

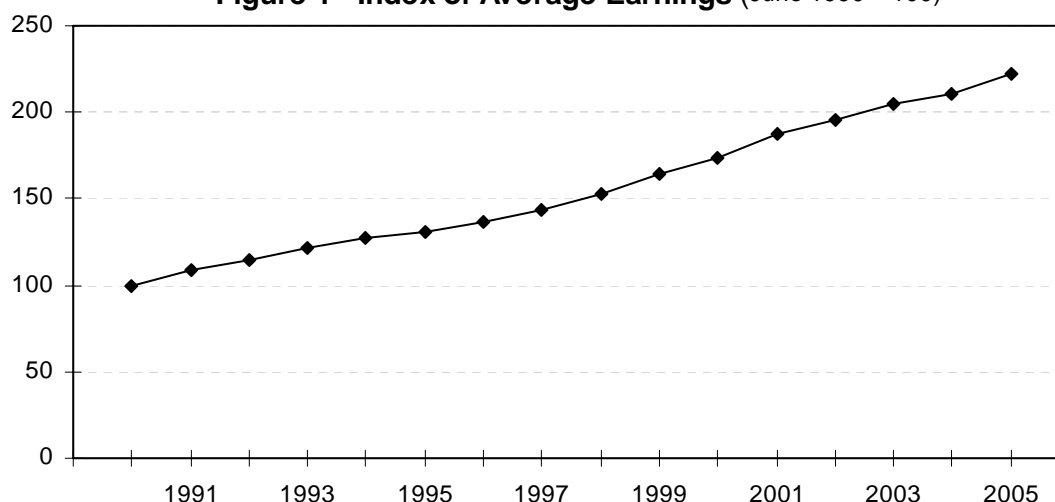
## Index of Average Earnings - June 2005

### Headlines

- In June 2005 the average weekly earnings<sup>1</sup> of workers<sup>2</sup> in Jersey was 5.3% higher than in June 2004.
- This latest annual increase in average earnings is 2.0 percentage points higher than that reported for the previous 12-month period (3.3% to June 2004), but is close to the longer-term annual average seen between 1991 and 2004 (5.5%).
- Average earnings in the **private sector** increased by 5.0% in the year to June 2005, whilst the **public sector** saw average earnings increase by 6.9% due to two pay awards being implemented for the majority of public sector employees in the 12 months to June 2005.
- Over the last two years, the average annual increase in earnings has been 4.3% for all sectors, with 4.5% in the public sector and 4.3% in the private sector
- The largest annual increase in average earnings to June 2005 occurred in the utilities sector ('Electricity, gas and water', 8.7%) and in 'Agriculture' (8.2%). The lowest rate of increase was recorded by 'Hotels, restaurants and bars', at 3.2%.
- The **average weekly earnings** of employees in Jersey in June 2005 was £520. The 'Financial services' sector (£710 per week) had the highest average weekly earnings, whilst 'Hotels, restaurants and bars' had the lowest (£300 per week).
- Over the last two years average earnings have moved broadly in line with inflation.

### Index of Average Earnings

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



<sup>1</sup> 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 2005 Index measures changes in average earnings received between the last weeks of June 2004 and June 2005.

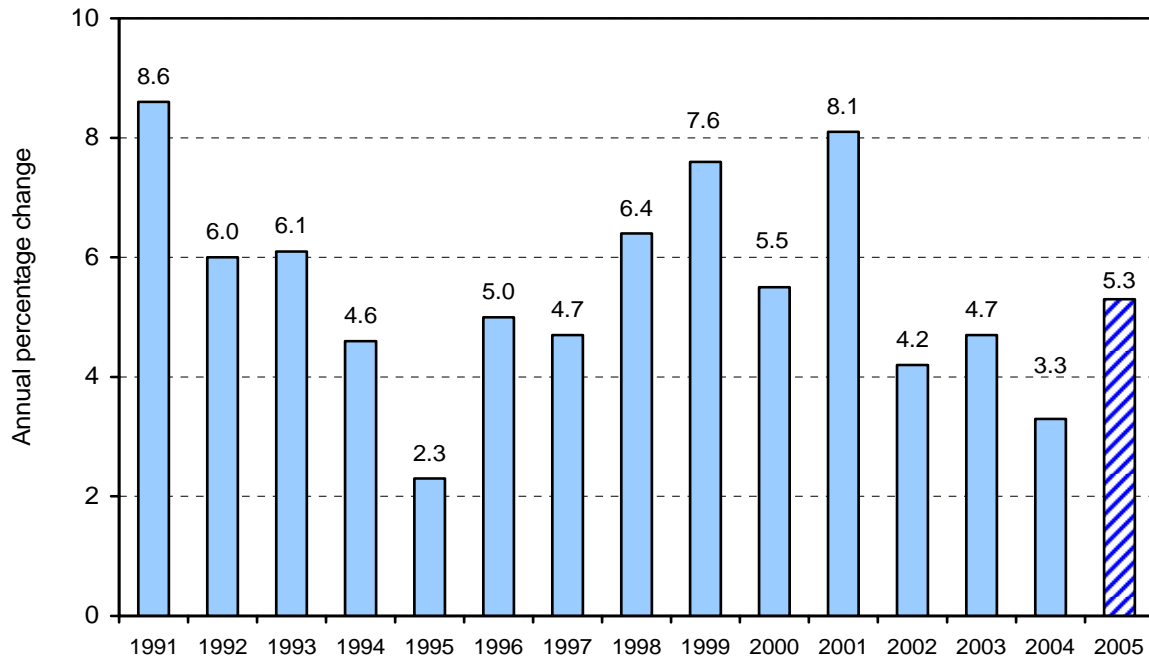
<sup>2</sup> Average earnings are calculated on the basis of a full-time equivalent (FTE) worker. Workers include full-time and part-time employees and also self-employed people. Part-time employees were weighted in the calculation of FTEs according to hours worked.

As Figure 1 shows, the Index of Average Earnings rose from 211.1 in June 2004 to 222.2 in June 2005 (on a basis of June 1990 = 100), representing an annual increase of 5.3%.

The annual percentage change in average earnings since 1991 (over the 12 months to June of each year) is shown in Figure 2. The rate of increase to June 2005 (5.3%) was the highest recorded since 2001 and was 2.0 percentage points higher than for 2004 (3.3%).

The rate of increase in 2005 was similar to the average annual increase recorded during the preceding 14-year period (5.5% per annum).

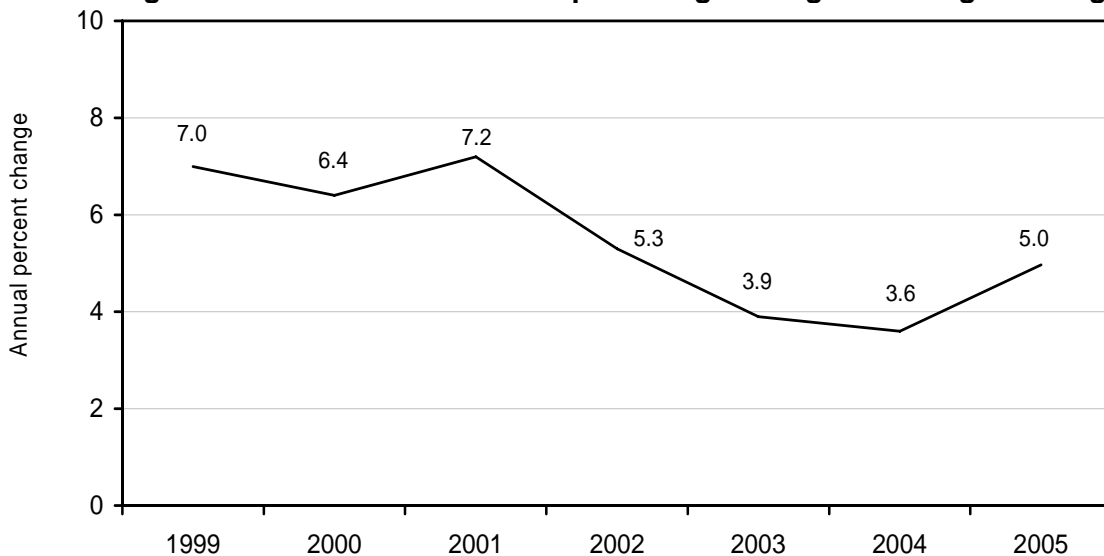
**Figure 2 - Annual percentage change in average earnings.**



**Private Sector**

The annual increase of average earnings in the entire private sector stood at 7.2% in 2001, since when the rate of increase has reduced, falling to 3.6% by 2004. The most recent annual increase of 5.0% over the 12 months to June 2005 was the highest recorded since 2002.

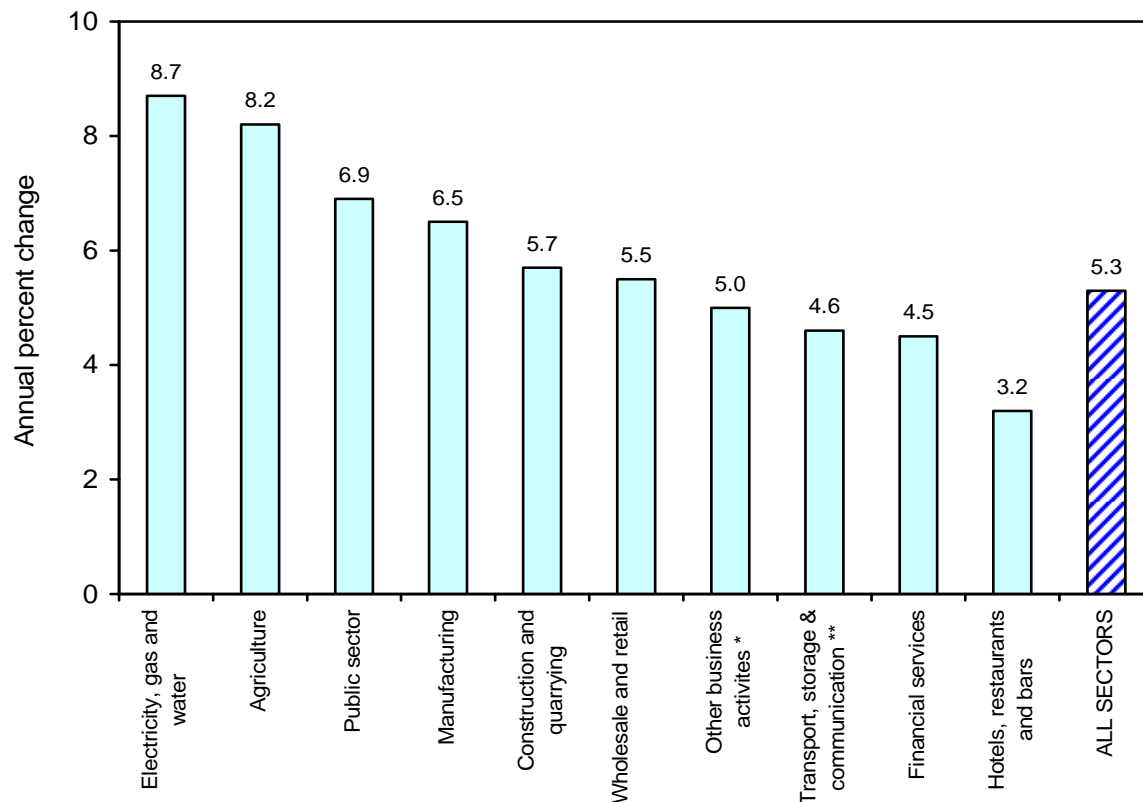
**Figure 3 - Private sector: annual percentage change in average earnings.**



Within the private sector there was considerable variation in the earnings changes recorded by the individual business sectors.

## Individual Business Sectors

Figure 4 - Annual percentage change in average earnings: by sector.



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

\*\* 'Transport, storage and communication' includes the States Trading Committees (Jersey Airport, Harbours, Postal Administration and Jersey Telecom).

Some of the key movements in earnings of individual business sectors over the 12 months to June 2005 included:

- the utilities ('Electricity, gas and water') recorded the highest annual rate of increase (8.7%) of any sector, largely driven by two pay awards during the period for one of the three companies comprising the sector.
- 'Agriculture' also showed a high annual rate of increase (8.2%), resulting from the impending introduction of the minimum wage<sup>3</sup> as well as more overtime being paid compared to the previous June. The average rise for agriculture workers was considerably greater than that recorded in June 2004 (0.6%) and in contrast to the falls in average earnings recorded by this sector in 2002 and 2003.
- employees in 'Construction and quarrying' received an average increase of 5.7% due to greater activity in the sector and more overtime payments.
- average earnings in 'Financial services' rose by 4.5%; a rate of increase which was 1.1 percentage points above that of 2004.
- the lowest annual rate of increase was recorded by 'Hotels, restaurant and bars' (3.2%), reflecting the turnover of staff.

<sup>3</sup> Minimum Wage legislation came into effect in Jersey on 1 July 2005, i.e. in principle after the 12-month time-frame covered by this analysis. However, many private sector employers had taken pre-emptive action prior to the actual implementation date. The minimum hourly rate was set by the legislation at £5.08. Offsets were implemented for the provision of food and accommodation by employers (£74.20 per week in total) and for accommodation only (£55.65 per week). These offsets are particularly relevant for employees living in tied (staff) accommodation in the 'Agriculture' and 'Hotels, restaurants and bars' sectors.

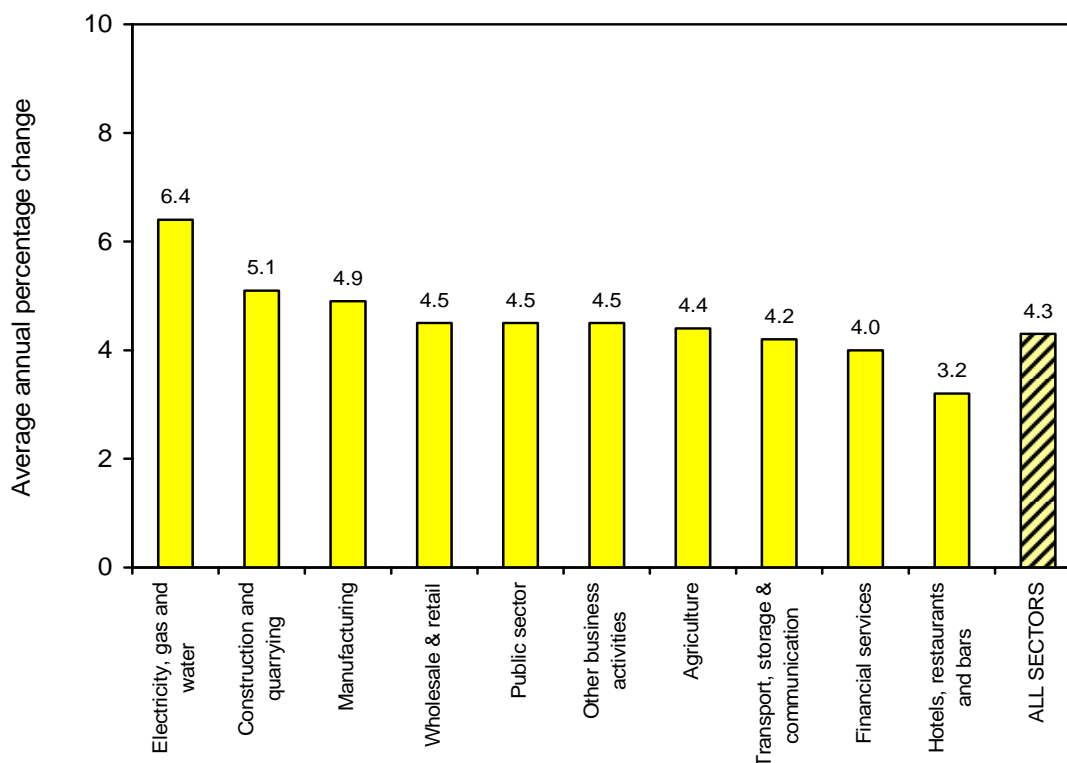
## Public sector

Between June 2004 and June 2005 most employees in the public sector received two pay awards: that for 2004, back-dated to June 2004, and also the pay award for 2005<sup>4</sup>. The timing of these two awards resulted in average earnings in the public sector increasing by 6.9% over the 12-month period.

In contrast, the public sector saw a lower increase of 2.1% in the previous 12 months (to June 2004) due to only a small number of public sector employees receiving a pay award in that particular period.

A two-yearly cycle of increases has been a feature of public sector earnings in recent years, resulting from the timing and implementation of the public sector rounds of wage negotiations. As such, a more meaningful comparison with the private sectors is therefore the average annual increase for the last two years, as shown in Figure 5. Such a presentation also adds clarification of private sectors which have seen two-year deals, such as 'Electricity, gas and water'.

**Figure 5 – Average annual percentage change in earnings: by sector for the two year period June 2003 – June 2005**



Over the two-year period from June 2003 to June 2005 earnings in the public sector increased at an average annual rate of 4.5%.

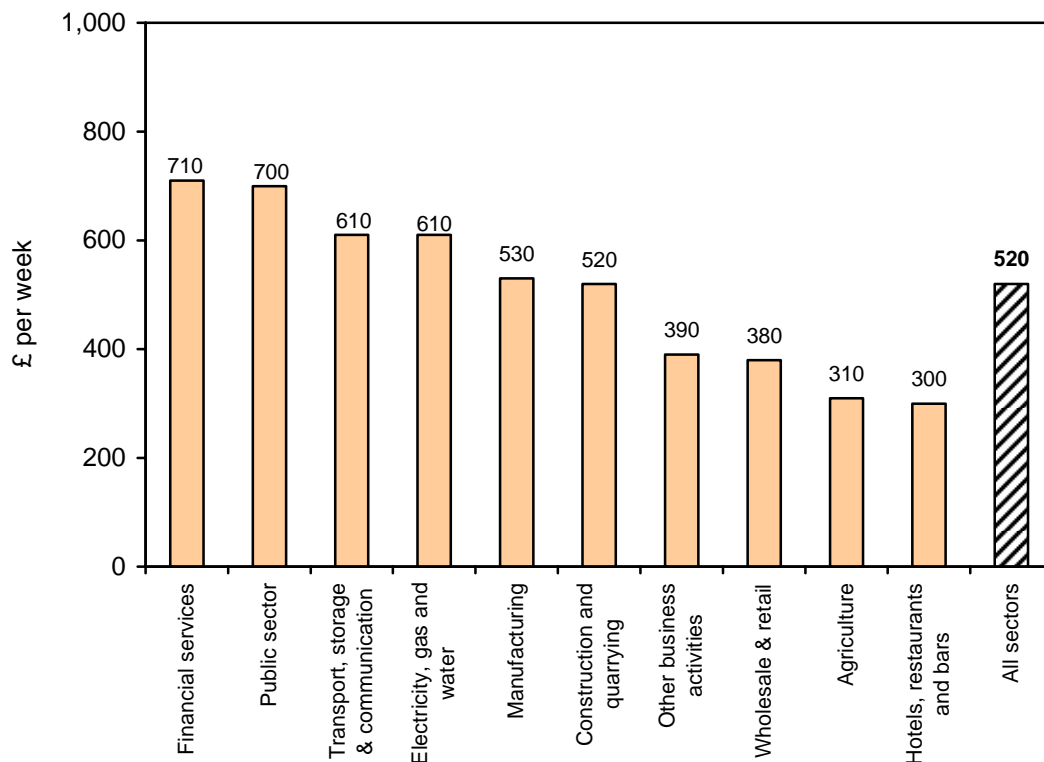
The private sector, overall, saw an average annual increase of 4.3%, which was similar to the average annual increase for the public and private sectors combined (shown in Figure 5).

<sup>4</sup> Due to the arbitration processes which were still underway in June 2005, some small and two large public sector pay groups (manual workers and nurse/midwives) did not receive annual pay awards in the period covered by the 2005 Index of Average Earnings (between the last weeks of June 2004 and June 2005). The nurses/midwives group underwent a job evaluation pay review in September 2004, the results of which are included in this analysis.

## Level of Earnings by Sector

The average weekly earnings for employees in Jersey in June 2005 was £520 per week<sup>5</sup>.

**Figure 6 - Average weekly earnings by sector, June 2005.**



By sector, average earnings ranged from about £700 per week in 'Financial services' and the Public sector to about £300 per week in 'Agriculture' and 'Hotels, restaurants & bars'.

## Comparison with the Retail Prices Index

The annual change in the Jersey Retail Prices Index (RPI) stood at 3.6% in June 2005.

Increases in earnings in Jersey are generally linked to the RPI in that a company or organisation will implement a pay increase which is linked in some way to a published figure for the change in the RPI. Since the Index of Average Earnings covers the period June to June, different companies will have based pay increases on different published changes in the RPI depending on their particular annual cycle. For example, a company implementing a pay rise in February may look at the December RPI as a reference point, whilst another doing so in May might consider the March RPI. As such, five quarterly publications of the Jersey RPI will have been relevant within the entire June to June period<sup>6</sup>.

<sup>5</sup> It should be noted that 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 6 should be considered as reasonable approximations, with an uncertainty of approximately £20. The States Trading Committees are included in the 'Transport, storage and communication' sector; average weekly earnings for workers in the Trading Committees in June 2005 were about £700 per FTE.

<sup>6</sup> For changes in earnings over the 12 months to June 2005 the relevant RPI figures are those of March 2004 to March 2005, inclusive. The annual changes and publication dates were: 3.7% for March 2004 published on 22 April 2004; 4.8% for June 2004 published on 22 July 2004; 5.6% for September 2004 published on 21 October 2004; 5.3% for December 2004 published on 19 January 2005; 4.5% for March 2005 published on 20 April 2005.

It is, therefore, more informative to compare changes in average earnings which occurred throughout the period June to June with the average of the annual changes in the RPI published between each June<sup>7</sup>.

On this basis, the time-weighted average change in the RPI was 5.0%. Thus, average earnings over the 12 months to June 2005 increased by slightly more (0.3 percentage points) than the average annual change in the published RPI during this period.

The corresponding increase in the underlying rate of inflation (the change in the Retail Prices Index excluding house purchase costs, RPI (X)) was 3.3%. The Index of Average Earnings thus increased by 2.0 percentage points more than the published RPI(X) during the 12 months to June 2005.

From a slightly longer perspective, during the last two years the average annual growth in earnings (4.3% per annum) has been similar to the average annual rate of inflation (4.5%).

### Comparison with the UK

The annual change in average earnings in Jersey to June 2005 was greater than in the UK, overall and for both the public and private sectors (Table 1). The overall rate of increase was 1.5 percentage points greater in Jersey, 1.3 percentage points for the private sector and 3.1 percentage points for the public sector.

**Table 1 - Annual percentage changes in Average Earnings and Retail Prices:  
June 2004 to June 2005**

	Jersey	UK <sup>8</sup>
<b><u>Average earnings</u></b>		
All sectors	5.3	3.8
Private sector	5.0	3.7
Public sector	6.9	3.8
<b><u>Retail prices</u></b> <i>(time weighted average)<sup>9</sup></i>		
RPI	5.0	3.1
RPI(X)	3.3	2.2

The two-year annual average increase in earnings for the public sector in Jersey (4.5%) was 0.3 percentage points below that of the public sector in the UK (4.8%).

The increase in average earnings for all sectors in the UK was 0.7 percentage points above that of the UK average RPI, compared to the 0.3 percentage point differential in Jersey.

With respect to the underlying rate of inflation, the differences between the rates of increase of average earnings and RPI(X) were of comparable magnitude, 1.6 and 2.0 percentage points in the UK and Jersey, respectively.

<sup>7</sup> For any organisation on an annual pay cycle who wishes to reference an RPI figure it is correct to look at a single 12-month change.

<sup>8</sup> The Average Earnings Index is published on a monthly basis from the results of the Labour Force Survey (strictly for Great Britain). The annual percentage changes shown are for June 2005 (excluding bonuses, non-seasonally adjusted).

<sup>9</sup> Changes in the RPI and RPI(X) for Jersey are calculated as described in the preceding section. In the UK these indices are published monthly and the figures shown in Table 1 are calculated using the same time-weighted approach as for Jersey but for a monthly rather than a quarterly index.

## NOTES

### Methodology

The Index of Average Earnings in Jersey is determined from earnings data collected for all States of Jersey Departments and a large representative sample of firms in the private sector. The number of employees whose earnings are used to calculate the Index of Average Earnings represents more than two-fifths (42%) of all workers in Jersey.

A total of 545 firms in the private sector were sent a survey questionnaire. The sampled firms employed more than half of the entire Jersey workforce. 420 completed questionnaires were received back, representing an overall response rate of 77%.

Of the returned forms, almost two-thirds (covering more than a third of all private sector employees) were matched with a return from the previous year, were subsequently validated and used in the final compilation of the Index.

In the analysis leading to determination of the Index, full- and part-time staff are aggregated as full-time equivalents (FTEs). Average earnings in each sector in the last week of June are weighted together according to the sectoral share of total employment. For the purposes of the Index, salaries paid monthly or four-weekly are converted to an equivalent weekly figure.

The Index of Average Earnings is compiled by the States of Jersey Statistics Unit, The Parade, St Helier, Jersey JE4 8QT. Earnings data and the report can be accessed at [www.gov.je/statistics](http://www.gov.je/statistics).

Kindly forward any enquiries to Dr. Tim du Feu, telephone: 01534 603425.

*Statistics Unit*

*31 August 2005*

**Appendix 1****Index of Average Earnings for Jersey***(evaluated for the end of June of each year).*

		<u>% change</u>
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

**Appendix 2****Annual percentage change in average earnings by sector: 2002 - 2005**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Latest 2-year average 2004-2005</b>
Agriculture	-3.3	-2.5	0.6	8.2	+ 4.4
Manufacturing	0.2	5.5	3.3	6.5	+ 4.9
Construction and quarrying	8.3	-1.1	4.4	5.7	+ 5.1
Electricity, gas and water	5.1	4.8	4.0	8.7	+ 6.4
Wholesale and retail	5.0	3.4	3.5	5.5	+ 4.5
Hotels, restaurants and bars	1.8	4.2	3.2	3.2	+ 3.2
Transport, storage and communication	2.3	7.0	3.8	4.6	+ 4.2
Financial services	7.5	5.6	3.4	4.5	+ 4.0
Other business activities	5.6	5.3	3.9	5.0	+ 4.5
<i>All Private sectors</i>	5.3	3.9	3.6	5.0	+4.3
Public sector	-2.4	8.3	2.1	6.9	+ 4.5
<b>ALL SECTORS</b>	<b>4.2</b>	<b>4.7</b>	<b>3.3</b>	<b>5.3</b>	<b>+ 4.3</b>