

Index of Average Earnings

June 2015

Statistics Unit: www.gov.je/statistics



Summary

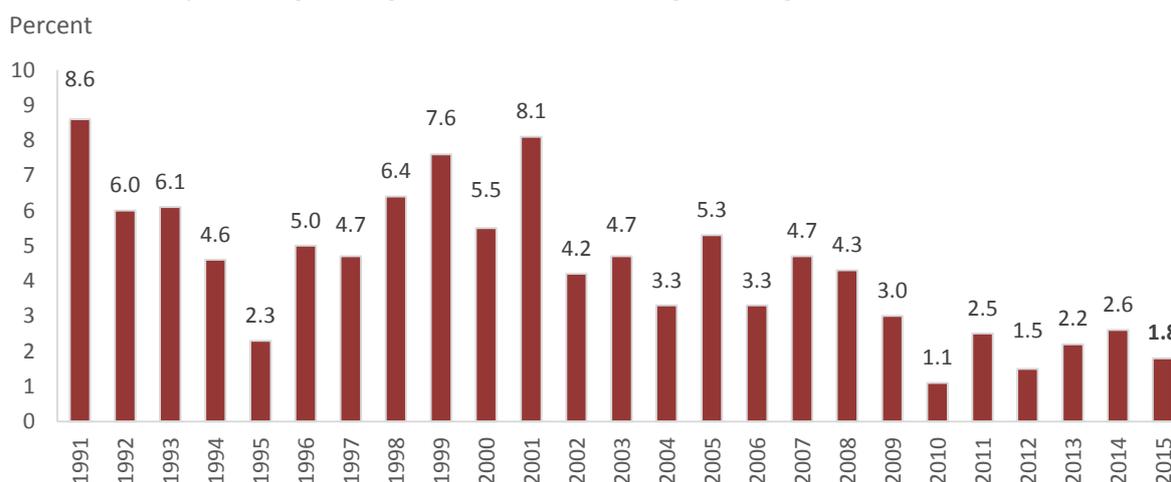
- In June 2015 average weekly earnings¹ in Jersey were 1.8% higher than in June 2014.
- The latest annual increase is 0.8 percentage points lower than that of the previous twelve-month period (2.6% to June 2014).
- Average earnings increased by 0.9 percentage points more than retail prices over the twelve months to June 2015.
- **Private sector** average weekly earnings increased by 2.2% over the twelve months to June 2015.
- **Public sector** average weekly earnings were unchanged over the twelve months to June 2015, corresponding to an annual change of 0.0%.
- In **real terms**, adjusting for retail price inflation, average earnings in Jersey have been essentially flat since 2001, increasing by less than 1% over the 14-year period:
 - Private sector earnings have increased by 1% in real terms since 2001;
 - Public sector earnings have decreased by almost 3% in real terms since 2001.
- The **mean** average weekly earnings of *full-time equivalent*² (FTE) employees in Jersey in June 2015 was £680 per week.

Index of Average Earnings

In June 2015 average earnings were 1.8% higher than in June 2014. The latest increase is 0.8 percentage points lower than that recorded for the previous twelve-month period (2.6% to June 2014).

Figure 1 shows annual percentage changes in the Index of Average Earnings since 1991 (over the twelve months to June of each year). The latest increase is lower than the preceding five-year average of 2.0% per annum, and below the long-term annual average of 4.5% per annum since 1990.

Figure 1 – Annual percentage change in the Index of Average Earnings, 1991-2015



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 2015 index measures changes in average earnings received between the last weeks of June 2014 and June 2015.

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.

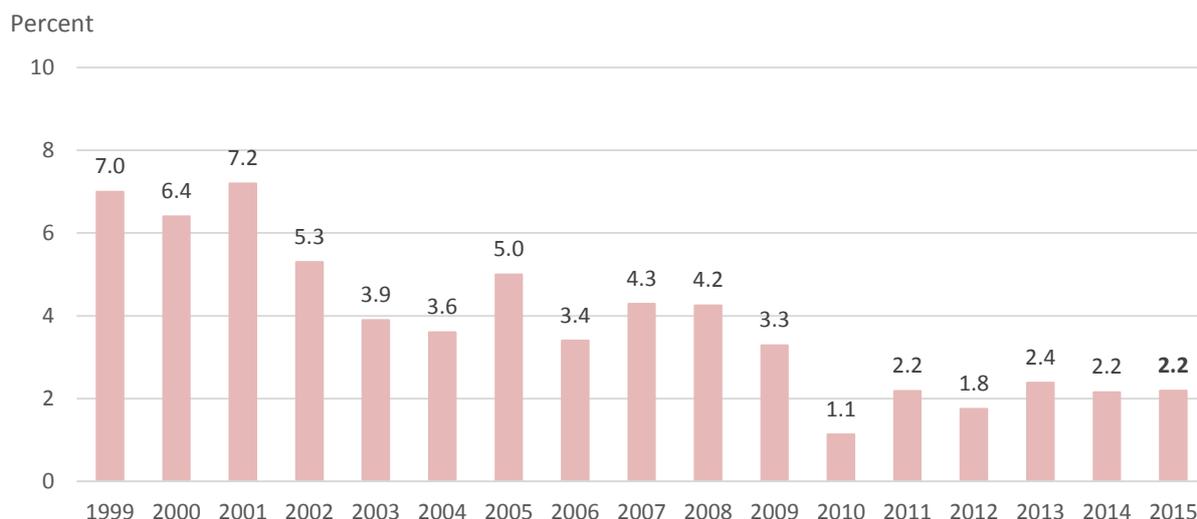
Private sector

Over the twelve months to June 2015 average earnings in the private sector, overall, rose by 2.2%.

This latest annual increase is similar to that recorded over the previous twelve months (2.2% to June 2014) and to the preceding three-year average (2.1% per annum from 2012-2014).

From 2009 onwards (since the global economic downturn in 2008) there have been lower annual rates of increase of average earnings in Jersey than in each of the preceding ten years (Figure 2).

Figure 2 - Private sector: annual percentage change in average earnings



Public sector

Over the twelve months to June 2015 average earnings in the public sector were unchanged, recording a change of 0.0% on an annual basis.

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

- Over the latest five-year period (since June 2010), average earnings have increased by similar overall amounts in both the public and private sectors (10% and 11%, respectively), corresponding to similar average annual rates of increase (2.0% per annum in the public sector; and 2.1% per annum in the private sector);
- Over the longer term (since 1999³), average earnings in the public sector have risen by less than in the private sector (by 68% and 77%, respectively). These overall increases correspond to average annual increases since 1999 of 3.3% per annum in the public sector and 3.6% per annum in the private sector.

³1999 is the earliest year that public and private sector comparisons can be made.

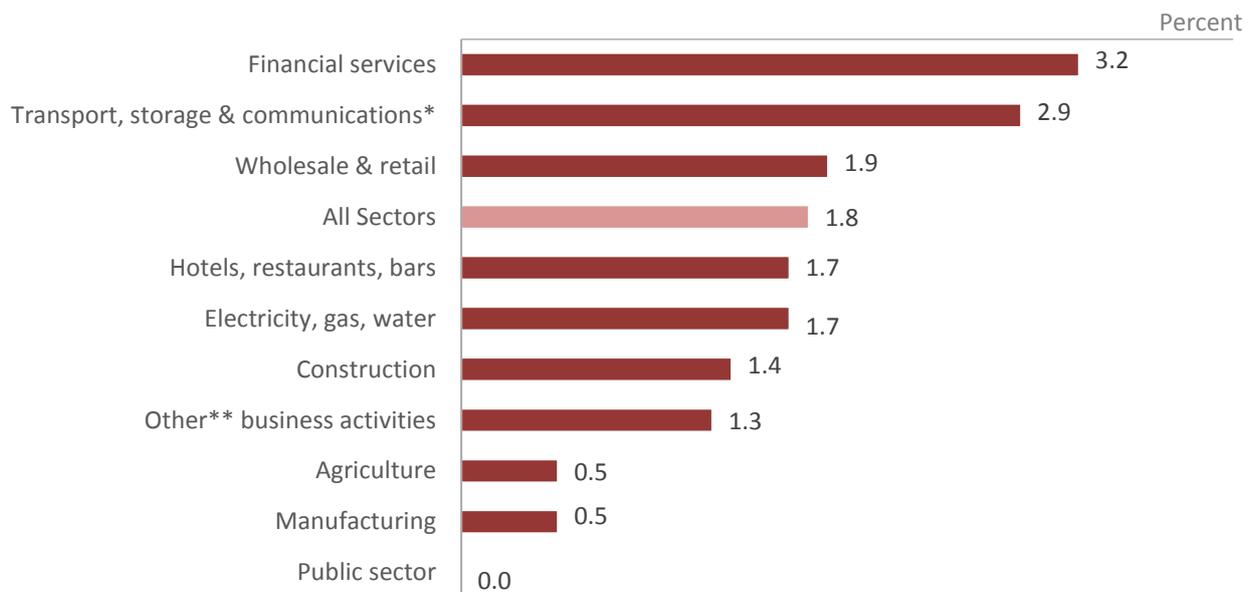
Individual business sectors

Figure 3 shows the annual change in average earnings for individual business sectors. The majority of sectors saw average earnings increase by between 1 and 3 percent over the twelve months to June 2015.

Notable movements for the individual sectors include:

- Average earnings (excluding bonuses) in the **Finance** sector rose by 3.2% on average. This represents the largest increase seen in this sector since 2008, and is greater than the preceding five-year average of 2.1% per annum for this sector.
- Earnings in the **Transport, storage and communications** sector increased by 2.9% on average, a similar rate of increase to that recorded over the previous year (3.1% over the twelve months to June 2014).
- Average earnings in the **Manufacturing** and **Agriculture** sectors increased by 0.5% over the twelve months to June 2015. The latest increase for **Agriculture** was the result of two offsetting factors: the rise in the minimum wage in April 2015; and fewer hours being worked in June 2015 compared to June 2014.
- The lowest annual rate of increase was seen in the **Public sector**, where average earnings in June 2015 were unchanged compared to June 2014, recording a change of 0.0% on an annual basis.

Figure 3 - Annual percentage change in average earnings by sector, June 2015



* 'Transport, storage and communications' includes Jersey Airport, Ports of Jersey, Jersey Post and Jersey Telecom (JT).

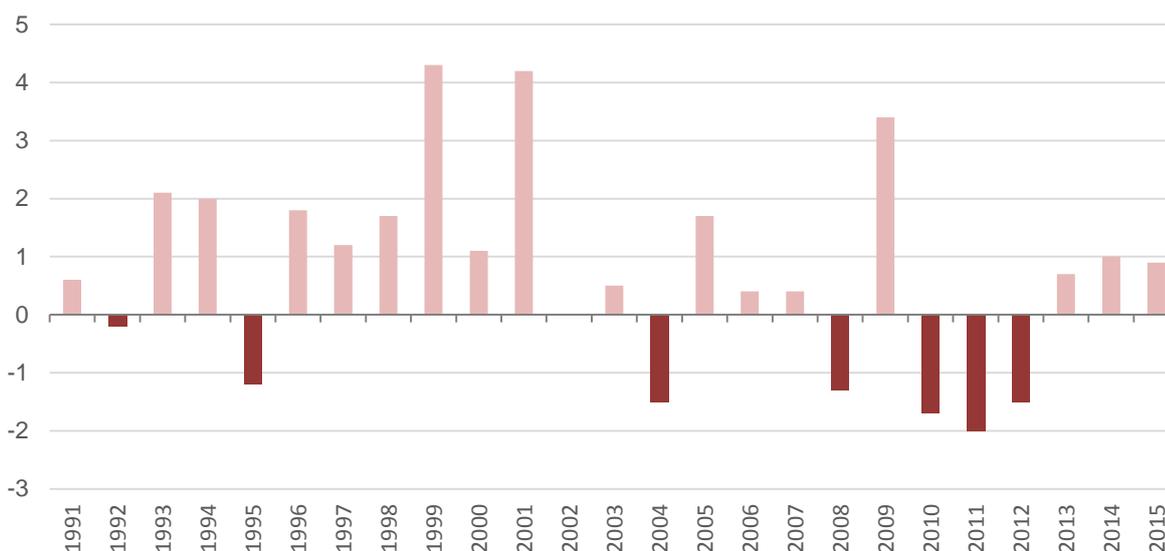
** The 'Other business activities' sector includes 'Miscellaneous business activities' and private sector 'Education, health and other services'.

Comparison with Consumer Price Indices

During the twelve months to June 2015 the Jersey All Items Retail Prices Index (RPI) increased by 0.9%. Average earnings increased by 1.8% during the same period, implying that earnings increased by 0.9 percentage points more than retail prices over the latest twelve-month period.

Figure 4 illustrates the difference between the annual change in average earnings and the annual change in the RPI for each year from 1991 to 2015. In seven out of the last 25 years earnings have increased in Jersey at a lower rate than prices (shown as negative values in Figure 4).

Figure 4 – Difference between annual changes in average earnings and the RPI⁴, 1991 to 2015 (percentage points)



The State Pension⁵ in Jersey has historically been linked to the Jersey Index of Average Earnings so it is therefore informative to compare average earnings with the RPI for pensioner households (RPI Pensioners).

Table 1 shows that average earnings rose by more than pensioner inflation in the latest one- and three-year periods. Over the most recent five-year period average earnings have risen similarly to pensioner inflation.

Since 2007, when the Pensioners RPI was first introduced in Jersey, inflation for pensioner households has seen a greater overall increase than average earnings (24.2% and 20.6%, respectively).

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

	1-year 2014-2015	3-year 2012-2015	5-year 2010-2015	8-year 2007-2015
RPI(Pensioners)	0.4	3.5	11.3	24.2
Average Earnings	1.8	6.7	11.0	20.6

⁴ The increases in retail prices shown in Figure 4 and Table 1 are based on the indices in June of each year.

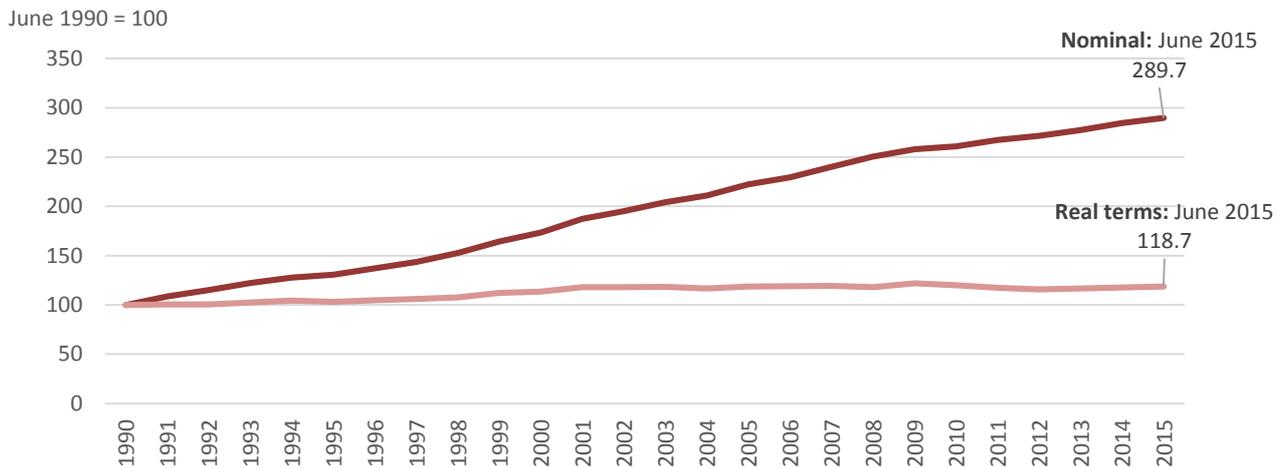
⁵ Prior to 2013 the State pension was automatically up-rated by the Index of Average Earnings. From 2013, the State Pension has been linked to a calculation involving both the Jersey Index of Average Earnings and the Jersey Retail Prices Index for Pensioner Households (see Proposition P.15/2013).

Average earnings in real terms

It is informative to consider the change in average earnings in 'real terms', that is by adjusting for retail price inflation. Figure 5 shows the Index of Average Earnings since 1990 in nominal and real terms (adjusted by the Jersey All Items Retail Prices Index⁶).

Since 1990 average earnings in Jersey have almost tripled, increasing by 190%. However, after adjusting for retail price inflation, average earnings have increased by less than a fifth (19%) over this period.

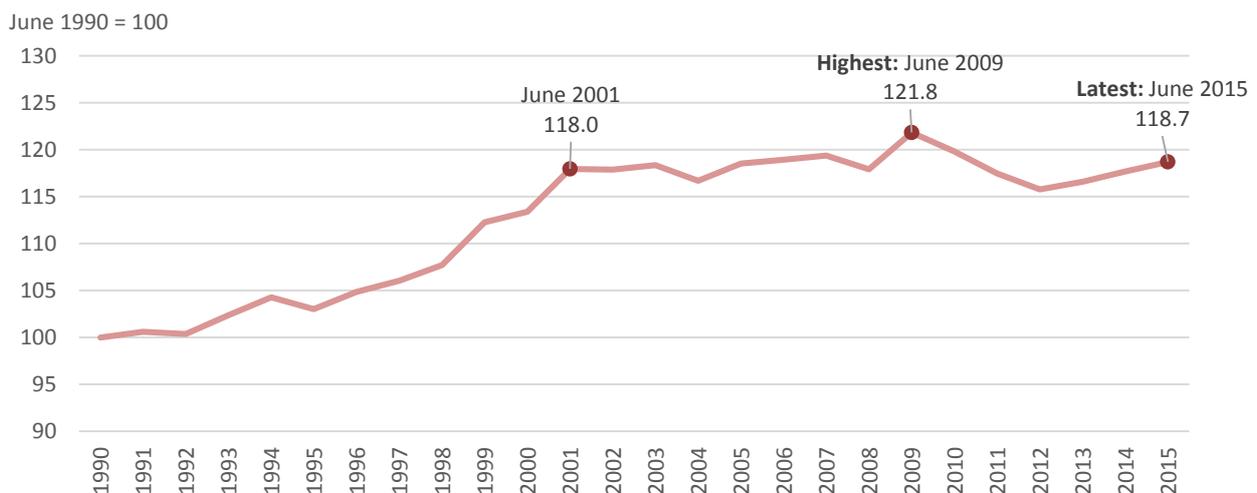
Figure 5 – Index of Average Earnings in nominal and real terms (June 1990=100)



As is apparent from Figure 6, since 1990 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;
- 2001-2015 has seen earnings essentially flat in real terms, increasing by less than 1% over the period.

Figure 6 – Index of Average Earnings in real terms, June 1990=100



⁶ Using indices at June of each year.

Figure 7 shows the period from 2001 onwards in more detail, and for both the public and private sectors separately.

Over the 14-year period since 2001, average earnings in the private sector have risen by 1.1% in real terms; in contrast, average earnings in the public sector have fallen by 2.7% in real terms.

Figure 7 – Index of Average Earnings in real terms for the public and private sectors, June 2001 = 100



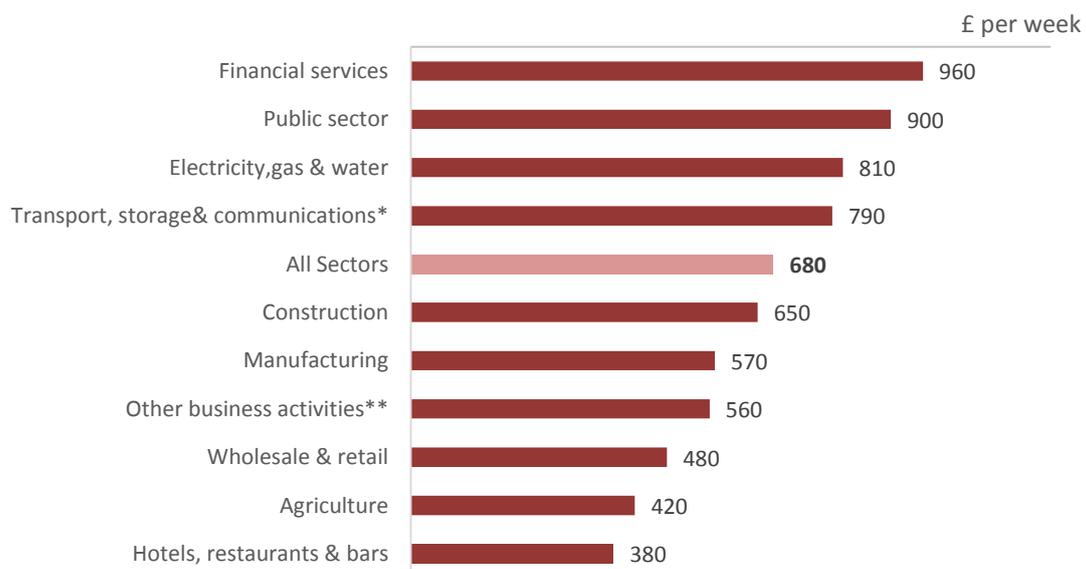
During the latest twelve-month period, real-term earnings increased by 1.2% in the private sector, but decreased by 0.9% in the public sector.

Level of earnings

The principal 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, depending on the proportion of a full-time week worked.

Figure 8 - Average weekly earnings by sector, June 2015 (£ per week per FTE)



Based on data recorded for the 2014 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £90 per week per FTE employee.

The mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2015 was £680 per week⁷ (see Figure 8).

At a sectoral level, average earnings (per FTE) by sector ranged from around £400 per week in **Hotels, restaurants and bars** and **Agriculture** to around £900 per week in the **Public sector** and **Financial services**.

The level of average earnings derived from this survey should be considered as an informative measure, particularly when comparing 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. The median average cannot be determined from the data collected for the Index of Average Earnings, since calculation of the median requires earnings at an individual level rather than at a company level.

Comparison with the UK

Over the twelve months to June 2015, average weekly earnings in the UK rose by 2.8%; average earnings in Jersey increased by 1.8% over the same period.

In the UK private sector earnings increased by 3.2% over the twelve months to June 2015, compared with an increase of 2.2% in Jersey over the same period.

Public sector earnings in the UK increased by 1.3% over the twelve months to June 2015, compared with no change (0.0%) in Jersey.

Although the measures for the two jurisdictions are not strictly comparable due to differing methodologies⁸, it may nevertheless be inferred that average earnings in Jersey increased at a lower rate than in the UK over the twelve months to June 2015, overall and for the public and private sectors separately.

⁷ 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 8 should be considered as estimates with a 95% confidence interval of approximately $\pm£20$. The levels of earnings determined for June 2014 using 2015 data are consistent at this level of uncertainty for all sectors except Agriculture and Manufacturing due to minor revisions in the 2014 data for these sectors. However the change in average earnings for these sectors, and hence overall, are unaffected by the changes in level.

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 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.

Response rate and coverage

- Around 450 firms in the private sector were sent a survey questionnaire; 334 completed questionnaires were received back, representing a response rate of 74%.
- Of the returned questionnaires, 79% (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 over half (51%) of all workers in Jersey.

Statistics Unit, 26 August 2015

Appendix

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

* 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 – 2015

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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
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
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
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
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
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
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
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
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
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
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