

Index of Average Earnings June 2012

Statistics Unit: www.gov.je/statistics

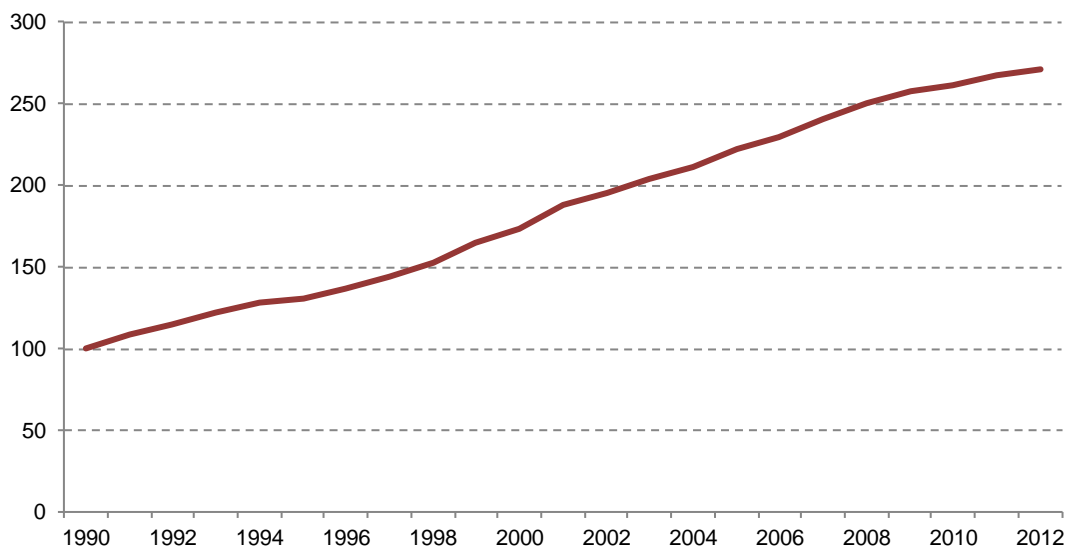
Summary

- In June 2012 the average weekly earnings¹ of workers² in Jersey was 1.5% higher than in June 2011.
- The latest annual increase is 1.0 percentage point lower than that of the previous twelve-month period (2.5% to June 2011).
- Earnings have risen at a lower rate than prices (RPI) for the third consecutive year.
- Average earnings in the **private sector** increased by 1.8% over the year to June 2012.
- The **public sector** saw average earnings increase by 0.3% over the year to June 2012.
- The **mean** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2012 was £650 per week.
- The **median** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2012 was estimated as £520 per week³.

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 267.3 in June 2011 to 271.4 in June 2012 (on a basis of June 1990 = 100), an annual increase of 1.5%.

Figure 1 - Index of Average Earnings (June 1990 = 100)



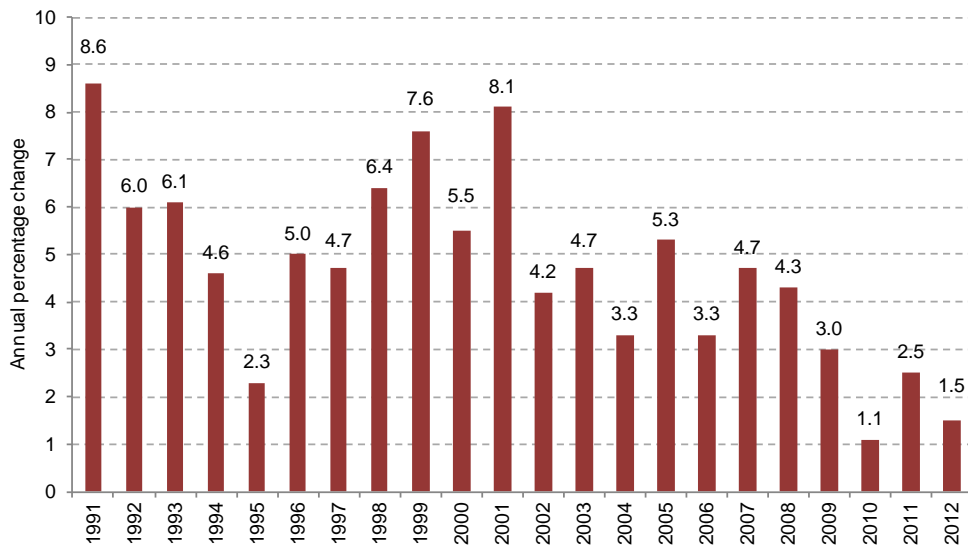
¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2012 index measures changes in average earnings received between the last weeks of June 2011 and June 2012.

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 As measured by the 2009/10 Jersey Income Distribution Survey and up-rated by the Index of Average Earnings.

The annual percentage changes in average earnings since 1991 (over the twelve months to June of each year) are shown in Figure 2.

Figure 2 - Annual percentage change in average earnings

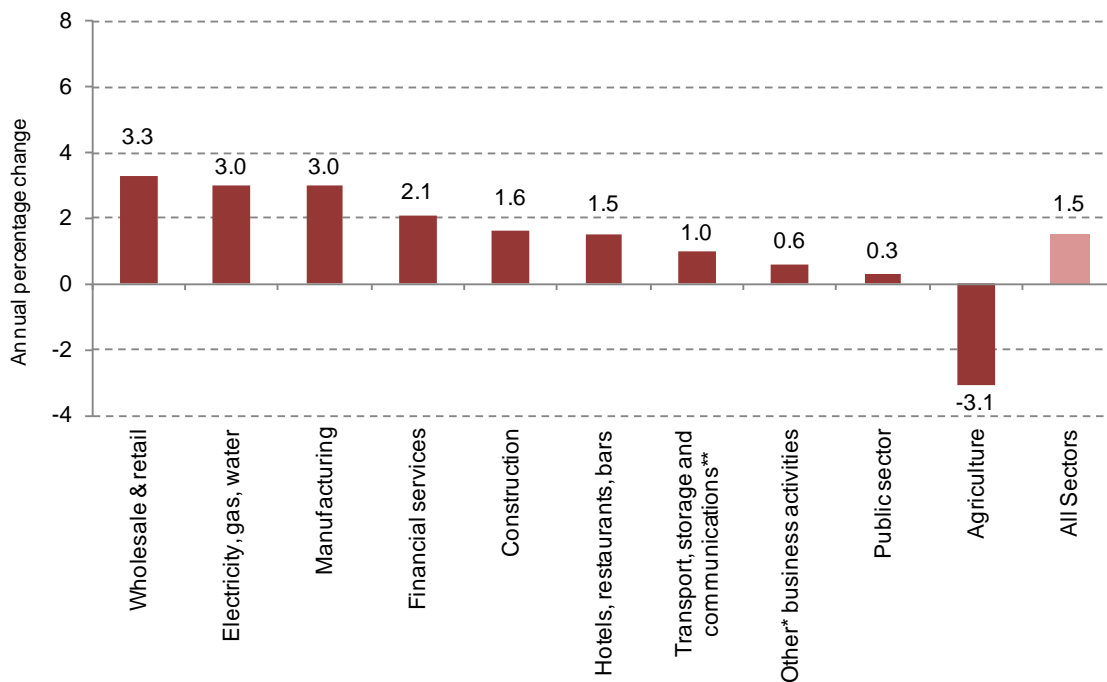


The average annual increase in earnings during the most recent four-year period, since the global economic downturn in late 2008, has been 2.0% per annum, a rate of increase lower than any annual increases seen in the preceding two decades.

The long-term annual average increase (since 1990) was 4.6% per annum.

Individual business sectors

Figure 3 - Annual percentage change in average earnings by sector, June 2012



* The 'Other business activities' sector includes 'Miscellaneous business activities' and private sector 'Education, health and other services'.

** 'Transport, storage and communications' includes Jersey Airport, Harbours, Postal Administration and Jersey Telecom.

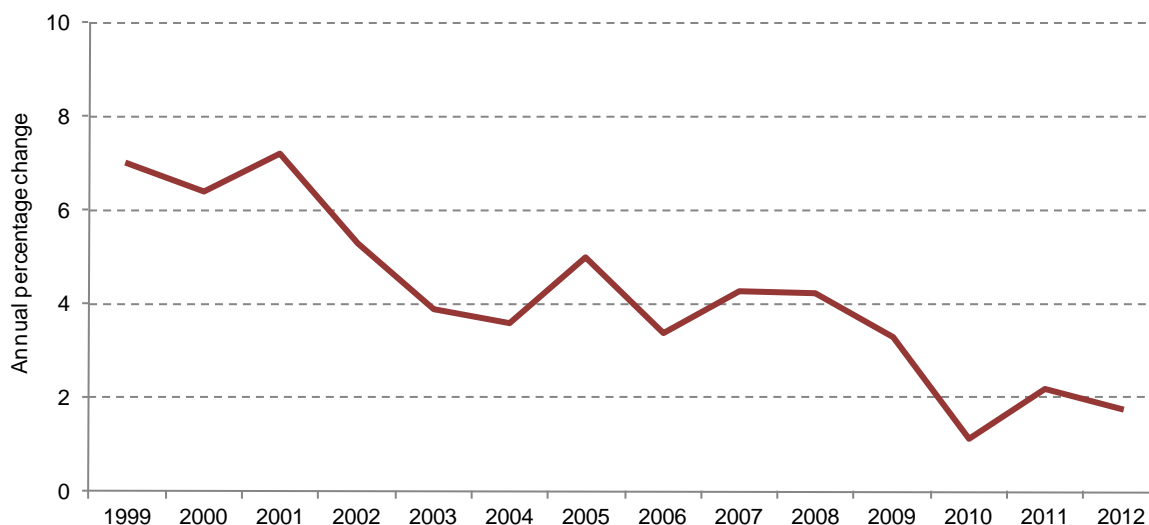
As shown in Figure 3, the majority of industries in the private sector saw annual earnings increase by around 1 to 3 percent over the twelve months to June 2012. Notable movements were:

- average earnings in **Agriculture** fell for the second consecutive year, despite many workers receiving the increase in the minimum wage⁴ implemented in April 2012. The latest fall (-3.1%) in average earnings was driven by fewer hours being worked in June 2012 than in the previous June;
- **Wholesale and retail** average earnings rose by 3.3% on average; however, the majority of companies in this sector saw earnings rise by less than the sector average;
- average earnings (excluding bonuses) in the **Finance** sector, which accounts for about a quarter of the Island's workforce⁵, rose by 2.1% over the twelve months to June 2012. This is slightly lower than the preceding three-year average (2008-2011) of 2.3% for this sector, since the global economic downturn.

Private sector

Over the twelve months to June 2012 average earnings in the private sector, overall, rose by 1.8%. As Figure 4 shows, the rate of growth of average earnings in the private sector has exhibited a downward trend since 1999.

Figure 4 - Private sector: annual percentage change in average earnings



The latest annual increase in the private sector (1.8%) is similar to the annual average seen over the preceding two-year period, 2009-2011.

Public sector

Over the twelve months to June 2012 average earnings in the public sector rose by 0.3%.

At the time of the survey, no pay awards had been implemented for 2012 for this sector.

⁴ Minimum wage legislation came into effect in Jersey on 1 July 2005; the level of minimum wage has been increased effective each 1 April subsequently. On 1 April 2012 the figure was increased by 2.5% to £6.48 per hour.

⁵ Jersey Labour Market, December 2011: States of Jersey Statistics Unit, March 2012.

Comparison of the rate of growth of earnings in the public and private sectors is made more complex by the periodic lag in implementation of pay awards for some pay groups as well as the historic two-year nature of pay negotiations and awards seen in the public sector prior to 2008. Nevertheless, it is informative to compare the rates of increase of earnings in the sectors over periods of several years in order to smooth out the effects of such factors:

- since June 2000, average earnings in the public sector have increased by 57%; over the same period, earnings in the private sector increased by 56%;
- since June 2007, after which the public sector moved away from a two-year structure of pay awards to one on an annual basis, the public and private sectors have seen similar overall increases in average earnings, 12% and 13% respectively.

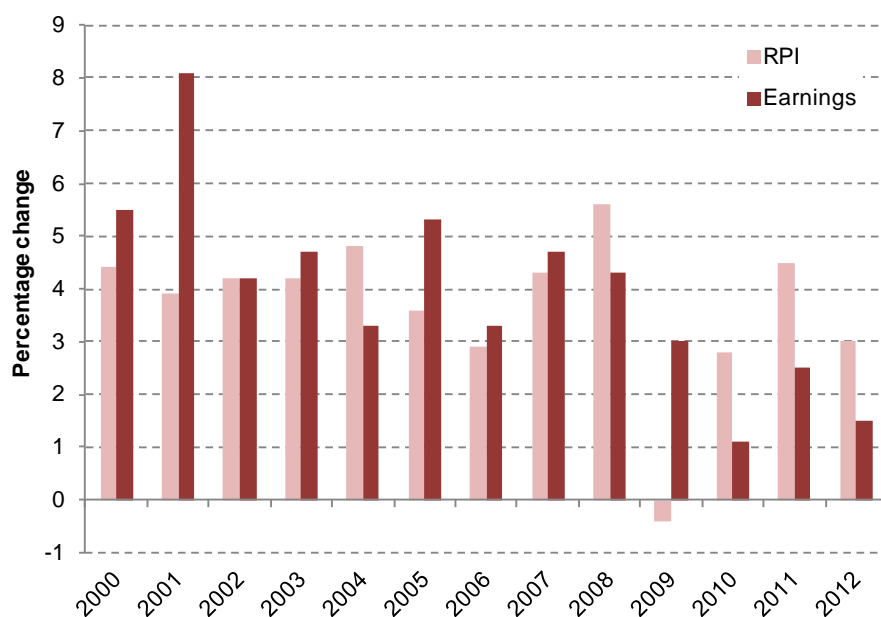
Comparison with Retail Price Indices

During the twelve months to June 2012 the Jersey All Items Retail Prices Index (RPI) rose by 3.0%.

Average earnings increased by 1.5% during the last twelve months, implying that prices increased by 1.5 percentage points more than earnings over the period (see Figure 5).

Earnings have risen at a lower rate than prices for the third consecutive year.

Figure 5 - Annual percentage changes in average earnings and the RPI at June each year from 2000 to 2012



Historically, earnings had risen faster than prices and this is reflected in the long-term annual averages, with earnings rising by an average of 4.6% per annum compared to 3.9% per annum for prices since 1990.

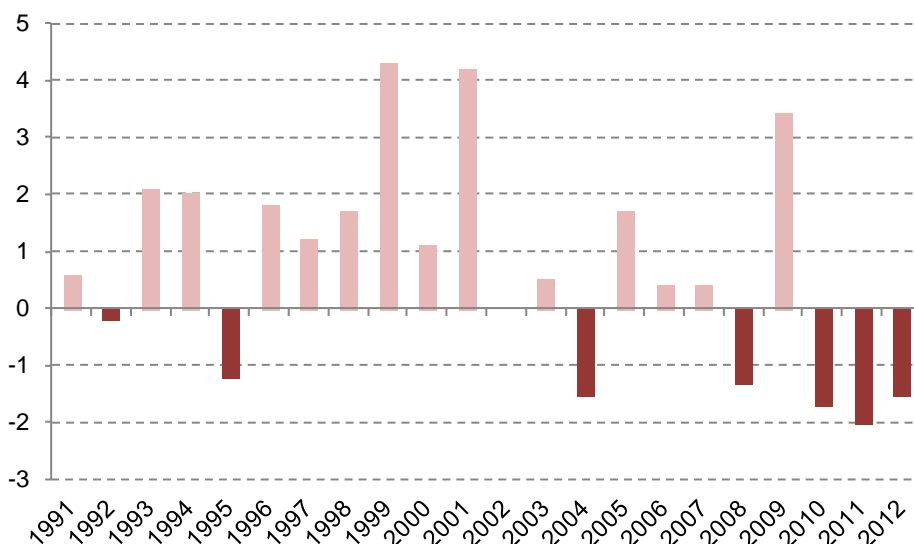
Figure 6 illustrates the difference between the annual change in average earnings and the annual change in the RPI for each year from 1991 and 2012. Earnings have increased in Jersey at a lower rate than earnings in seven out of the last twenty-two years (shown as negative values in Figure 6).

It is evident that prior to 2003 the growth of earnings in Jersey had been greater than that of prices. The higher earnings growth was particularly prominent in 1999 and 2001 when earnings increased by around 4 percentage points more than prices.

More recent years have constituted a different period in the relative behaviour of prices and earnings compared to that seen prior to 2003:

- in four out of the last five years, earnings have risen by less than prices;
- in each of the last three years (2009-2012) earnings have risen by around 1½ to 2 percentage points less than prices.

Figure 6 – Difference between annual changes in average earnings and the RPI⁶, 1991 to 2012 (percentage points)



Changes in earnings and prices during the most recent ten-year period are shown in Table 1: for the latest year (2012); the last three years (2009-2012); the last five years (2007-2012); and the last ten years (2002-2012).

In Table 1, the changes in retail prices are presented in terms of headline inflation (as measured by RPI) and underlying inflation, as measured by RPI(X) and RPI(Y)⁷.

Table 1 – Changes in retail price indices and average earnings; percentages

	1-year 2011-2012	3-year 2009-2012	5-year 2007-2012	10-year 2002-2012
RPI	3.0	10.7	16.5	41.6
RPI(X)	3.2	10.5	20.2	42.2
RPI(Y)	3.1	9.1	16.6	-
Average Earnings	1.5	5.2	13.0	39.0

Both headline and underlying inflation rose by around twice the rate of increase of earnings over the latest one-year and three-year periods. During the latest five-year period all measures of inflation rose by more than earnings. However, over the last ten years prices and earnings have seen similar overall increases.

⁶ In Figure 6 and Tables 1 and 2, increases in retail prices indices are based on June.

⁷ RPI(X) excludes mortgage interest payments; RPI(Y) excludes mortgage interest payments and indirect taxes (such as GST and impôts). RPI(Y) was first measured for Jersey in December 2006.

The Index of Average Earnings is used annually to up-rate the State old-age pension in Jersey. It is therefore informative to compare the change in earnings with that of the RPI for pensioner households, as shown in Table 2; this particular price index was introduced in Jersey in 2007.

Table 2 – Changes in RPI for pensioner households and average earnings; percentages

	1-year 2012	3-year 2009-2012	5-year 2007-2012
RPI Pensioners	2.9	10.4	20.0
Average Earnings	1.5	5.2	13.0

As is apparent from Table 2, earnings increased at a rate around half that of the RPI for pensioner households during the latest one-year and three-year periods.

Over the five-year period since the RPI for pensioners was introduced:

- in four out of the last five years the annual increase in average earnings has been below that of RPI(Pensioners);
- average earnings have increased by 7.0 percentage points less than the RPI for pensioners;
- the difference in overall change corresponds to earnings increasing each year during the five-year period at an average annual rate of 1.2 percentage points below that of prices for pensioner households.

From a longer-term perspective, the historical linkage of the State pension in Jersey to average earnings has meant that the State pension has increased at a similar rate to prices over the last ten years (as measured by the RPI, see Table 1) and at a greater rate over the last twenty years (136% increase in earnings compared to 104% increase in RPI).

Level of earnings

The main purpose of the Index of Average Earnings is to measure the change in earnings. However, the data collected also provides information on the level of earnings: 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. It should be noted, therefore, that part-time workers will actually earn a fraction of the weekly averages presented in this report and shown in Figure 7, depending on the proportion of a full-time week worked.

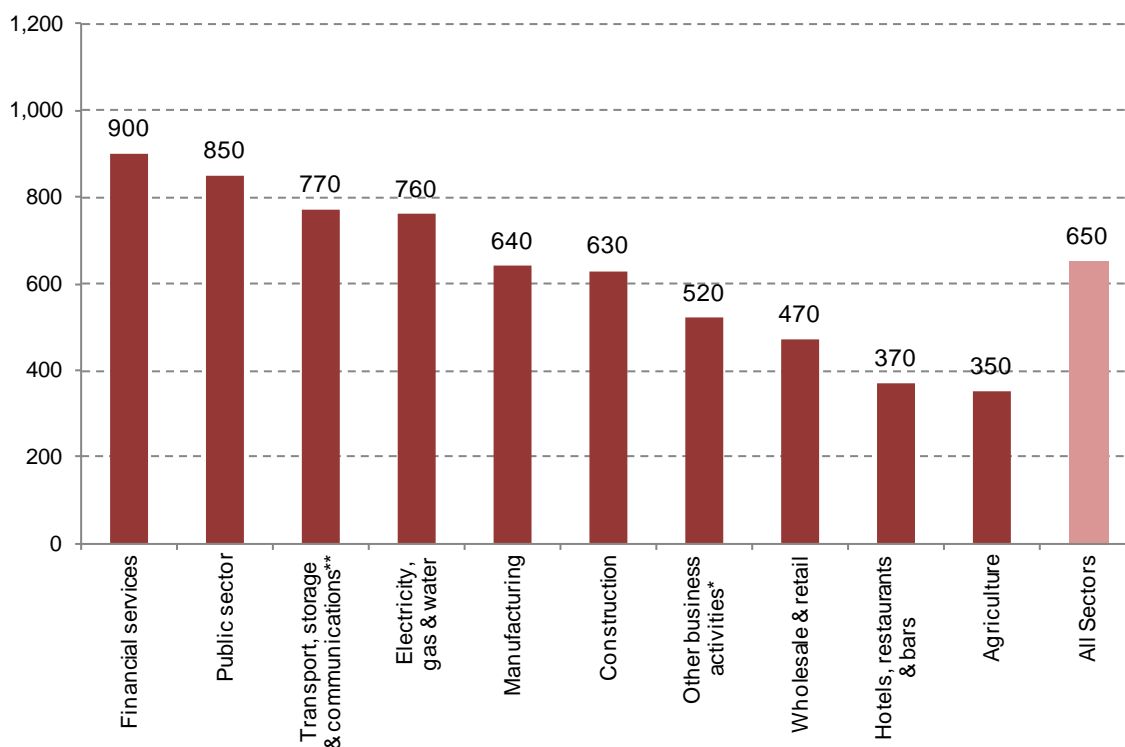
The mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2012 was £650 per week⁸.

Average earnings by sector ranged from £350 per week in Agriculture to £850 per week in the Public sector and £900 per week in Financial services.

⁸ 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 shown in Figure 7 should be considered as estimates with an uncertainty of approximately £20. The levels of earnings determined for June 2011 using 2012 data are consistent at this degree of uncertainty for all sectors, and overall, with those published in 2011 apart from the Other business activities sector, which saw a greater shift in the level of earnings due to variation in responding companies in this sector year on year; however the change in average earnings for this sector, and hence overall, is unaffected by the change in level.

The level of average earnings derived from this survey is an informative indicator, particularly when comparing sub-sectors. 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 statistic provides a numerically greater measure of “average” earnings than the median.

Figure 7 - Average weekly earnings by sector, June 2012 (£ per week per FTE)



Based on data recorded for the 2011 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £125 per week per FTE.

Median earnings

The median average cannot be determined from the data collected for the Index of Average Earnings (IAE), since calculation of the median requires earnings at an individual level rather than at a company level.

The Jersey Income Distribution Survey (IDS), which was carried out over the twelve-month period from May 2009 to May 2010, collected the necessary household and individual income information required to determine median income from earnings. The results derived from the IDS data have been up-rated from the survey period to June 2012 using the Jersey Index of Average Earnings.

Applying the methodology outlined in the notes, the estimated median earnings in June 2012 was £520 per week per FTE.

Comparison with the UK

Over the twelve months to June 2012, average weekly earnings in the UK rose by 1.8%; average earnings in Jersey increased by 1.5% over the same time period.

Although these two measures are not strictly comparable due to differing methodologies⁹, it may nevertheless be inferred that there were similar rates of increase of average earnings in Jersey and the UK over the twelve months to June 2012.

⁹ 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 Notes).

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 such a “matched pair” of earnings for the current and previous years are included in the final derivation 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.

Median earnings from the Income Distribution Survey (IDS) data were calculated using the number of hours respondents worked. Gross earnings were converted into an hourly rate, based on actual (rather than contractual) hours worked, before being up-rated to full-time equivalent employees. Bonus payments were excluded (as they are in the IAE). The earnings data were then weighted according to industry, to ensure the sample of jobs was representative of employment in Jersey.

The difference between the mean average earnings from employment calculated from the IDS data was £20 per week. Given that the IDS and IAE are two different surveys, conducted at different points in time, and were designed to measure different aspects of earnings, the difference of £20 per week is consistent with the estimated confidence intervals for both surveys.

Response rate and coverage

- Some 430 firms in the private sector were sent a survey questionnaire; 326 completed questionnaires were received back, representing a response rate of 75%.
- Of the returned questionnaires, 89% (covering around half of all private sector employees) 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 three-fifths (56%) of all workers in Jersey.

Statistics Unit, 22 August 2012

Table A1: Index of Average Earnings for Jersey*(evaluated for the end of June of each year).*

	% Change	
1990	100.0	
1991	108.6	+8.6
1992	115.1	+6.0
1993	122.1	+6.1
1994	127.7	+4.6
1995	130.6	+2.3
1996	137.1	+5.0
1997	143.5	+4.7
1998	152.7	+6.4
1999	164.3	+7.6
2000	173.4	+5.5
2001	187.4	+8.1
2002	195.2	+4.2
2003	204.3	+4.7
2004	211.1	+3.3
2005	222.2	+5.3
2006	229.5	+3.3
2007	240.2	+4.7
2008	250.6	+4.3
2009	258.0	+3.0
2010	260.9	+1.1
2011	267.3	+2.5
2012	271.4	+1.5

Table A2: Annual percentage change in average earnings by sector: 2002 – 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	-3.3	-2.5	0.6	8.2	6.1	0.0	6.5	5.9	3.3	-10.1	-3.1
Manufacturing	0.2	5.5	3.3	6.5	2.1	3.2	3.8	0.6	1.9	2.3	3.0
Electricity, gas & water	5.1	4.8	4.0	8.7	2.3	3.8	5.0	4.7	2.0	3.3	3.0
Construction	8.3	-1.1	4.4	5.7	2.2	6.7	3.5	2.9	0.2	2.6	1.6
Wholesale & retail	5.0	3.4	3.5	5.5	1.9	3.8	4.2	3.2	1.6	2.8	3.3
Hotels, restaurants & bars	1.8	4.2	3.2	3.2	4.0	2.3	5.1	2.3	1.8	1.5	1.5
Transport, storage & com.	2.3	7.0	3.8	4.6	6.3	4.3	3.1	4.4	1.3	3.3	1.0
Financial services	7.5	5.6	3.4	4.5	3.9	4.9	4.6	3.5	1.0	2.4	2.1
Other business activities	5.6	5.3	3.9	5.0	2.6	3.5	3.5	3.0	1.0	3.1	0.6
All Private sectors	5.3	3.9	3.6	5.0	3.4	4.3	4.2	3.3	1.1	2.2	1.8
Public sector	-2.4	8.3	2.1	6.9	2.5	6.7	4.9	1.0	1.1	3.9	0.3