

Index of Average Earnings June 2013

Statistics Unit: www.gov.je/statistics

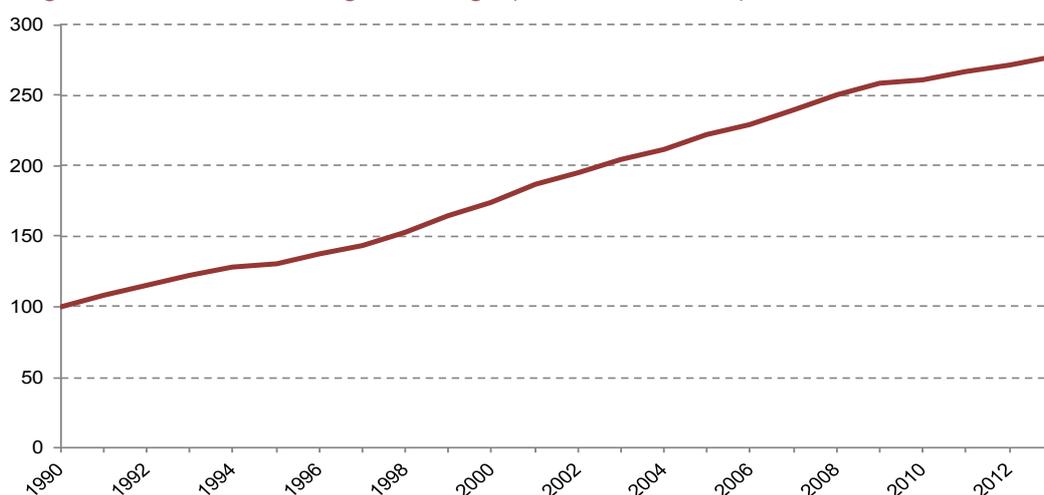
Summary

- In June 2013 the average weekly earnings¹ of workers² in Jersey was 2.2% higher than in June 2012.
- The latest annual increase is 0.7 percentage points higher than that of the previous twelve-month period (1.5% to June 2012).
- This latest increase in earnings represents the first time in four years that earnings have increased by more than prices (RPI).
- Average earnings in the **private sector** increased at almost twice the rate of that in the **public sector** over the twelve months to June 2013:
 - earnings increased, on average, by 2.4% in the private sector and by 1.3% in the public sector over this period.
- The **mean** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2013 was £660 per week.
- The **median** average weekly earnings of *full-time equivalent employees* (FTE) in Jersey in June 2013 was estimated as £540 per week³.

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 271.4 in June 2012 to 277.4 in June 2013 (on a basis of June 1990 = 100), an annual increase of 2.2%.

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



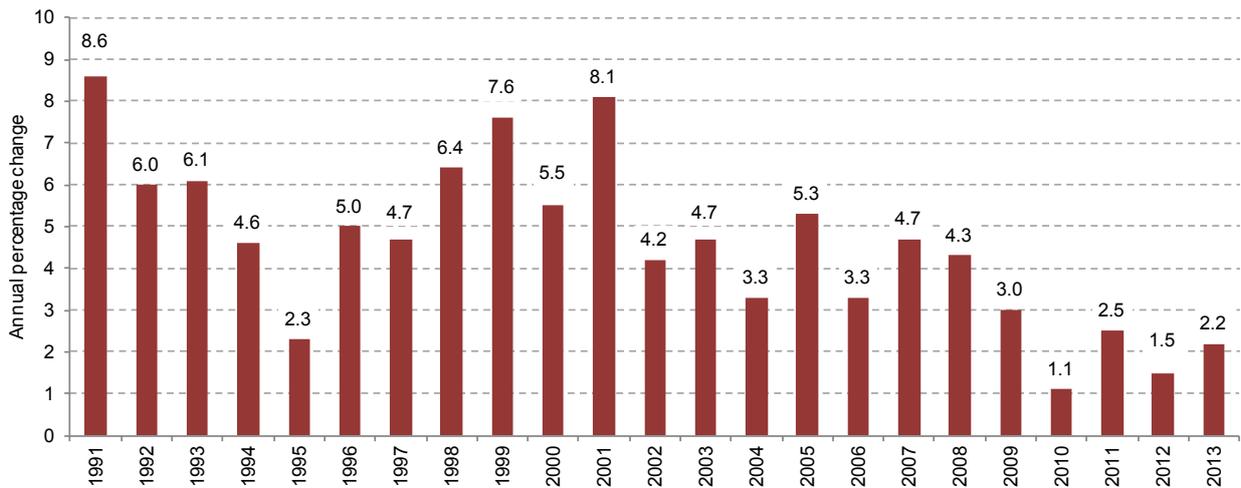
¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2013 index measures changes in average earnings received between the last weeks of June 2012 and June 2013.

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



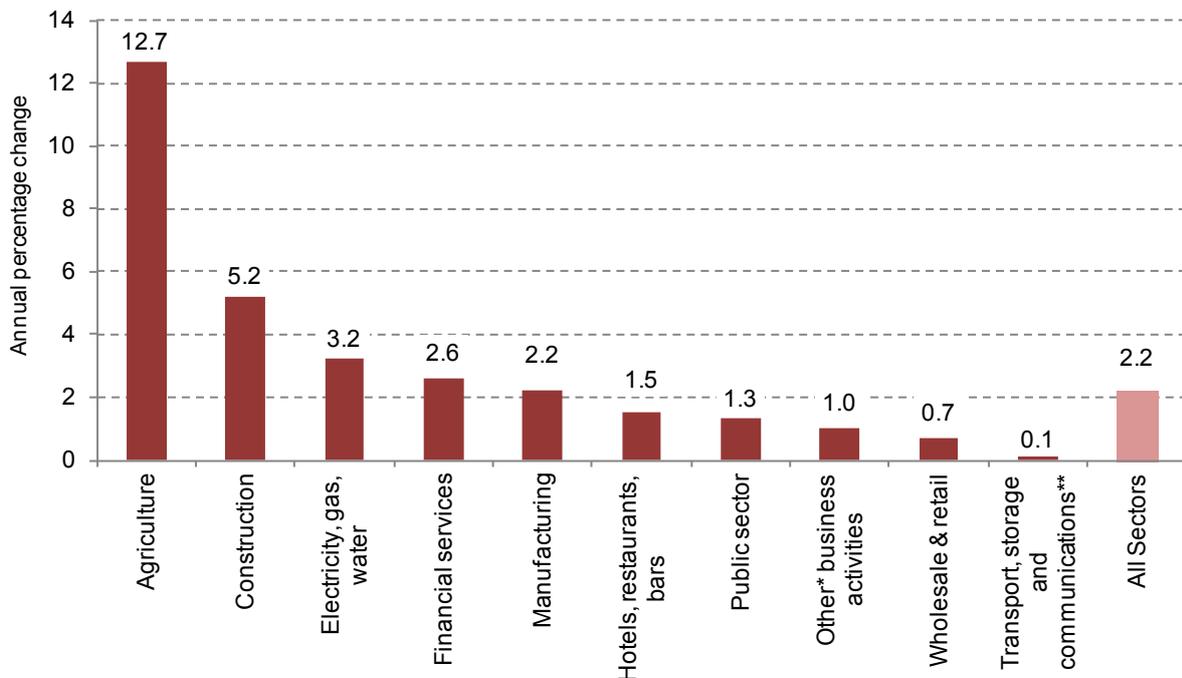
The average annual increase in earnings during the most recent five-year period, since the global economic downturn in late 2008, has been 2.1% per annum; a rate of increase lower than any annual increases seen in the preceding two decades.

The long-term annual average increase (since 1990) was 4.5% per annum.

Individual business sectors

As shown in Figure 3, the majority of industries in the private sector saw annual earnings increase by less than 3% over the twelve months to June 2013.

Figure 3 - Annual percentage change in average earnings by sector, June 2013



* 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.

Notable movements were:

- average earnings in **Agriculture** rose by 12.7% due to more hours being worked in June 2013 than in June 2012. The latest increase is in contrast to the previous two years where falls in earnings were recorded for this sector (-3.1% in 2012 and -10.1% in 2011) when fewer hours were worked;
- earnings in the **Construction** sector rose by 5.2% on average, representing the largest increase for this sector since 2007;
- average earnings (excluding bonuses) in the **Finance** sector (which accounts for about a quarter of the Island's workforce⁴) rose by 2.6% over the twelve months to June 2013. This latest increase is above the preceding three-year average of 1.8% per annum for this sector.

Private sector

Over the twelve months to June 2013 average earnings in the private sector, overall, rose by 2.4%.

As Figure 4 shows, the rate of growth of average earnings in the private sector has exhibited a downward trend since 1999. Prior to the global economic downturn in 2008, private sector earnings had risen by around 4% per annum; since 2008 earnings in the private sector have increased by around 2% per annum.

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



The latest annual increase in the private sector (2.4%) is greater than the annual average seen over the preceding three-year period (1.7% per annum).

Public sector

Over the twelve months to June 2013 average earnings in the public sector rose by 1.3%. The annual increase in public sector earnings was predominantly due to a scheduled pay award for the majority of public sector workers (1% in January 2013).

Since June 2008 (when the public sector moved away from a two-year structure of pay awards to that of an annual basis) average earnings in the private sector have risen by 16% compared with an increase of 13% in the public sector.

Over the latest twelve-month period, average earnings in the private sector increased at almost twice the rate of average earnings in the public sector.

⁴ Jersey Labour Market, December 2012: States of Jersey Statistics Unit, March 2013.

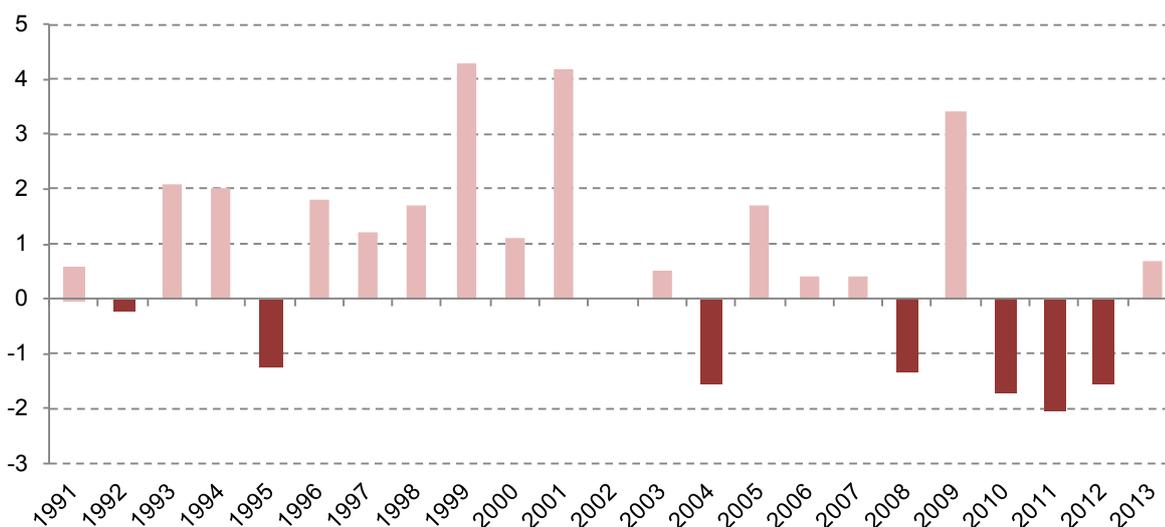
Comparison with Retail Price Indices

During the twelve months to June 2013 the Jersey All Items Retail Prices Index (RPI) rose by 1.5%.

Average earnings increased by 2.2% during the last twelve months, implying that earnings increased by 0.7 percentage points more than prices over the period.

Figure 5 illustrates the difference between the annual change in average earnings and the annual change in the RPI for each year from 1991 to 2013. Earnings have increased in Jersey at a lower rate than earnings in seven out of the last 23 years (shown as negative values in Figure 5).

Figure 5 – Difference between annual changes in average earnings and the RPI⁵, 1991 to 2013 (percentage points)



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 six years, earnings have risen by less than prices. The latest increase is the first time in four years that earnings have risen at a greater annual rate than prices.

Changes in earnings and prices during the most recent five-year period are shown in Table 1. Changes in retail prices are presented in terms of headline inflation (as measured by the All Items Retail Prices Index, RPI) and the RPI for pensioner households⁶.

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

	1-year 2012-2013	3-year 2010-2013	5-year 2008-2013
RPI	1.5	9.3	11.9
RPI(Pensioner)	1.6	9.3	15.5
Average Earnings	2.2	6.3	10.7

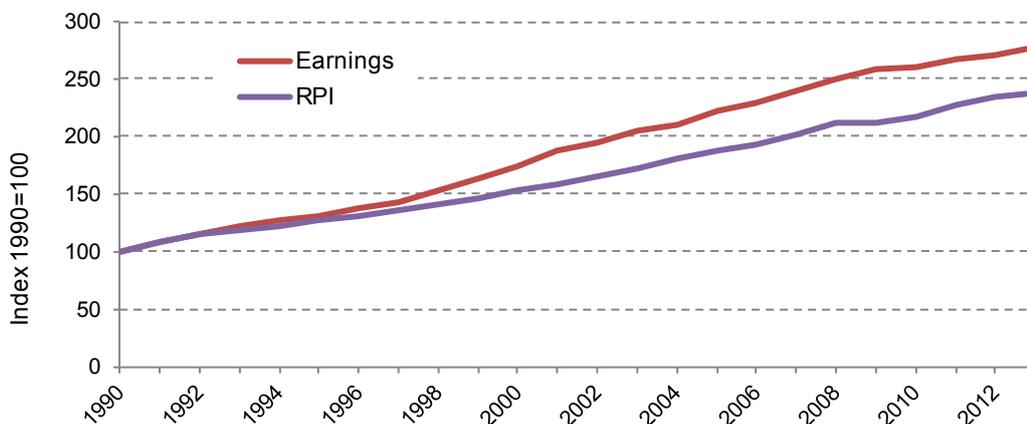
⁵ The increases in retail prices shown in Figure 5 and Table 1 are based on the indices in June of each year.

⁶ Historically, the State pension was up-rated by the Index of Average Earnings. From 2013, the State pension is linked to the Index of Average Earnings and the Retail Prices Index for Pensioner Households (see Proposition P.15/2013).

Average earnings rose by more than both headline and pensioner inflation in the latest one-year period. However, during the latest three- and five-year periods both measures of consumer price inflation have increased by more than average earnings.

Figure 6 shows that over the longer-term (since 1990) earnings have risen more than prices. This is reflected in the long-term annual averages, with earnings rising by an average of 4.5% per annum since 1990 compared with 3.8% per annum for prices.

Figure 6 – Index of Average Earnings and All Items Retail Prices Index (June 1990=100)



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.

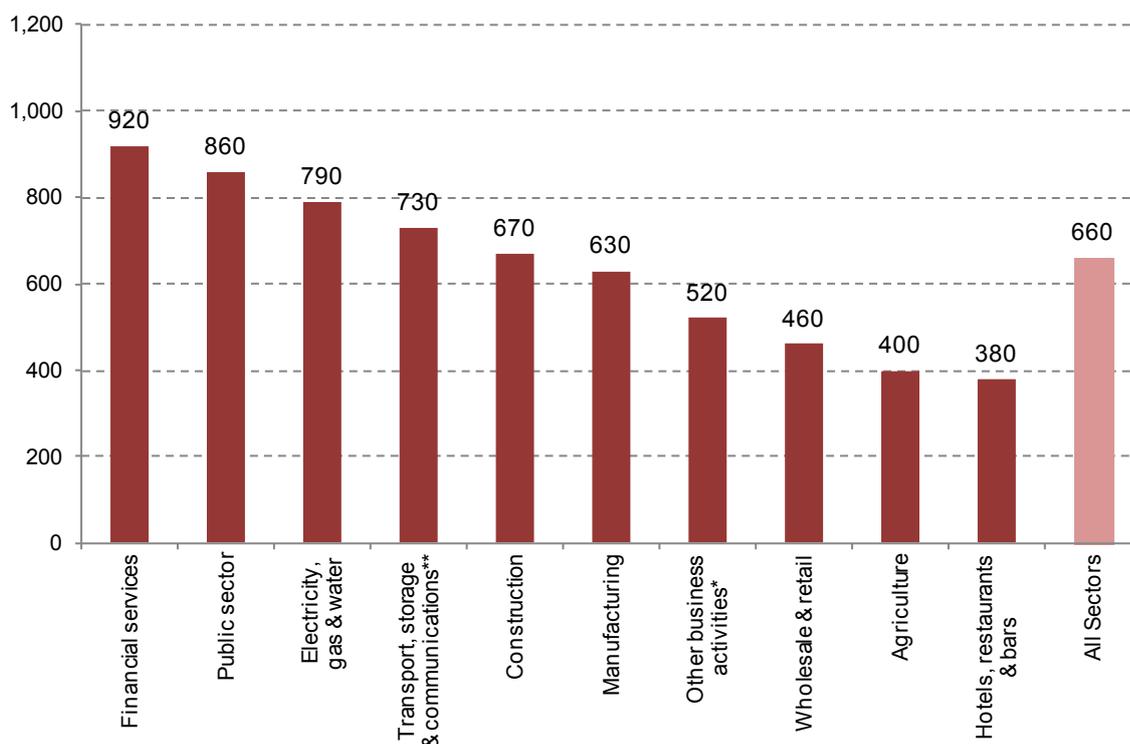
The mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2013 was £660 per week⁷.

Average earnings by sector ranged from £380 per week in Hotels, Restaurants and bars and £400 per week in Agriculture to £860 per week in the Public sector and £920 per week in Financial services.

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.

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 7 should be considered as estimates with a 95% confidence interval of approximately ±£20. The levels of earnings determined for June 2012 using 2013 data are consistent at this level of uncertainty.

Figure 7 - Average weekly earnings by sector, June 2013 (£ per week per FTE)



Based on data recorded for the 2012 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £110 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 2013 using the Jersey Index of Average Earnings.

Applying the methodology outlined in the notes, the estimated median earnings in June 2013 was £540 per week per FTE employee.

Comparison with the UK

Over the twelve months to June 2013, average weekly earnings in the UK rose by 0.9%; average earnings in Jersey increased by 2.2% over the same time period.

Although these two measures are not strictly comparable due to differing methodologies⁸, it may nevertheless be inferred that average earnings in Jersey increased at a greater rate than in the UK over the twelve months to June 2013.

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.

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

- Around 450 firms in the private sector were sent a survey questionnaire; 343 completed questionnaires were received back, representing a response rate of 77%.
- Of the returned questionnaires, 84% (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.

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
2013	277.4	+2.2

Table A2: Annual percentage change in average earnings by sector: 2002 – 2013

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture	-3.3	-2.5	0.6	8.2	6.1	0.0	6.5	5.9	3.3	-10.1	-3.1	12.7
Manufacturing	0.2	5.5	3.3	6.5	2.1	3.2	3.8	0.6	1.9	2.3	3.0	2.2
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	3.2
Construction	8.3	-1.1	4.4	5.7	2.2	6.7	3.5	2.9	0.2	2.6	1.6	5.2
Wholesale & retail	5.0	3.4	3.5	5.5	1.9	3.8	4.2	3.2	1.6	2.8	3.3	0.7
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	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	0.1
Financial services	7.5	5.6	3.4	4.5	3.9	4.9	4.6	3.5	1.0	2.4	2.1	2.6
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	1.0
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	2.4
Public sector	-2.4	8.3	2.1	6.9	2.5	6.7	4.9	1.0	1.1	3.9	0.3	1.3