

Context: COVID-19

This report presents the change in the average earnings paid to full-time equivalent (FTE) employees between the two points in time June 2019 and June 2020, and is based on an annual survey of businesses run by Statistics Jersey. Part-way through the second reference period, on 12 June 2020, Jersey moved to Level 2 of the Government's Safe Exit Framework, whereby most businesses were permitted to open and trading restrictions were eased.

Pay estimates are based on employees who received wages and salaries in June 2020 (or the last week of June 2020 for weekly-paid employees) and include those who did not work but were still paid and those whose wages were partially refunded to businesses through the Government Co-Funded Payroll Scheme.

Additional questions were included in this round of the survey to assist understanding of the impact of the COVID-19 pandemic on the figures reported by businesses - see Annex for more details.

Summary - in June 2020**Change in average earnings**

- average weekly earnings¹ per full-time equivalent employee (FTE)² were 1.1% higher than in June 2020
- the latest annual increase was 1.5 percentage points lower than that of the previous twelve-month period (2.6% to June 2019) and was the lowest annual change recorded for 10 years, since June 2010
- over the twelve months to June 2020:
 - average earnings in the private sector increased by 0.7%
 - average earnings in the public sector increased by 3.3%
- the latest annual increase in average earnings in the private sector was the lowest recorded for at least 25 years, since private sector earnings were first reported separately in 1995³
- within the private sector:
 - decreases in average earnings were recorded by the agriculture sector and the hotels, restaurants and bars sector, down by 11.9% and 10.2% on an annual basis, respectively
 - the other business activities sector (comprising predominantly private sector service industries) saw the highest rate of annual increase, up 3.2%
 - for the other private sector industries, annual changes in earnings ranged from being unchanged to increases of around 2%

¹ 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 2020 Index measures changes in average earnings paid between June 2019 and June 2020, on a full-time equivalent (FTE) basis.

² 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.

³ Average earnings for the private sector overall for the period 1995-1999 were derived from estimates for the individual private sector industries in these years, first published separately in 1995. Public and private sector comparisons can be made on a consistent basis from 1999 onwards.

Real-term change in earnings (adjusting for inflation)

- the headline rate of inflation in Jersey in June 2020 was 0.5%⁴
- in real terms, all-sector average earnings in June 2020 were 0.5% greater than in June 2019
 - average earnings in the private sector were 0.2% higher in real terms than in June 2019
 - average earnings in the public sector were 2.8% higher in real terms than in June 2019
- over the last 10 years, since 2010, all-sector average earnings have decreased in real terms by 0.8%

Level of average earnings

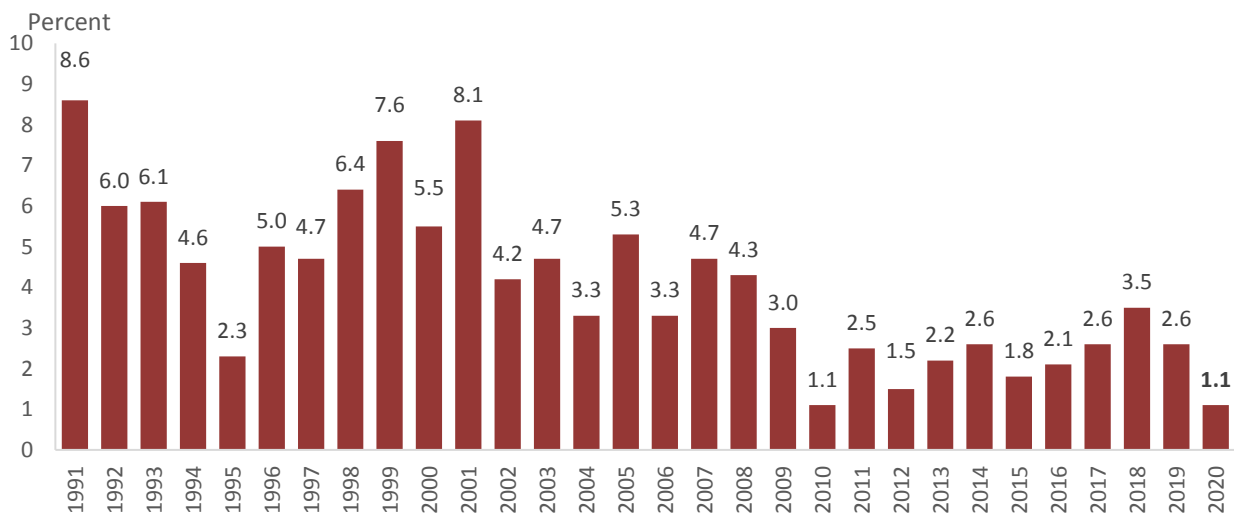
- **median** average weekly earnings of full-time equivalent (FTE) employees was £610 per week
- **mean** average weekly earnings of full-time equivalent employees was £780 per week

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 2020 all-sector average earnings were 1.1% higher than in June 2019.

The latest annual increase is 1.5 percentage points lower than that recorded over the previous twelve-month period (2.6% to June 2019).

Figure 1 – Annual percentage change in the Index of Average Earnings, 1991-2020



The latest annual increase is the lowest recorded for 10 years, since June 2010 (1.1%).

The latest increase is lower than the preceding five-year annual average of 2.5% per year, and below the long-term annual average of 4.1% per year since 1990.

⁴ As measured by the annual change in the Jersey Retail Prices Index (RPI). The real-term change in average earnings is calculated from the respective indices, which are published rounded to 1 decimal place.

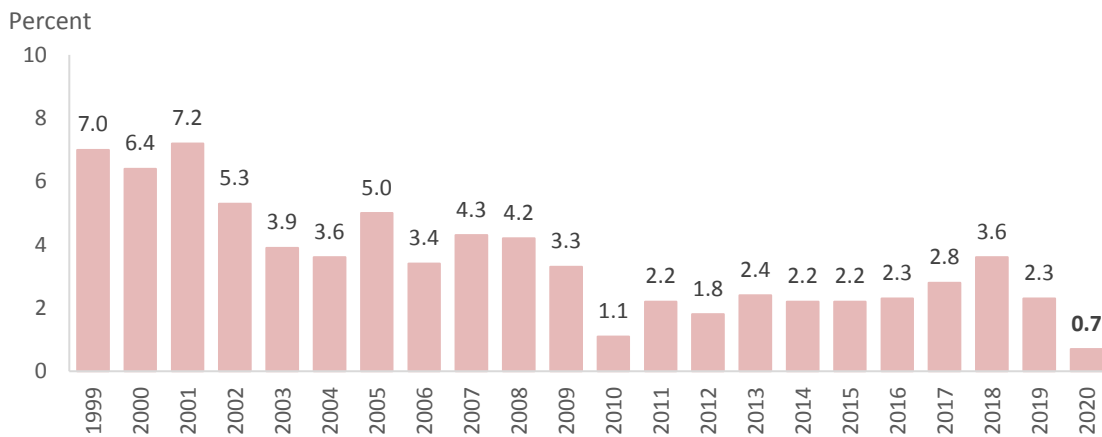
Private sector

Over the twelve months to June 2020, average earnings in the private sector, overall, rose by 0.7%. This latest annual increase was the lowest for at least 25 years, since earnings for private sector industries were first reported separately in 1995 (see footnote 3).

This latest annual increase is below the preceding five-year annual average of 2.6% per year and lower than the increase seen for the previous twelve-month period (2.3% to June 2019) – see Figure 2.

Between 1999 and 2008, earnings in the private sector had increased at an average annual rate of 4.8% per year. For the subsequent 10-year period, from 2009 to 2019, the average annual increase was 2.3% per year.

Figure 2 - Private sector annual percentage change in average earnings from 1999 to 2020

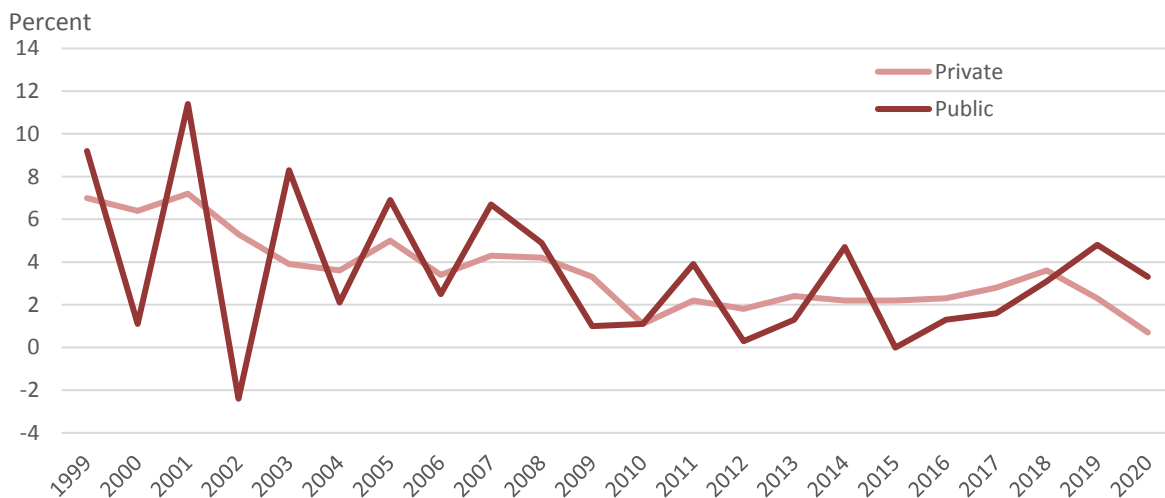


Public sector

Average earnings in the public sector increased by 3.3% over the twelve months to June 2020. This increase was predominantly due to the implementation of scheduled pay awards for the majority of pay groups⁵.

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, as is apparent in Figure 3.

Figure 3 - Public and private sector annual percentage change in average earnings from 1999 to 2020

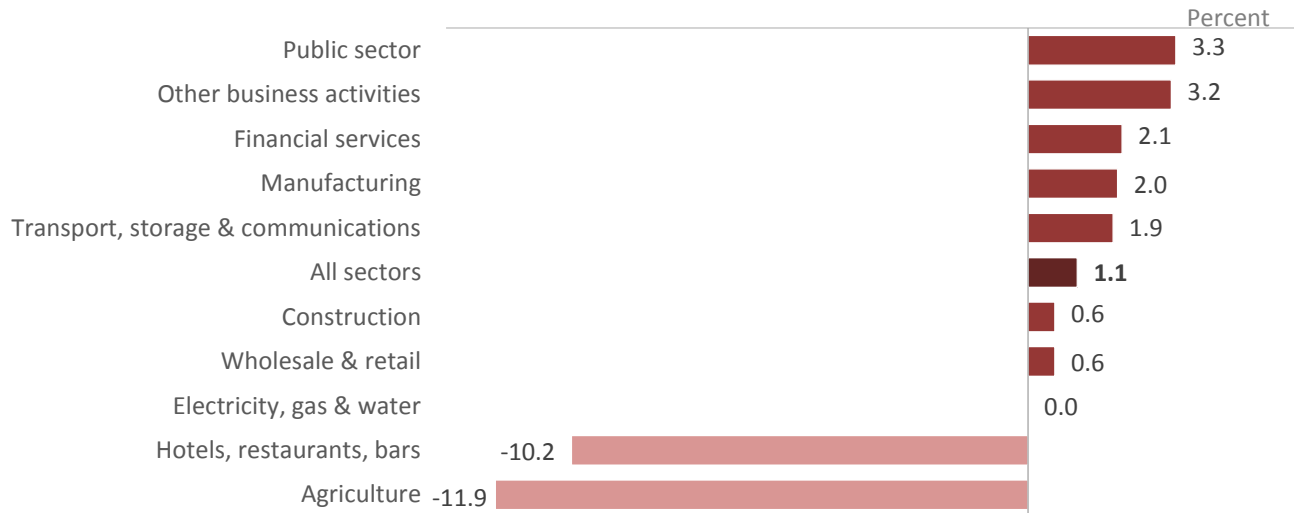


⁵ Incremental pay scale awards and changes in overtime (on an annual basis) were additional factors for some staff.

Individual business sectors

Figure 4 shows that the change in average earnings for the individual business sectors over the year to June 2020 ranged from annual increases of around 3% to falls of more than 10%.

Figure 4 - Annual percentage change in average earnings by sector, June 2020



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, Family Nursing and Home Care, Andium Homes Ltd. and other services.

Changes in average earnings for the individual sectors included:

- average earnings in agriculture fell by 11.9% on an annual basis; a fall of this scale was last seen in June 2011 (-10.0%). The rise in the minimum wage was more than offset by a large decrease in hours worked in June 2020 compared to June 2019
- average earnings in hotels, restaurants and bars decreased by 10.2% on an annual basis, attributed to substantially fewer hours and less overtime being worked as a result of the COVID-19 restrictions. The last recorded decrease in average earnings for this sector was in 1995 (-0.3%)
- wholesale and retail saw an increase of 0.6% in average earnings; this was the lowest annual increase recorded for this sector since 1995 (when sectoral earnings were first reported)
- the construction sector recorded an increase of 0.6% in average earnings, the lowest annual increase for this sector since 2010 and below the preceding 5-year average of 3.5% per year
- average earnings (excluding bonuses) in the finance sector rose by 2.1%; this was higher than the increase seen in the previous year (1.8% in June 2019) and below the preceding 5-year average of 2.7% per year
- average earnings in the other business activities sector rose by 3.2% on an annual basis; this sector includes a wide range of businesses and includes care homes, cleaning companies, private education and leisure services
- average earnings in the public sector increased by 3.3%; this was lower than the previous annual increase (4.8% over the twelve months to June 2019) and was higher than the previous 5-year average of 2.1% per year for this sector

Average earnings in real terms

The change in average earnings may be considered in ‘real terms’, adjusting for retail price inflation⁶.

Figure 5 shows the Index of Average Earnings since 1990 in nominal (not adjusted for inflation) and in 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 almost 226%. After adjusting for inflation, average earnings have increased by 19% over this 30-year period.

Figure 5 – Index of Average Earnings in nominal and real terms (June 1990=100)

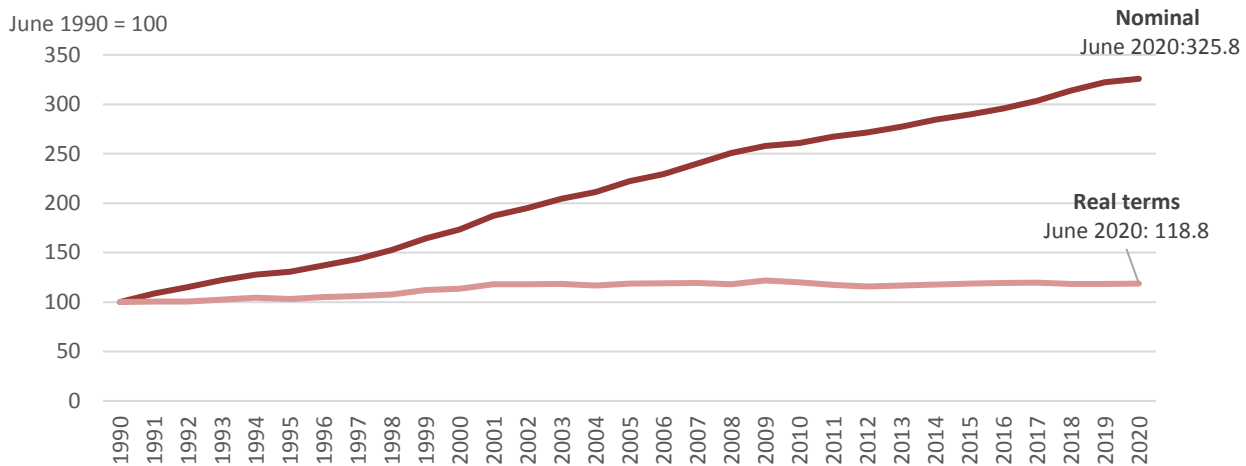
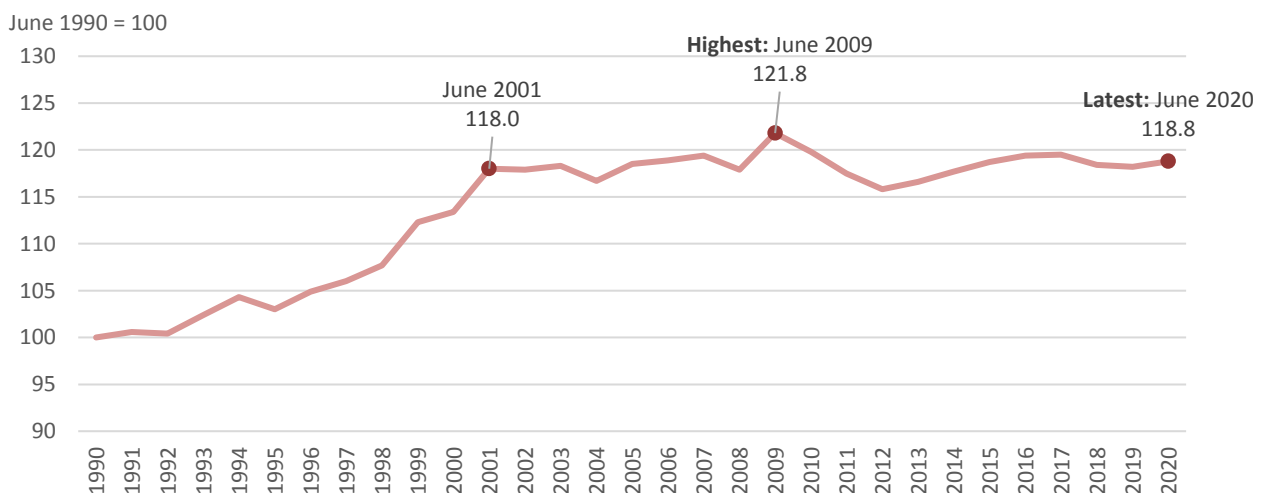


Figure 6 shows the Index of Average Earnings in real terms since 1990. It is apparent that there have been two periods of real-term change in average earnings in Jersey:

- 1990-2001 saw real-term growth in earnings of more than a sixth (18%) over the period
- 2001-2020 saw earnings remain essentially flat in real terms, increasing by 0.7% over the 19-year period

Figure 6 – Index of Average Earnings in real terms from 1990 to 2020 (June 1990=100)

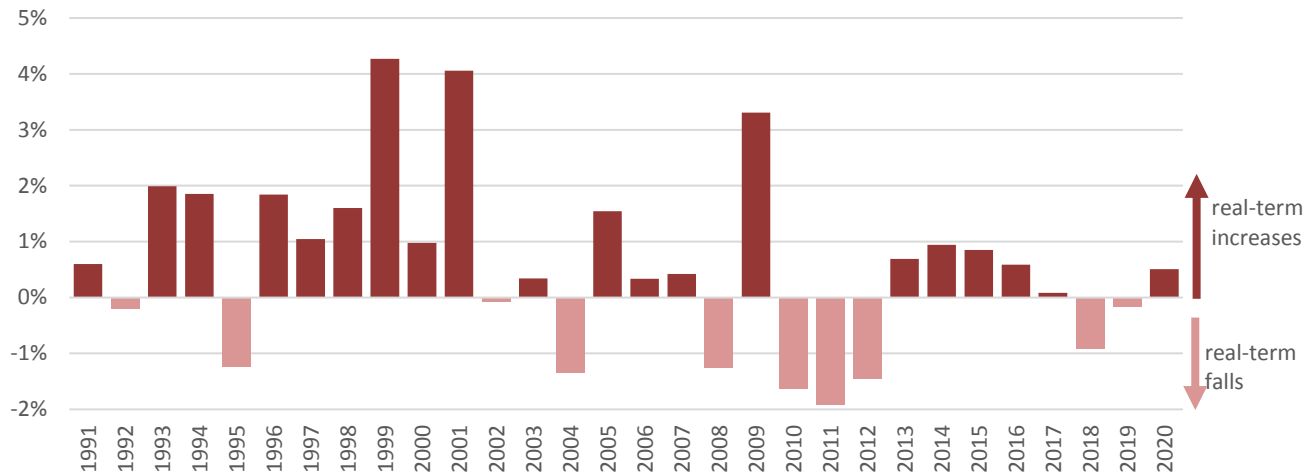


Average earnings in real terms in June 2020 remain below the level seen in June 2009.

⁶ The increases in retail prices used in this analysis are based on the indices in June of each year.

Figure 7 shows the real-term annual percentage change in average earnings for each year from 1991 to 2020.

Figure 7 – Real-term annual percentage change in the Index of Average Earnings, 1991 to 2020



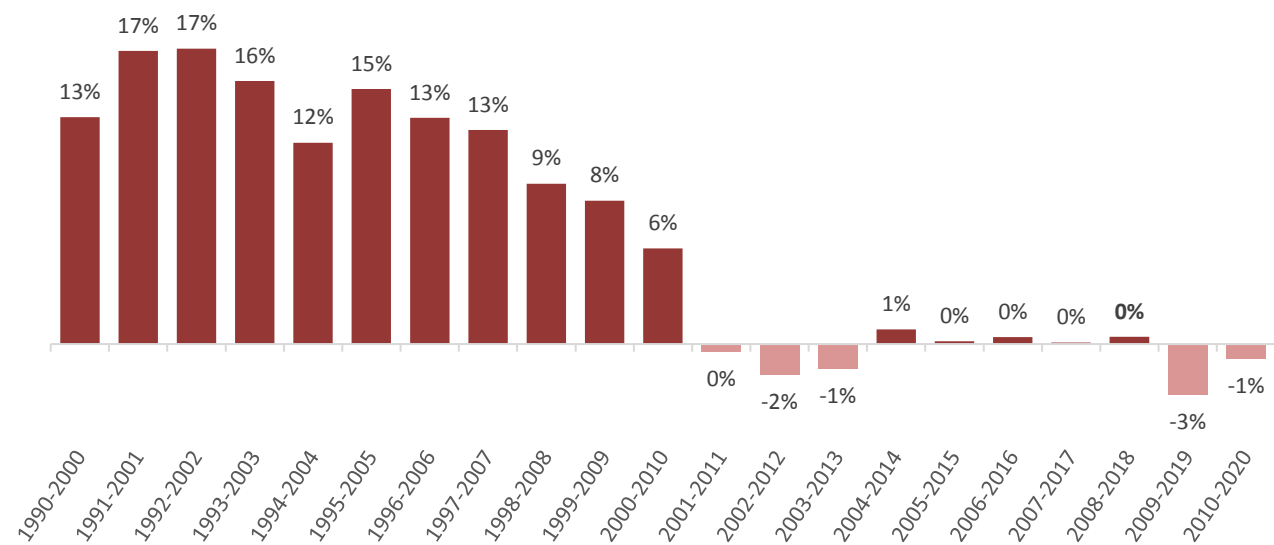
During the twelve months to June 2020 the Jersey RPI increased by 0.5%, representing the lowest headline rate of inflation for almost five years. Over the same period, average earnings increased by 1.1%, meaning that earnings increased by 0.5% in real terms.

The latest twelve months represents the first time in three years that earnings have increased in real terms.

The real-term earnings may also be considered over a longer time period than simply the annual change. Figure 8 shows 10-year total changes in real-term earnings since the decade ending 2000; the two distinct periods of earnings growth are apparent:

- prior to the decade ending 2010, 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

Figure 8 - Rolling 10-year total change in average earnings, in real terms



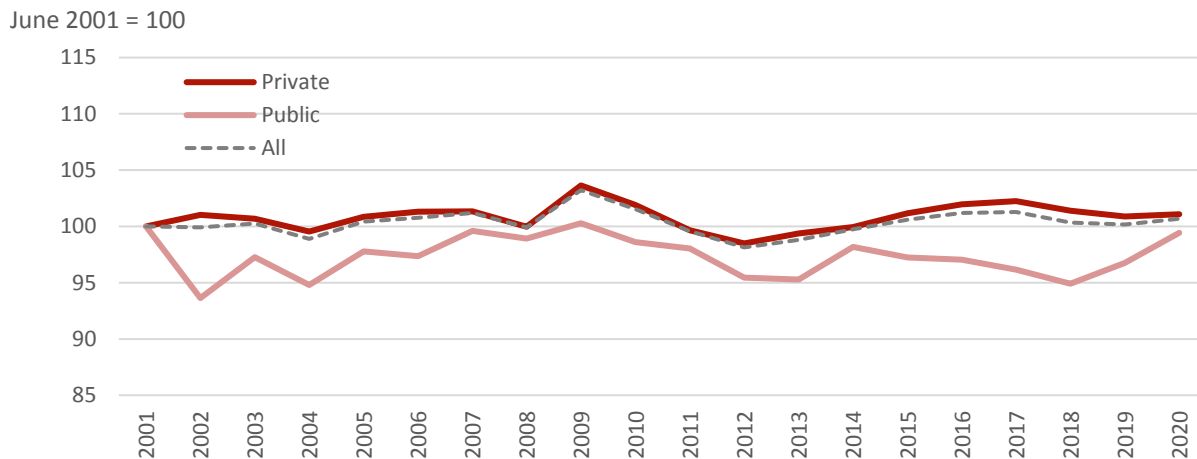
Percentage changes are presented rounded to the nearest integer.

In the most recent 10-year period (2010-2020) average earnings have decreased by 0.8% in real terms.

Public and private sectors in real terms

Figure 9 shows real-term average earnings for the public and private sectors separately since 2001, expressed as indices.

Figure 9 – Index of Average Earnings in real terms for the public and private sectors from 2001 to 2020 (June 2001 = 100)



Although all-sector earnings have been essentially flat in real terms since 2001, private sector earnings have marginally increased in real terms (up 1.1%) whereas public sector earnings have fallen (down 0.6%) over the 19-year period.

During the latest twelve-month period, average earnings in the public sector increased by 2.8% in real terms and increased by 0.2% in real terms in the private sector.

Level of earnings

The methodology used to compile the Index of Average Earnings is specifically designed to measure the change in average earnings. However, the data collected also provides information on the level of earnings in June: the 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.

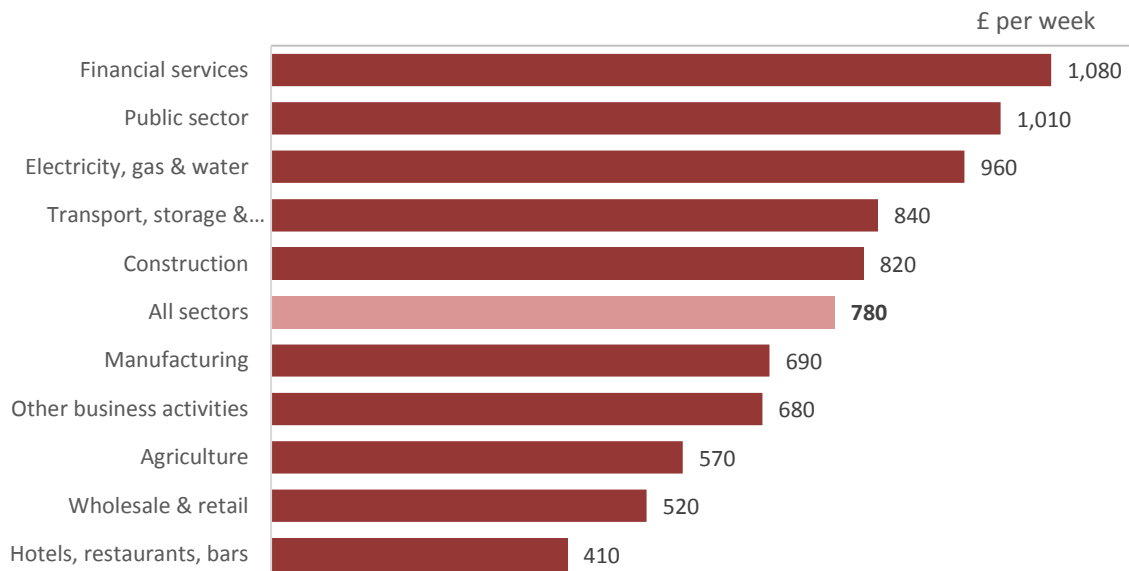
It should be noted when interpreting these results that as a consequence of the earnings distribution being asymmetric (i.e. skewed towards higher values) the mean provides a greater measure of “average” earnings than the median.

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 indicative measure, particularly for comparisons between sectors.

Figure 10 shows that mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2020 was £780 per week⁷.

At a sectoral level, average earnings per FTE (excluding bonuses) ranged from £410 per week in hotels, restaurants and bars to £1,080 per week in financial services.

Figure 10 - Average weekly earnings in June 2020, by sector (£ per week per FTE)



Based on data recorded for the 2018 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by £130 per week per FTE employee.

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 (IDS) carried out in 2014/15 collected information on individual employment earnings, enabling an estimate of median employment earnings to be determined.

The results derived from the IDS data have been up-rated from the survey period using the Index of Average Earnings to provide an estimate of median earnings in June 2020 of £610 per week per FTE employee (see the appendix for methodology).

⁷ The figures for the levels of weekly earnings shown in Figure 10 should be considered as estimates with a 95% confidence interval of approximately ±£20. See appendix for notes on uncertainty levels for individual sectors.

Comparison with the UK

The earnings measures for the two jurisdictions are not strictly comparable due to differing methodologies⁸. However, it can be inferred that overall average earnings in the UK decreased whilst earnings in Jersey increased over the year to June 2020 (see Table 1).

Table 1 – Annual increases in average earnings in Jersey and the UK⁹, June 2020

	All-sector	Public	Private
Jersey	1.1	3.3	0.7
UK	-0.3	4.5	-1.4

Private sector earnings decreased in the UK (-1.4%) and increased in Jersey (0.7%) over the twelve months to June 2020.

Within the individual UK private sectors¹⁰, annual decreases were seen in accommodation and food service activities (-12.2%), construction (-8.2%), retail trade and repairs¹¹ (-1.0%) and manufacturing (-1.9%). The finance and business services sector in the UK recorded an increase of 0.2%.

Public sector earnings increased at a lower rate in Jersey than in UK over the twelve months to June 2020 (up by 3.3% and 4.5% respectively).

⁸ 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).

⁹ Non-seasonally adjusted figures

¹⁰ UK industries are classified using the 2007 Standard Industrial Classification (SIC) whereas this report uses the 2003 SIC classification for Jersey. The UK industries are published at differing levels of disaggregation to those for Jersey, therefore industries for the two jurisdictions should only be considered as broadly comparable.

¹¹ The wholesale trade sector increased by 0.1%

Annex

Coronavirus (COVID)-19

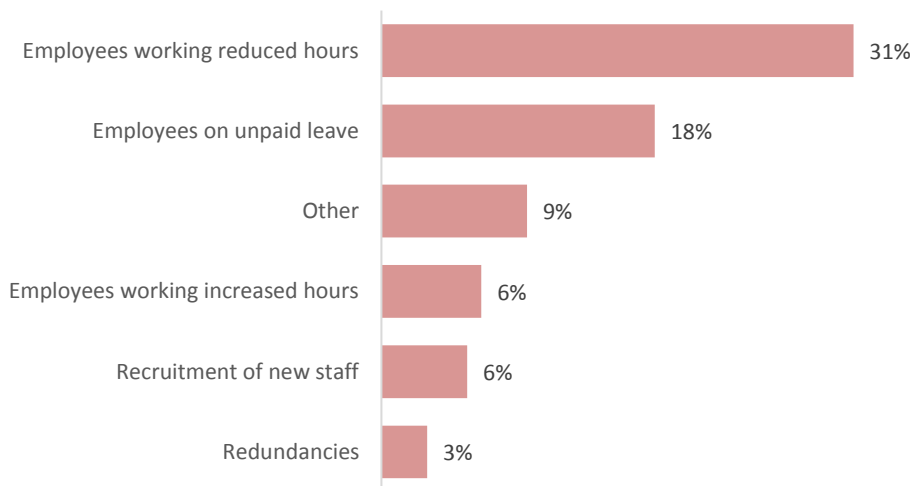
In an attempt to understand the impact of the COVID-19 pandemic on the figures provided for this survey, additional questions were asked of companies¹².

The majority (95%) of companies included in the survey reported that they had traded for the full month of June 2020; a further 3% had traded for part of the month; and 2% had not traded at all.

Companies were asked whether the earnings figures provided for the survey had been affected by the COVID-19 pandemic (whether a negative or positive effect). Almost half (47%) of companies reported that their figures had been affected in some way by the COVID-19 outbreak. Further detail was asked as to the type of impact, the results of which are shown in Figure C1.

Almost a third (31%) of companies reported that employees had worked reduced hours. Fewer companies reported making redundancies (6%) or recruiting new staff (3%).

Figure C1 Have the figures for this survey been affected by any of the following...?



There were some notable differences in the impact of COVID-19 by sector¹³:

- almost all businesses (97%) in the hotels restaurants and bars sector reported that their earnings figures had been affected, with almost three-quarters (73%) citing reduced working hours
- two-thirds (67%) of wholesale and retail companies reported that their figures had been affected
- over two-thirds (68%) of companies in other business activities reported that their earnings figures had been affected
- more than a quarter (28%) of companies in construction and a sixth (16%) in finance stated that their earnings figures had been affected by COVID-19

¹² Responses to these questions have been weighted according to the sampling probability and FTE size of workforce of each business.

¹³ To ensure that estimates at a disaggregated level by industry are robust and non-disclosive, only responses which include more than 10 companies are reported on.

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 Government 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 2019 using 2020 data are consistent at this level of uncertainty for all sectors except agriculture and electricity, gas and water. The variation is due to revisions in the 2019 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 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

- 515 eligible firms in the private sector were sent a survey questionnaire and around 360 completed questionnaires were received back, representing a response rate of 70%.
- Of the returned questionnaires, over three-quarters 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 almost half (47%) of all workers in Jersey.

Statistics Jersey, 28 August 2020

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
1990	100.0		100.0	
1991	108.6	8.6	100.6	0.6
1992	115.1	6.0	100.4	-0.2
1993	122.1	6.1	102.4	2.0
1994	127.7	4.6	104.3	1.9
1995	130.6	2.3	103.0	-1.2
1996	137.1	5.0	104.9	1.8
1997	143.5	4.7	106.0	1.0
1998	152.7	6.4	107.7	1.6
1999	164.3	7.6	112.3	4.3
2000	173.4	5.5	113.4	1.0
2001	187.4	8.1	118.0	4.1
2002	195.2	4.2	117.9	-0.1
2003	204.3	4.7	118.3	0.3
2004	211.1	3.3	116.7	-1.4
2005	222.2	5.3	118.5	1.5
2006	229.5	3.3	118.9	0.3
2007	240.2	4.7	119.4	0.4
2008	250.6	4.3	117.9	-1.3
2009	258.0	3.0	121.8	3.3
2010	260.9	1.1	119.8	-1.6
2011	267.3	2.5	117.5	-1.9
2012	271.4	1.5	115.8	-1.4
2013	277.4	2.2	116.6	0.7
2014	284.5	2.6	117.7	0.9
2015	289.7	1.8	118.7	0.8
2016	295.8	2.1	119.4	0.6
2017	303.4	2.6	119.5	0.1
2018	314.0	3.5	118.4	-0.9
2019	322.3	2.6	118.2	-0.2
2020	325.8	1.1	118.8	0.5

* 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 – 2020

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agriculture	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	3.3	-11.9
Manufacturing	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	3.9	2.0
Electricity, gas & water	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	3.4	0.0
Construction	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	2.1	0.6
Wholesale & retail	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	2.5	0.6
Hotels, restaurants & bars	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	4.9	-10.2
Transport, storage & communications	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	1.2	1.9
Financial services	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	1.8	2.1
Other business activities	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	2.3	3.2
All private sectors	6.4	7.2	5.3	3.9	3.6	5.0	3.4	4.3	4.2	3.3	1.1	2.2	1.8	2.4	2.2	2.2	2.3	2.8	3.6	2.3	0.7
Public sector	1.1	11.5	-2.4	8.3	2.1	6.9	2.5	6.7	4.9	1.0	1.1	3.9	0.3	1.3	4.7	0.0	1.3	1.6	3.1	4.8	3.3