

Index of Average Earnings June 2011

Statistics Unit: www.gov.je/statistics

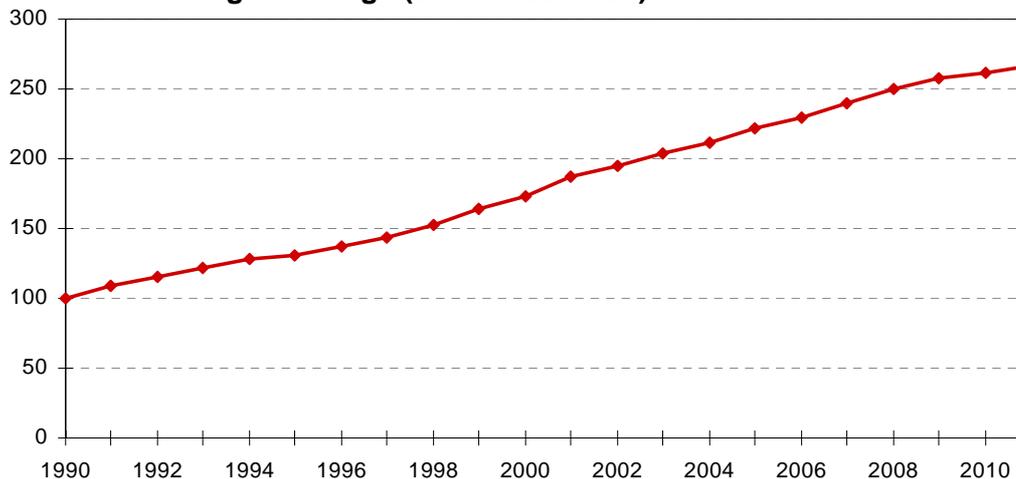
Summary

- In June 2011 the average weekly earnings¹ of workers² in Jersey was 2.5% higher than in June 2010.
- The latest annual increase is 1.4 percentage points greater than that of the previous twelve-month period (1.1% to June 2010).
- Average earnings in the **private sector overall** increased by 2.2% over the year to June 2011; the majority of sectors saw increases of around 2 to 3 percent.
- the **public sector** saw average earnings increase by 3.9% over the year to June 2011. This increase was due to both a scheduled pay award (of 2%) for 2011 for the majority of employees as well as a retrospective pay award for 2010 (of 2%) for some pay groups.
- The **mean** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2011 was £650 per week.
- The **median** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2011 was £520 per week³.

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 260.9 in June 2010 to 267.3 in June 2011 (on a basis of June 1990 = 100), an annual increase of 2.5%.

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



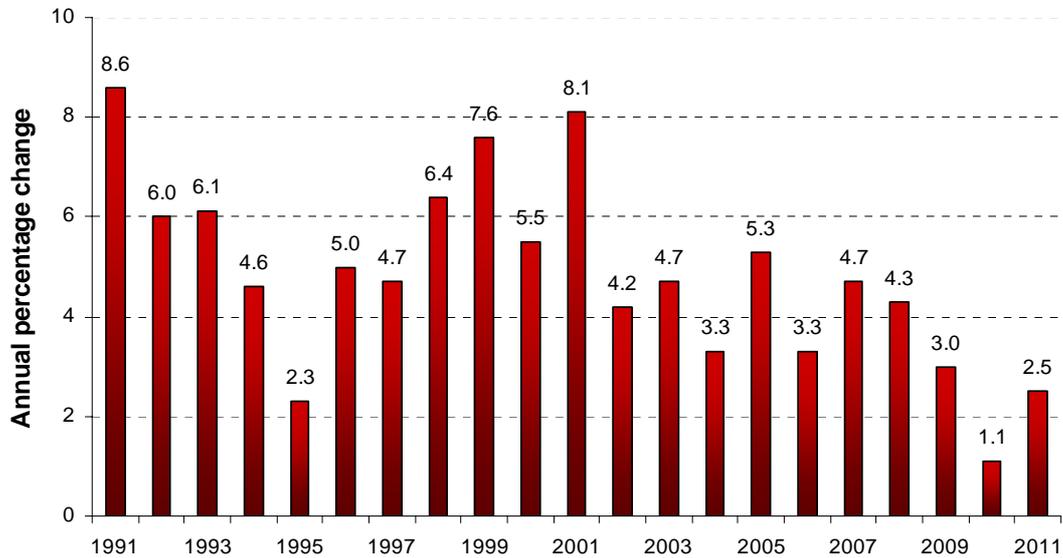
¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2011 Index measures changes in average earnings received between the last weeks of June 2010 and June 2011.

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

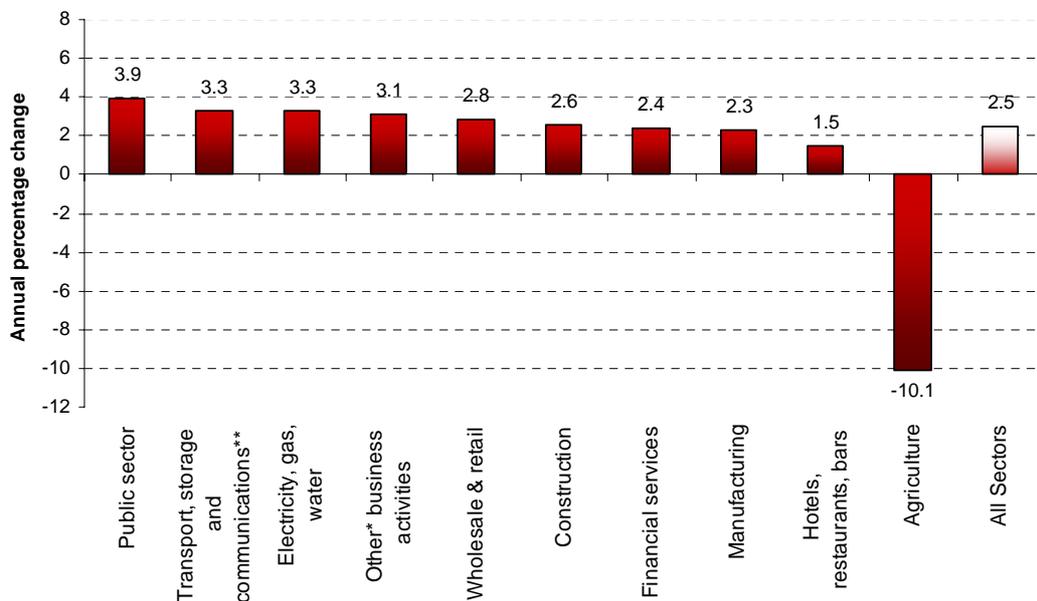
The annual percentage changes in average earnings since 1991 (over the twelve months to June of each year) are shown in Figure 2. The average annual increase in earnings during the most recent three-year period, since the global economic downturn in late 2008, has been 2.2% per annum, a rate of increase lower than the annual increases seen in the preceding two decades.

Figure 2 - Annual percentage change in average earnings



Individual business sectors

Figure 3 - Annual percentage change in average earnings by sector, June 2011



* 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.

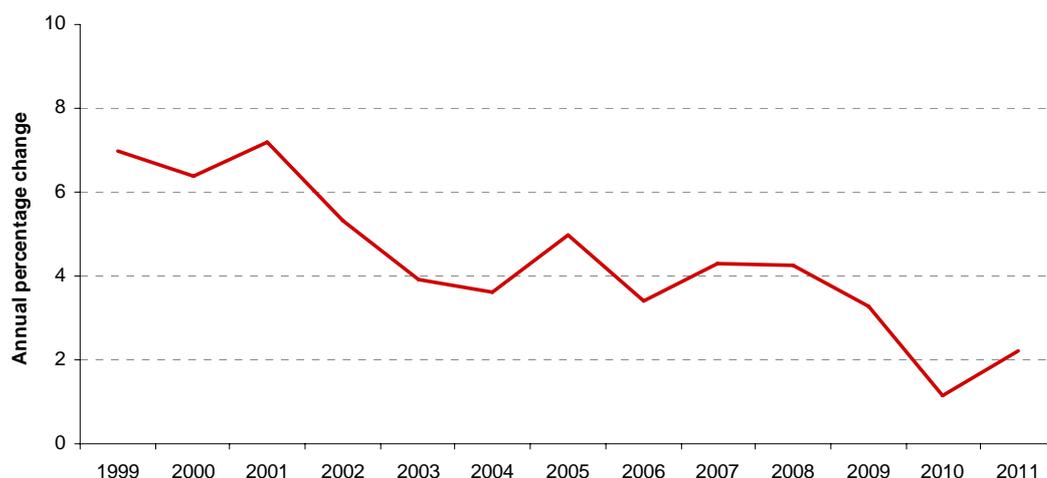
As shown in Figure 3, the majority of industries in the private sector saw annual earnings increase by around 2 to 3 percent in the twelve months to June 2011. Notable movements included:

- **Agriculture** recorded a fall of 10% in average earnings, despite many workers receiving the increase in the minimum wage⁴ implemented in April 2011. This fall in average earnings was driven by fewer hours being worked in June 2011 compared with the previous June. The latest fall is in contrast to last year, when Agriculture recorded the greatest increase (3.3%) of all the sectors; and to previous years when annual increases of around 6% were recorded for both 2008 and 2009;
- average earnings in **Hotels, restaurants and bars** rose by 1.5%. In this sector, pay rises implemented over the year were offset by fewer hours worked compared with the previous June;
- average earnings (excluding bonuses) in the **Finance** sector, which accounts for about a quarter of the Island's workforce⁵, rose by 2.4% over the twelve months to June 2011.

Private sector

Over the twelve months to June 2011 average earnings in the private sector, overall, rose by 2.2%. As Figure 4 shows, the rate of growth of average earnings in the private sector has exhibited a downward trend in Jersey during the last decade.

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



The latest annual increase in the private sector (2.2%) is similar to the annual average seen over the preceding two-year period, 2009-2010.

Public sector

Over the twelve months to June 2011 average earnings in the public sector rose by 3.9%.

This overall annual increase was predominantly due to a scheduled pay award for the majority of public sector employees (of 2% in January 2011) as well as a retrospective pay award for 2010 (of 2%) for some groups (including teachers, nurses and prison officers) during the last twelve months.

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 2011 the figure was increased by 1.95% to £6.32 per hour.

⁵ Jersey Labour Market, December 2010: States of Jersey Statistics Unit, April 2011.

Comparison of the rate of growth of earnings in the public and private sectors is made more complex by the historic two-year nature of pay negotiations and awards seen in the public sector prior to 2008 and also by the periodic delay in implementation of pay awards for some pay groups. 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 2001, average earnings in the public sector have increased by 41%; over the same period, earnings in the private sector increased by 43%;
- 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, of 11%.

Comparison with Retail Price Indices

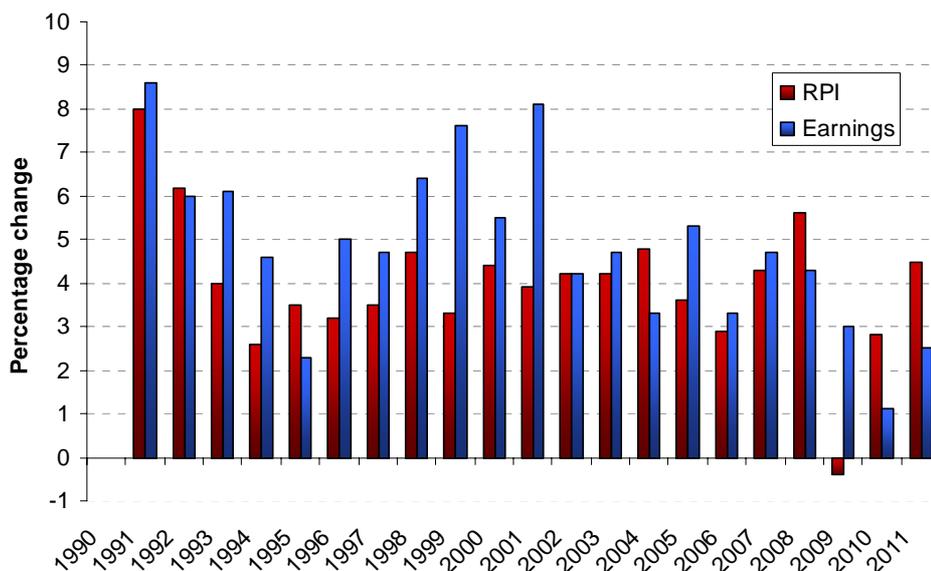
During the twelve months to June 2011 the Jersey All Items Retail Prices Index (RPI) rose by 4.5%. This annual rise was driven by the increase in the rate of GST⁶ on 1 June 2011, accounting for 1.3 percentage points of the increase in the RPI.

Average earnings increased by 2.5% during the last twelve months, implying that prices increased by 2.0 percentage points more than earnings over the period.

Wage and salary negotiations are often linked in some way to the Jersey RPI. The (time-weighted) average of the *published* annual increases in the RPI during the relevant period (from June 2010 to June 2011) was 2.6%. Average earnings over the twelve months to June 2011, therefore, increased at a similar rate to the average of the annual changes in the RPI published during this period⁷.

Historically, the long-term growth of earnings in Jersey has been greater than that of prices. Since 1990 the Jersey RPI has increased by 128% (i.e. prices have more than doubled), whilst earnings have increased by 167%. As Figure 6 shows, prices have increased in Jersey at a faster rate than earnings in six out of the last twenty years, since 1991.

Figure 6 – Annual percentage changes in average earnings and the RPI at June each year



⁶ The rate of GST in Jersey increased from 3% to 5% on 1 June 2011.

⁷ The published annual changes in the Jersey all items RPI during the period June 2010 to June 2011 were: March 2010, 3.2%; June 2010, 2.8%; September 2010, 2.1%; December 2010, 2.3%; and March 2011, 3.1%.

This relative behaviour of earnings and prices is reflected in the long-term annual averages: over the period from 1990 to 2011, earnings increased on average by almost one percentage point more per annum than prices (4.8% and 4.0% per annum for earnings and prices, respectively).

It is also apparent from Figure 6 that recent years have constituted a different period in the relative behaviour of prices and earnings than that seen over the longer term: in three of the past five years prices in Jersey have increased at a greater rate than earnings.

Changes in earnings and prices during the most recent ten-year period are shown in Table 1: for the latest year (2011); the last three years (2008-2011), corresponding to the period since the global economic downturn; the last five years (2006-2011); and the last ten years (2001-2011).

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) ⁸.

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

	1-year 2011	3-year 2008-2011	5-year 2006-2011	10-year 2001-2011
RPI	4.5	7.1	17.9	43.2
RPI(X)	4.4	10.1	19.1	42.2
RPI(Y)	3.0	8.9	-	-
Average Earnings	2.5	6.7	16.5	42.6

Average earnings in Jersey increased by less than headline and underlying inflation during the latest one-, three- and five-year periods; the three indices saw similar increases over the last ten years.

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 2011	3-year 2008-2011	4-year 2007-2011
RPI Pensioners	4.5	10.4	16.6
Average Earnings	2.5	6.7	11.3

As is apparent from Table 2, earnings increased at a rate 2 percentage points below that of the RPI for pensioner households during the latest year.

Over the four-year period since the RPI for pensioners was introduced, average earnings have increased by some 5 percentage points less than the RPI for pensioners.

This difference in overall change corresponds to earnings increasing each year during the four-year period at an average annual rate 1.2 per cent less than 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 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.

⁸ 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.

Level of earnings

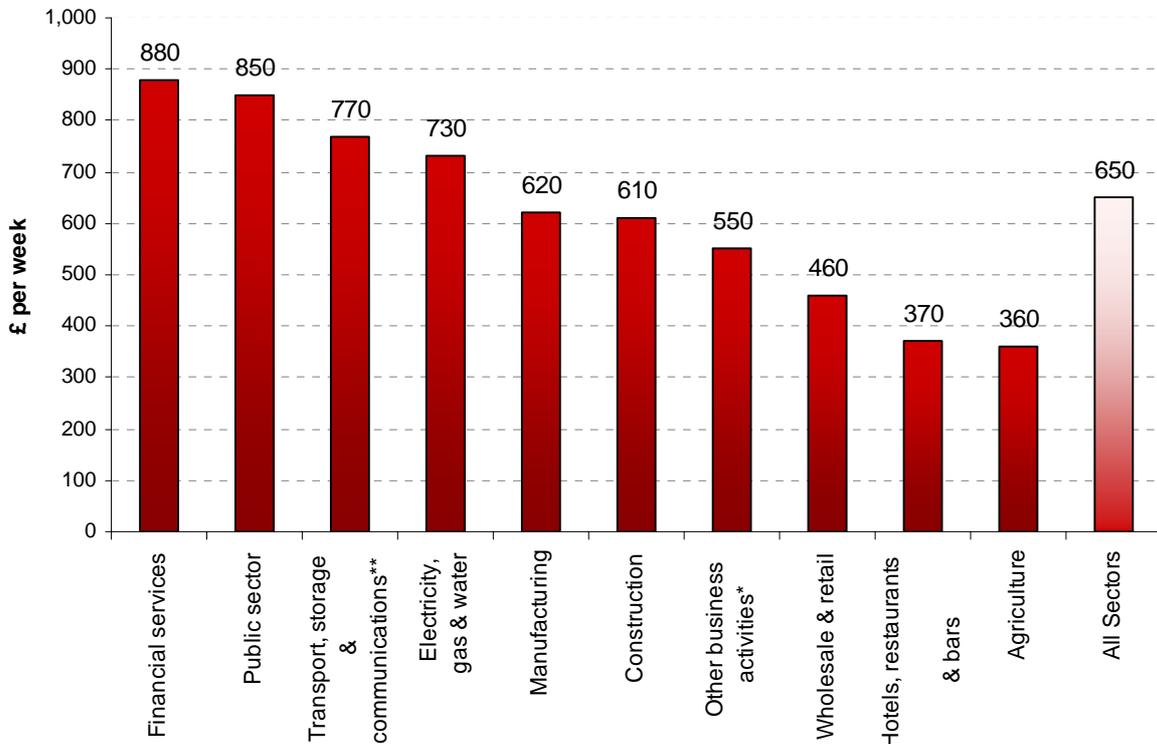
The main purpose of the Index of Average Earnings is to measure the change in earnings. However, the data collected also provides information on the level of earnings: the mean average weekly earnings **per full-time equivalent (FTE)** employee.

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 5, 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 2011 was £650 per week⁹.

Average earnings by sector ranged from £360 per week in Agriculture to £850 per week in the Public sector and £880 per week in Financial services.

Figure 5 - Average weekly earnings by sector, June 2011 (£ per week per FTE)



Based on data recorded for the 2010 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £105 per week per FTE.

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.

⁹ 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 5 should be considered as estimates with an uncertainty of approximately £20. The levels of earnings determined for June 2010 using 2011 data are consistent at this degree of uncertainty for all sectors, and overall, with those published in 2010.

Median earnings - derived from the 2009/10 Jersey Income Distribution Survey

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, and presented below, include an up-rate from the survey period to June 2011 using the Jersey Index of Average Earnings.

Applying the methodology outlined in the notes, the IDS data give the following measures of “average” earnings in Jersey from employment at June 2011:

- median earnings of £520 per week per FTE;
- mean earnings of £670 per week per FTE.

The difference between the mean average earnings from employment calculated from the IDS data (£670 per week) and that of the IAE (£650 per week) is £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.

Comparison with the UK

Over the twelve months to June 2011, average weekly earnings in the UK rose by 2.1%; average earnings in Jersey increased by 2.5% over the same time period.

Although these two measures are not strictly comparable due to differing methodologies¹⁰, nevertheless it may be inferred that there were similar rates of increase of average earnings in Jersey and the UK over the twelve months to June 2011.

¹⁰ 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.

Response rate and coverage

- Some 430 firms in the private sector were sent a survey questionnaire; 340 completed questionnaires were received back, representing a response rate of 79%.
- Of the returned questionnaires, 86% (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 (55%) of all workers in Jersey.

Statistics Unit

24 August 2011

Appendix 1

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

Appendix 2

Annual percentage change in average earnings by sector: 2002 – 2011

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