All Items Retail Prices Index (RPI) at June each year.

Table A2: Annual percentage change in average earnings by sector: 2000 – 2018

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Agriculture</b>	6.0	7.7	-3.3	-2.5	0.6	8.2	6.1	0.0	6.5	5.9	3.3	-10.1	-3.1	12.7	4.5	0.5	1.9	3.0	5.7
<b>Manufacturing</b>	5.6	7.0	0.2	5.5	3.3	6.5	2.1	3.2	3.8	0.6	1.9	2.3	3.0	2.2	3.7	0.5	2.0	2.9	2.4
<b>Electricity, gas &amp; water</b>	4.3	4.9	5.1	4.8	4.0	8.7	2.3	3.8	5.0	4.7	2.0	3.3	3.0	3.2	1.4	1.7	2.5	1.7	2.4
<b>Construction</b>	3.8	4.6	8.3	-1.1	4.4	5.7	2.2	6.7	3.5	2.9	0.2	2.6	1.6	5.2	1.3	1.4	4.1	3.2	6.7
<b>Wholesale &amp; retail</b>	6.7	4.6	5.0	3.4	3.5	5.5	1.9	3.8	4.2	3.2	1.6	2.8	3.3	0.7	1.4	1.9	2.0	1.9	2.6
<b>Hotels, restaurants &amp; bars</b>	4.0	10.7	1.8	4.2	3.2	3.2	4.0	2.3	5.1	2.3	1.8	1.5	1.5	1.5	1.6	1.7	3.5	3.5	4.3
<b>Transport, storage &amp; communications</b>	5.1	7.3	2.3	7.0	3.8	4.6	6.3	4.3	3.1	4.4	1.3	3.3	1.0	0.1	3.1	2.9	1.7	2.2	3.6
<b>Financial services</b>	7.0	8.4	7.5	5.6	3.4	4.5	3.9	4.9	4.6	3.5	1.0	2.4	2.1	2.6	2.4	3.2	2.5	2.9	2.9
<b>Other business activities</b>	8.4	8.3	5.6	5.3	3.9	5.0	2.6	3.5	3.5	3.0	1.0	3.1	0.6	1.0	1.8	1.3	1.0	2.8	3.1
<b>All private sectors</b>	<b>6.4</b>	<b>7.2</b>	<b>5.3</b>	<b>3.9</b>	<b>3.6</b>	<b>5.0</b>	<b>3.4</b>	<b>4.3</b>	<b>4.2</b>	<b>3.3</b>	<b>1.1</b>	<b>2.2</b>	<b>1.8</b>	<b>2.4</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.8</b>	<b>3.6</b>
<b>Public sector</b>	<b>1.1</b>	<b>11.5</b>	<b>-2.4</b>	<b>8.3</b>	<b>2.1</b>	<b>6.9</b>	<b>2.5</b>	<b>6.7</b>	<b>4.9</b>	<b>1.0</b>	<b>1.1</b>	<b>3.9</b>	<b>0.3</b>	<b>1.3</b>	<b>4.7</b>	<b>0.0</b>	<b>1.3</b>	<b>1.6</b>	<b>3.1</b>