

Index of Average Earnings

June 2017

Statistics Unit: www.gov.je/statistics

 @JsyStats



Summary

In June 2017:

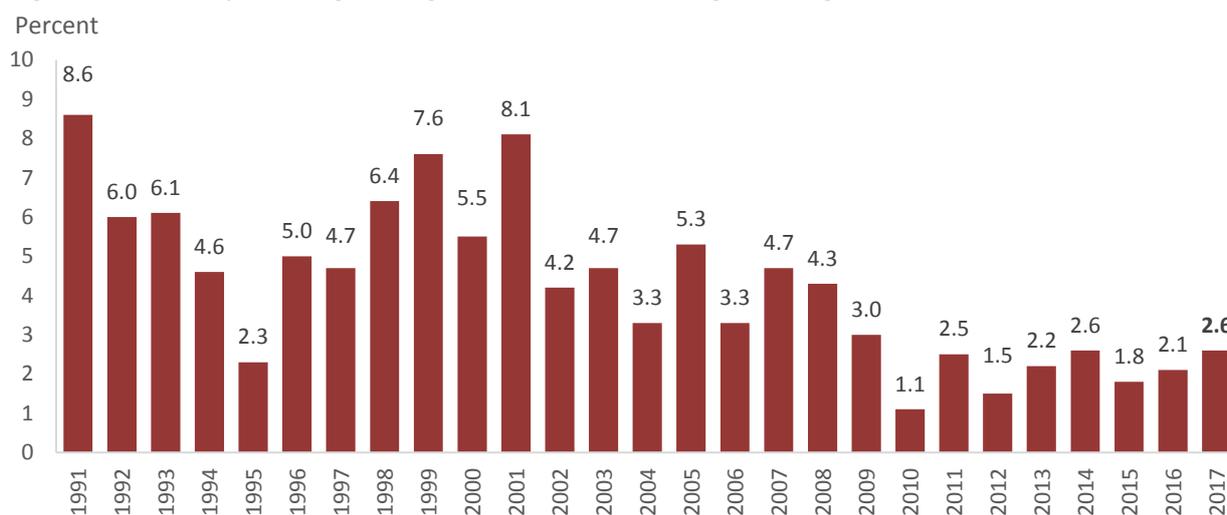
- average weekly earnings¹ in Jersey were 2.6% higher than in June 2016
- the latest annual increase was 0.5 percentage points greater than that of the previous twelve-month period (2.1% to June 2016)
- private sector earnings increased by 2.8% and public sector earnings increased by 1.6% compared with June 2016
- in real terms, average earnings over all sectors were 0.1% higher than June 2016:
 - average earnings in the private sector were 0.3% higher
 - average earnings in the public sector were 0.9% lower
- all-sector average earnings increased in real terms for the fifth consecutive year
- over the last 10 years earnings have been essentially flat in real terms, increasing by 0.1% since 2007
- median average weekly earnings of full-time equivalent² (FTE) employees was £570 per week
- mean average weekly earnings of full-time equivalent employees was £730 per week

Index of Average Earnings

In June 2017 average earnings were 2.6% higher than in June 2016. The latest increase is 0.5 percentage points greater than that recorded for the previous twelve-month period (2.1% to June 2016).

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 greater than the preceding five-year average of 2.0% per year, and below the long-term annual average of 4.3% per year since 1990.

Figure 1 – Annual percentage change in the Index of Average Earnings, 1991-2017



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 2017 index measures changes in average earnings received between June 2016 and June 2017.

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.

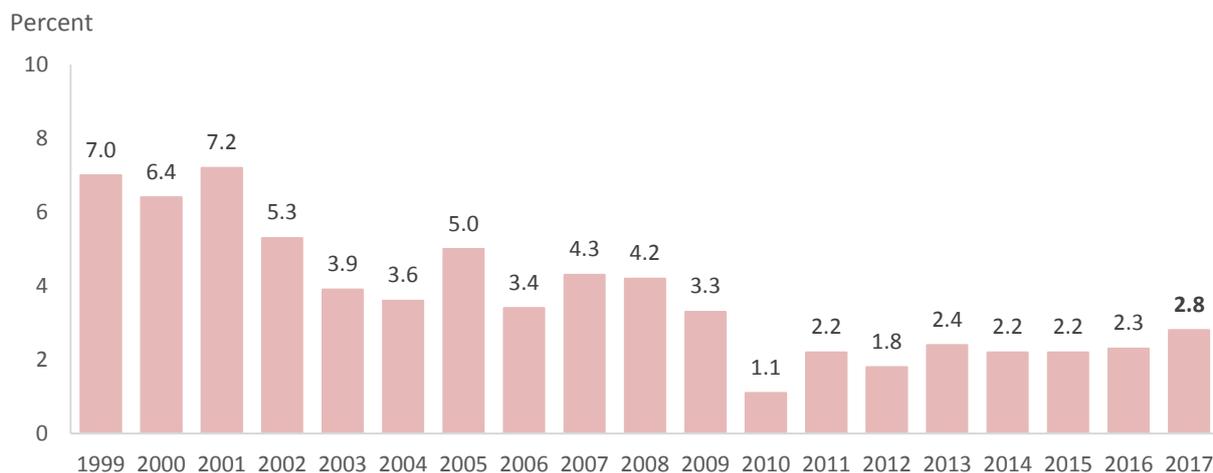
Private sector

Over the twelve months to June 2017 average earnings in the private sector rose by 2.8%.

This latest annual increase is greater than the preceding five-year average of 2.2% per annum (from 2011-2016) and is the largest increase seen since 2009.

Between 1999 and the economic downturn in 2008, earnings in the private sector had increased by 4.8% per year on average (Figure 2).

Figure 2 - Private sector annual percentage change in average earnings from 1999 to 2017



Public sector

Public sector average earnings increased by 1.6% over the twelve months to June 2017. This annual increase was predominantly due to the implementation of scheduled pay awards for the majority of pay groups.

The latest increase is similar to that seen in the previous five-year period, over which time earnings increased by 1.5% per year on average.

Comparison of the rate of growth of earnings in the public and private sectors is made more complex by 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 longer time periods to smooth out the effects of such factors.

Over the short, medium and long term, earnings in the public sector have risen by less than the private sector:

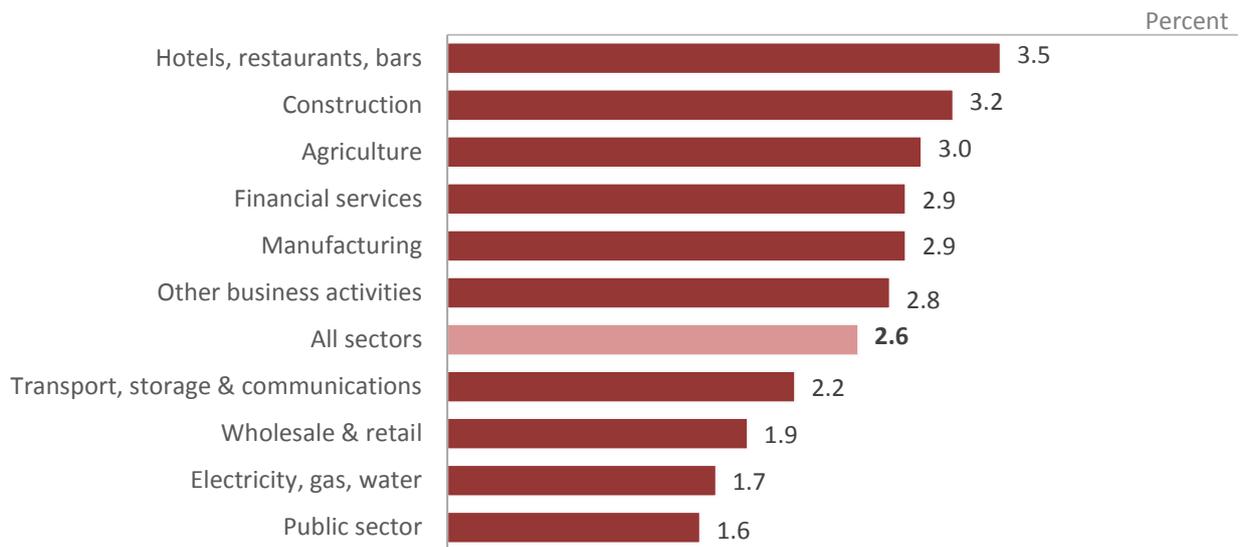
- Over the latest three-year period (2014-2017): public sector earnings have increased by 2.9% compared with 7.5% in the private sector.
- Over the latest five-year period (since June 2012): public sector earnings have increased by 9.2% compared with 12.5% in the private sector
- Over the longer term (since 1999³): public sector earnings have increased by 73% compared with 86% in the private sector. These overall increases correspond to average annual increases since 1999 of 3.1% per year in the public sector and 3.5% per year in the private sector.

³1999 is the earliest year that public and private sector comparisons can be made on a consistent basis.

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 around two to three percent over the year to June 2017.

Figure 3 - Annual percentage change in average earnings by sector, June 2017



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 and other services.

Notable movements for the individual sectors include:

- Average earnings (excluding bonuses) in the finance sector rose by 2.9%. The latest increase was slightly greater than that seen in the previous year (2.5% in June 2017) and the preceding five-year average of 2.6% per annum for this sector.
- Average earnings increased by 3.5% in the hotels, restaurants and bars sector and by 3.0% in agriculture. These increases were predominantly driven by the rise in the minimum wage, implemented in April 2017.
- Average earnings in the construction sector increased by 3.2%, which was lower than that recorded in the previous year (4.1% in June 2016), but above the previous 5-year average for this sector (2.7% per year).
- The lowest annual rate of increase was in the public sector, which saw average earnings increase by 1.6% compared to June 2016.

Average earnings in real terms

It is informative to consider the change in average earnings in 'real terms', by adjusting for retail price inflation⁴.

Figure 4 shows the Index of Average Earnings since 1990 in nominal (not adjusted for inflation) and real terms (adjusted by the Jersey RPI).

In nominal terms, since 1990 average earnings in Jersey have more than tripled, increasing by 203%. However, after adjusting for inflation, average earnings have increased by a fifth (20%) over this period.

Figure 4 – Index of Average Earnings in nominal and real terms (June 1990=100)

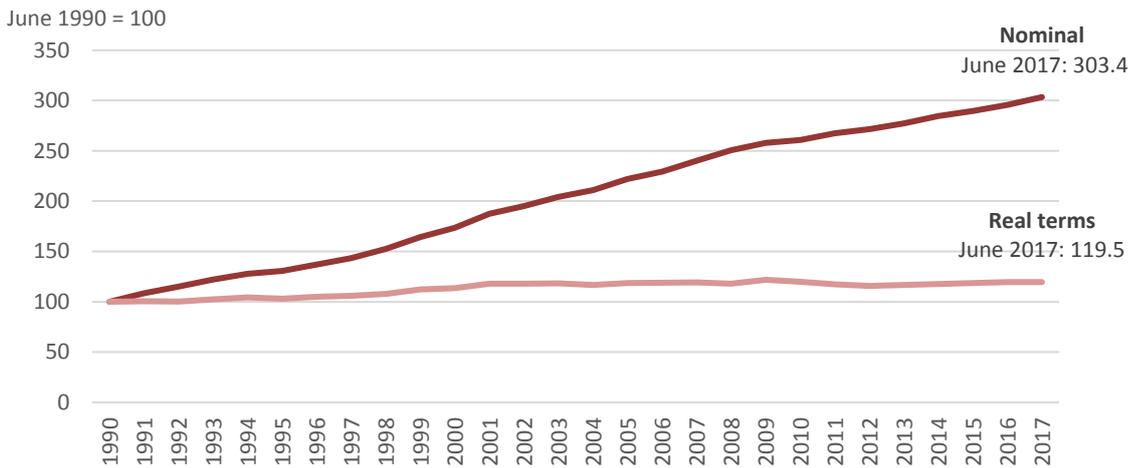
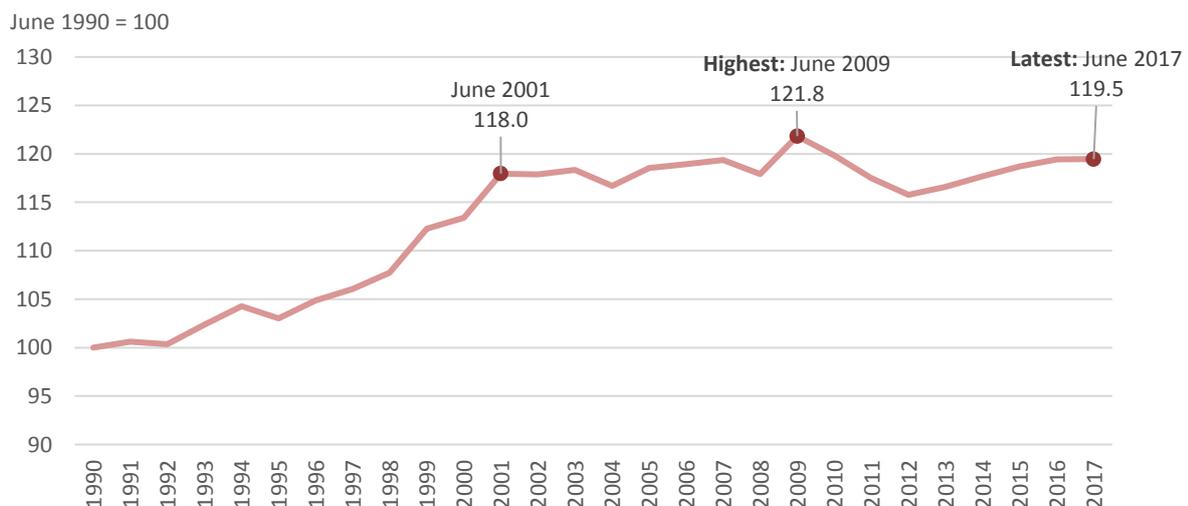


Figure 5 shows the index of average earnings in real terms since 1990. It is apparent there have been two periods of real-term change in average earnings in Jersey:

- 1990-2001 saw real-term growth in earnings of more than a sixth (18%) over the period
- 2001-2017 saw earnings remain relatively flat in real terms, increasing by 1.3% over the 16-year period

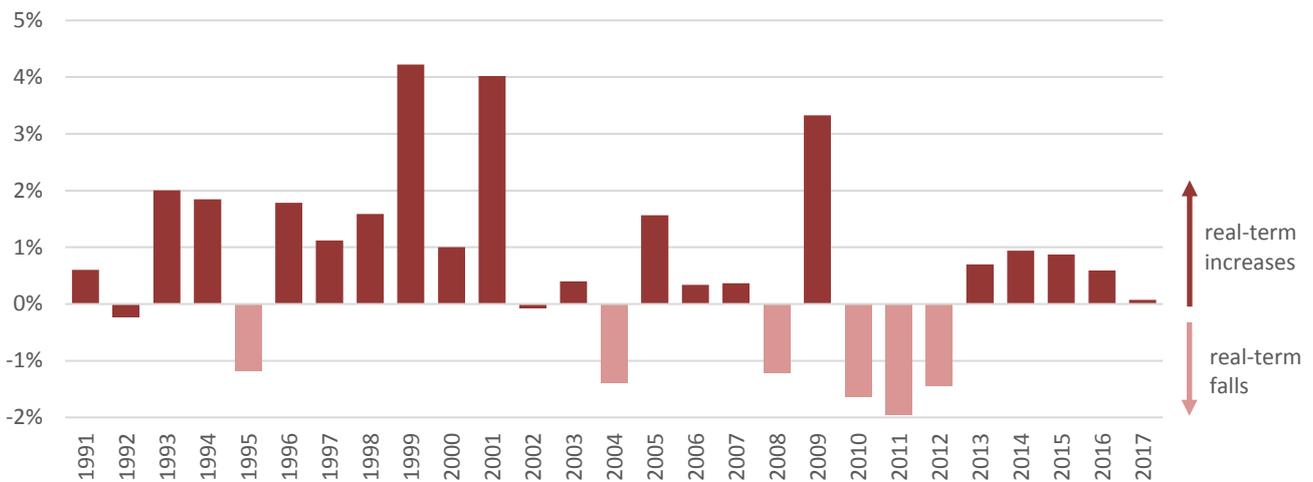
Figure 5 – Index of Average Earnings in real terms from 1990 to 2017 (June 1990=100)



⁴ The increases in retail prices used in this analysis are based on the indices in June of each year.

Figure 6 illustrates the real-term annual percentage changes in average earnings for each year from 1991 to 2017.

Figure 6 – Real-term annual percentage change in the Index of Average Earnings, 1991 to 2017



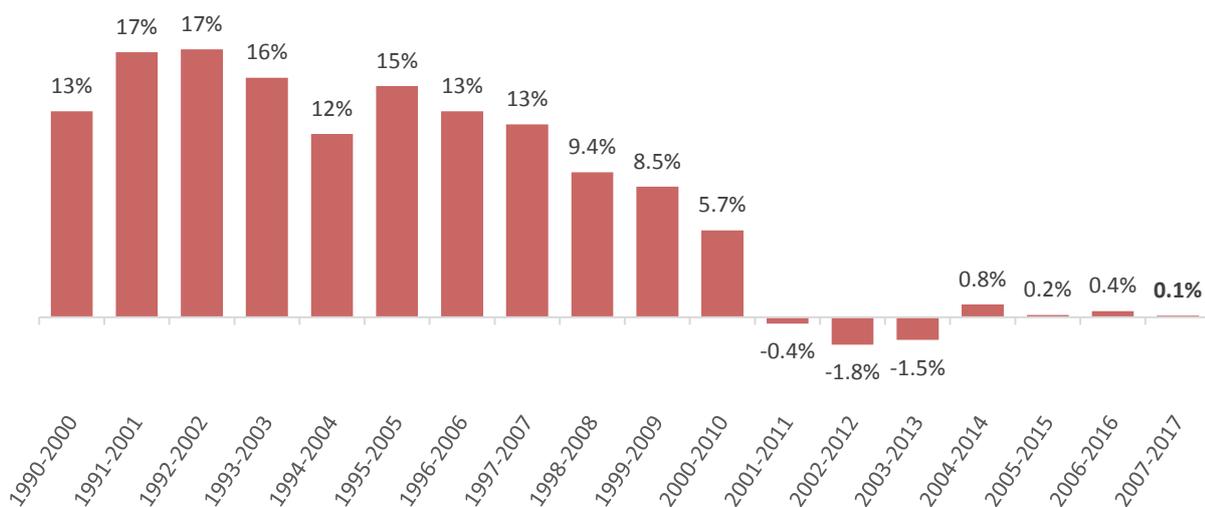
During the twelve months to June 2017 the Jersey Retail Prices Index (RPI) increased by 2.5%. Average earnings increased by 2.6% over the same period, meaning that earnings increased by 0.1% in real terms.

The latest twelve-month period to June 2017 represents the fifth consecutive year that average earnings have increased in real terms. In contrast, in eight out of the last 27 years there have been real-term annual decreases in earnings.

It is also informative to look at real-term earnings over a longer time period than simply the annual change.

Figure 7 shows 10-year total changes in real-term earnings since the decade ending 2000, and the two distinct periods of earnings growth are apparent. Prior to the decade ending 2011, 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 10-year periods.

Figure 7 - Rolling 10-year total change in average earnings, in real terms



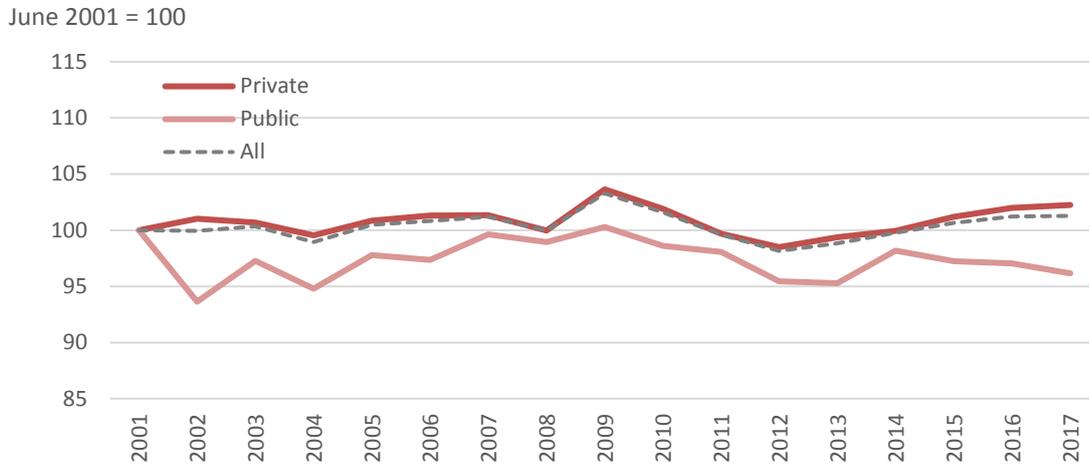
Percentage changes are presented to two significant figures

In the most recent 10-year period (2007-2017) average earnings increased by 0.1% in real terms.

Public and private sectors in real terms

Figure 8 shows the real-term change in earnings for the public and private sectors separately from 2001 onwards.

Figure 8 – Index of Average Earnings in real terms for the public and private sectors from 2001 to 2017 (June 2001 = 100)



Although all-sector earnings have been essentially flat in real terms since 2001, private sector earnings increased in real terms (by 2.2%) whereas public sector earnings fell (by 3.8%) over this period.

In the latest three-year period private sector earnings have risen by 2.3% in real terms, whilst public sector earnings have decreased by 2.0% in real terms.

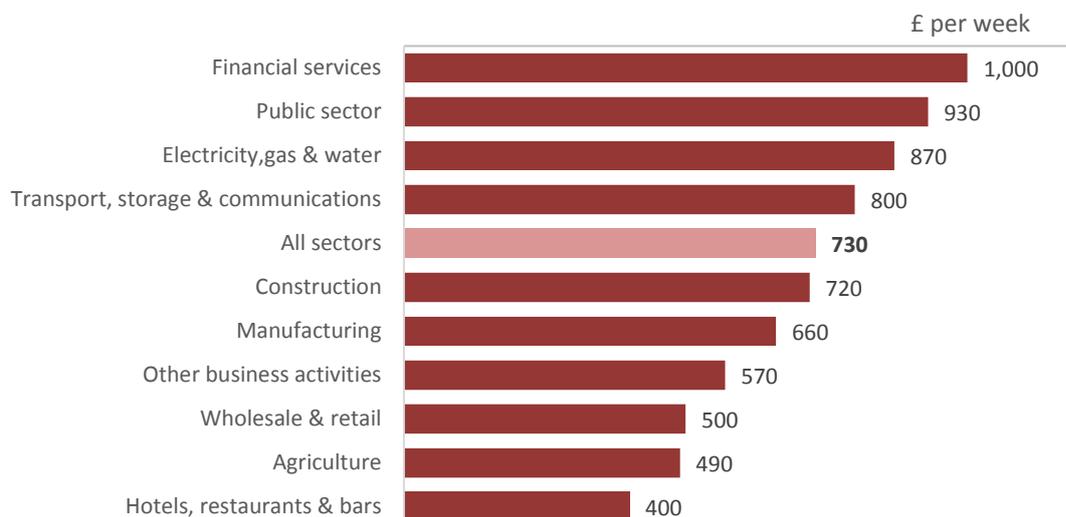
During the latest twelve-month period earnings increased by 0.3% in real terms in the private sector. In contrast, earnings decreased by 0.9% in the public sector.

Level of earnings

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

Figure 9 - Average weekly earnings by sector, June 2017 (£ per week per FTE)



Based on data recorded for the 2016 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £110 per week per FTE employee.

Figure 9 shows that mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2017 was £730 per week⁵.

At a sectoral level, average earnings (per FTE) ranged from £400 per week in hotels, restaurants and bars to £1,000 per week in financial services.

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. The level of average earnings derived from this survey should be considered as an informative measure, particularly for comparisons between sectors.

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 produced. The results derived from the IDS data have been up-rated from the survey period using the Index of Average Earnings in order to provide an estimate of median employment earnings for June 2017.

Applying the methodology outlined in the notes (see Appendix), the estimated median earnings in June 2017 was £570 per week per FTE employee.

⁵ The figures for the levels of weekly earnings shown in Figure 8 should be considered as estimates with a 95% confidence interval of approximately $\pm£20$. See appendix for notes on uncertainty levels for individual sectors.

Comparison with the UK

Over the twelve months to June 2017, average weekly earnings in the UK rose by 2.1% compared with an increase of 2.6% in Jersey.

Private sector average earnings in the UK increased by 2.3% compared with 2.8% in Jersey over the year to June 2017.

The annual increase in earnings in the public sector earnings was similar in the UK and Jersey, increasing by 1.4% and 1.6% respectively.

Although the measures for the two jurisdictions are not strictly comparable due to differing methodologies⁶, it can be inferred that average earnings in the UK increased by lower rates than in Jersey over the year to June 2017.

⁶ 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).

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 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 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 2016 using 2017 data are consistent at this level of uncertainty for all sectors except manufacturing and construction due to minor revisions in the 2016 data for these sectors. However, the change in average earnings for these sectors, and hence overall, are unaffected by the changes in level.

An estimate of median employment earnings has been produced using data from the 2014 / 15 Jersey Household Income Distribution Survey. This involved using gross earnings of employees and the self-employed (excluding bonuses) to derive an hourly rate, which was then uprated to a full-time equivalent. Earnings data were weighted according to industry, to ensure the sample of jobs was representative of employment in Jersey.

Response rate and coverage

- Around 500 firms in the private sector were sent a survey questionnaire and around 340 completed questionnaires were received back, representing a response rate of 68%.
- Of the returned questionnaires, almost 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 nearly half (46%) of all workers in Jersey.

Statistics Unit, 25 August 2017

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 |

* 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 – 2017

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |