

Index of Average Earnings

June 2014

Statistics Unit: www.gov.je/statistics

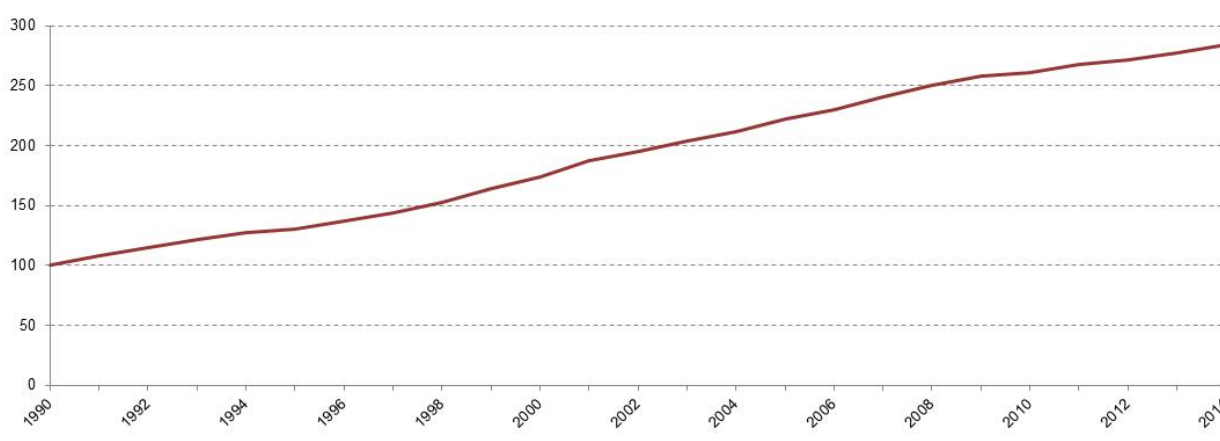
Summary

- In June 2014 the average weekly earnings¹ of workers² in Jersey was 2.6% higher than in June 2013.
- The latest annual increase is 0.4 percentage points greater than that of the previous twelve-month period (2.2% to June 2013).
- Average earnings in the **private sector** increased by 2.2% over the twelve months to June 2014:
 - increases in earnings ranged from 1.3% in Construction to 4.5% in Agriculture
 - earnings in the Finance sector (excluding bonuses) rose by 2.4% on average
- Average earnings in the **public sector** increased by 4.7% over the latest twelve months. This increase was predominantly due to a scheduled pay award (4% in January 2014) for the majority of employees as well as retrospective pay awards for some pay groups.
- Over the latest three years, covering the three-year pay deal implemented in the public sector, average earnings have increased by similar amounts in the public and private sectors (by 6.3% and 6.4%, respectively).
- The **mean** average weekly earnings of *full-time equivalent (FTE) employees* in Jersey in June 2014 was £670 per week.
- The **median** average weekly earnings of *full-time equivalent (FTE) employees* in Jersey in June 2014 was estimated as £550 per week³.

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 277.4 in June 2013 to 284.5 in June 2014 (on a basis of June 1990 = 100) representing an annual increase of 2.6%.

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



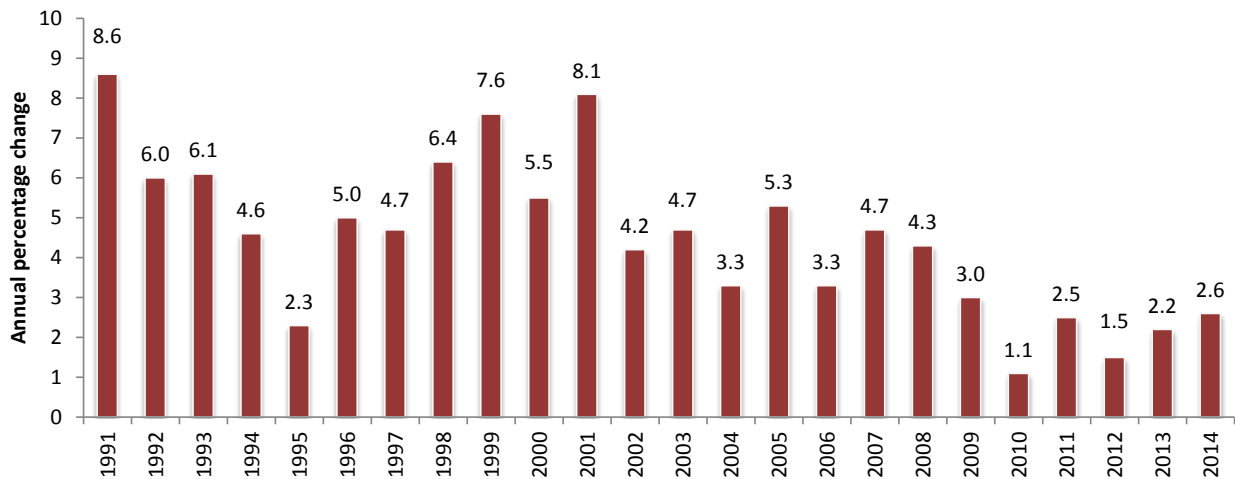
¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2014 index measures changes in average earnings received between the last weeks of June 2013 and June 2014.

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.

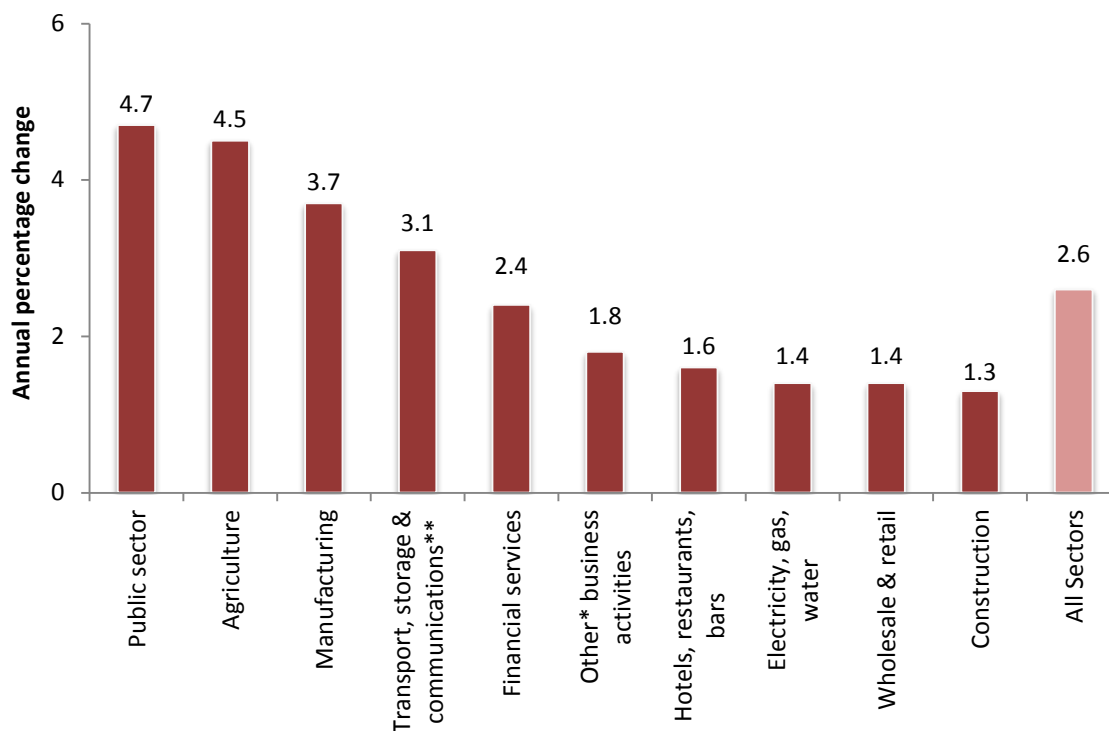
Figure 2 - Annual percentage change in average earnings



The latest increase is greater than the preceding five-year average of 2.1% per annum; however it is below the long-term annual average of 4.5% per annum since 1990.

Individual business sectors

Figure 3 - Annual percentage change in average earnings by sector, June 2014



* 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.

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-month period. Notable movements for the private sector include:

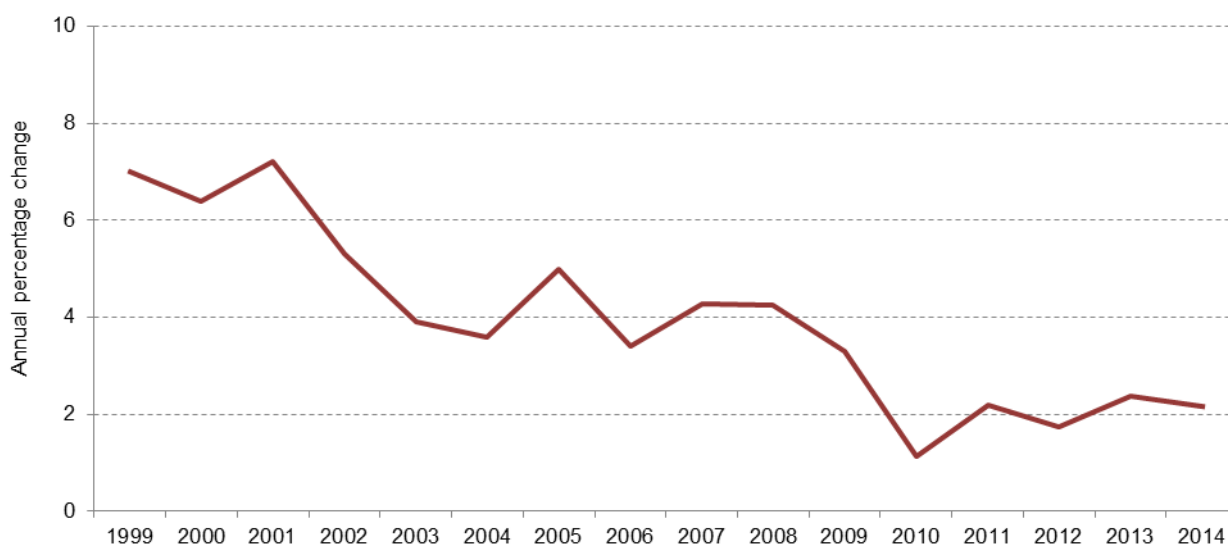
- average earnings in **Agriculture** rose by 4.5%, largely due to increased hours being worked in June 2014 compared to June 2013, as well as an increase in the minimum wage on 1st April 2014.
- the lowest annual rate of increase was seen in the **Construction** sector with earnings increasing by 1.3% over the twelve months to June. This latest increase is in contrast to that seen last year, when this sector recorded an increase in average earnings of 5.2%, the largest rise since 2007.
- average earnings (excluding bonuses) in the **Finance** sector rose by 2.4% over the twelve months to June 2014. This latest increase is similar to the preceding five-year average of 2.3% per annum for this sector.

Private sector

Over the twelve months to June 2014 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 exhibited a downward trend between 1999 and 2010. The latest five years (2010-2014) have recorded lower annual rates of increase than in each of the preceding ten years, with average earnings in the latest period increasing by 2.1% per annum on average.

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



Public sector

Over the twelve months to June 2014 average earnings in the public sector rose by 4.7%. This annual increase in public sector earnings was predominantly due to a scheduled pay award for the majority of public sector workers (4% in January 2014) as well as retrospective pay awards for some pay groups.

Comparison of the rate of growth of earnings in the public and private sectors is made more complex by the periodic lag in implementation of pay awards for some pay groups. This is particularly pertinent this year as the latest public sector pay award was part of a three-year pay deal which also included retrospective pay awards for some pay groups. It is therefore informative to compare the rates of increase of earnings in the public and private sectors over a longer period in order to smooth out the effects of such factors (see Table 1).

Table 1 – Changes in average earnings for Public and Private sectors; percentages

	1-year 2013-2014	3-year 2011-2014	15-year 1999-2014
Public sector	4.7	6.3	68
Private sector	2.2	6.4	73

Over the latest three-year period, covering the three-year pay deal within the public sector, average earnings have increased by similar amounts in both the public and private sectors (6.3% and 6.4%, respectively). The average annual increase in both sectors over this period has been 2.1% per annum.

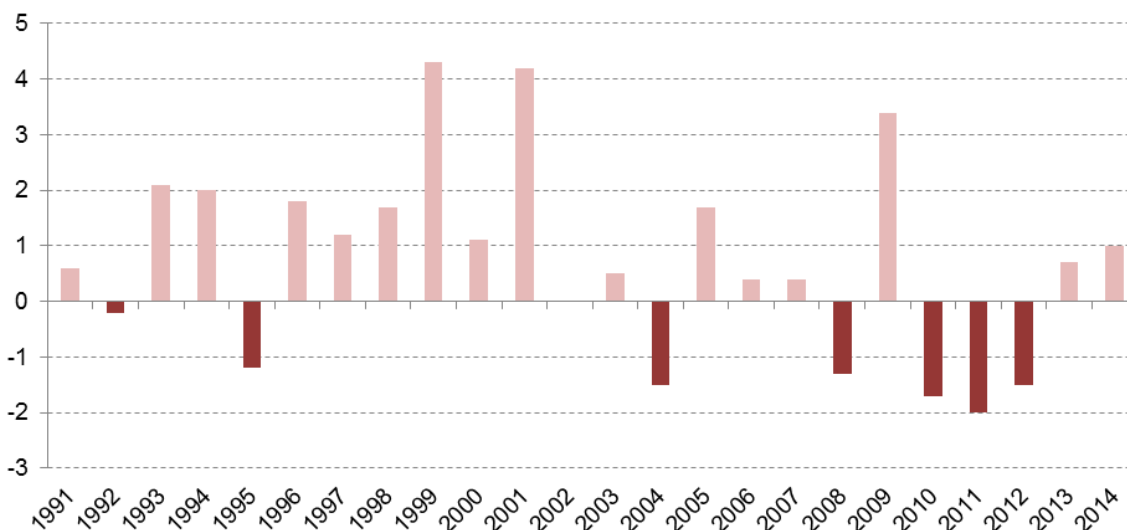
Over the longer term (since 1999) earnings in the private sector have risen by slightly more than in the public sector (by 73% in the private sector compared with 68% in the public sector). These overall increases correspond to average annual increases over the 15-year period of 3.7% per annum in the private sector and 3.5% per annum in the public sector.

Comparison with Retail Price Indices

During the twelve months to June 2014 the Jersey All-Items Retail Prices Index (RPI) increased by 1.6%. Average earnings increased by 2.6% during the same period, implying that earnings increased by 1 percentage point more than retail prices over the latest twelve-month 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 2014. Earnings have increased in Jersey at a lower rate than prices in seven out of the last 24 years (shown as negative values in Figure 5).

Figure 5 – Difference between annual changes in average earnings and the RPI⁴, 1991 to 2014 (percentage points)



Between 1991 and 2003 the growth of earnings in Jersey was greater than that of retail 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 earnings and retail prices compared to that seen prior to 2003. Earnings have risen by less than prices in three out of the last five years; however, the latest increase is the second consecutive twelve-month period in which earnings have risen at a greater rate than prices.

⁴ The increases in retail prices shown in Figure 5 and Table 2 are based on the indices in June of each year.

Changes in earnings and retail prices during the most recent five-year period are shown in Table 2. 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 households⁵.

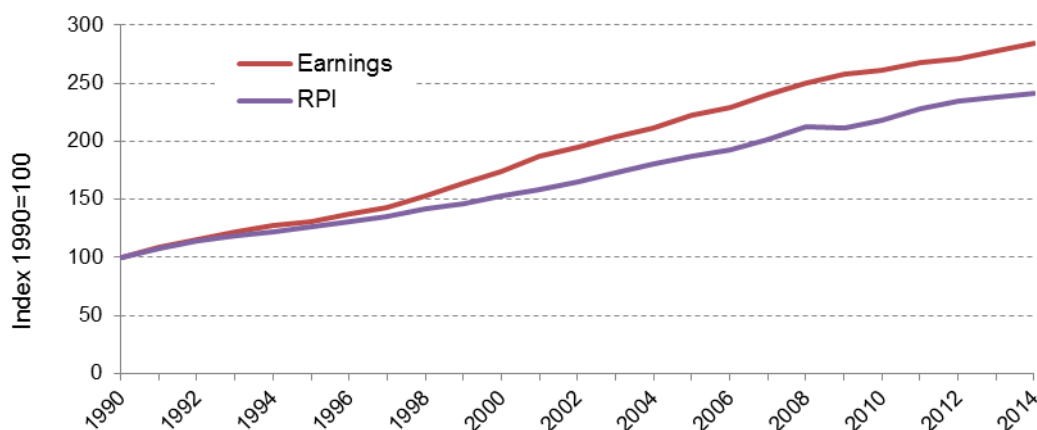
Table 2 – Changes in retail price indices and average earnings; percentages

	1-year 2013-2014	3-year 2011-2014	5-year 2009-2014
RPI	1.6	6.3	14.2
RPI(Pensioner)	1.5	6.2	13.9
Average Earnings	2.6	6.4	10.3

Table 2 shows that average earnings rose by more than both headline and pensioner inflation in the latest twelve-month period. During the latest three-year period, average earnings have risen similarly to both inflation measures, whilst over the latest five-year period average earnings have risen by less than both headline and pensioner inflation.

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 3.7% 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*.

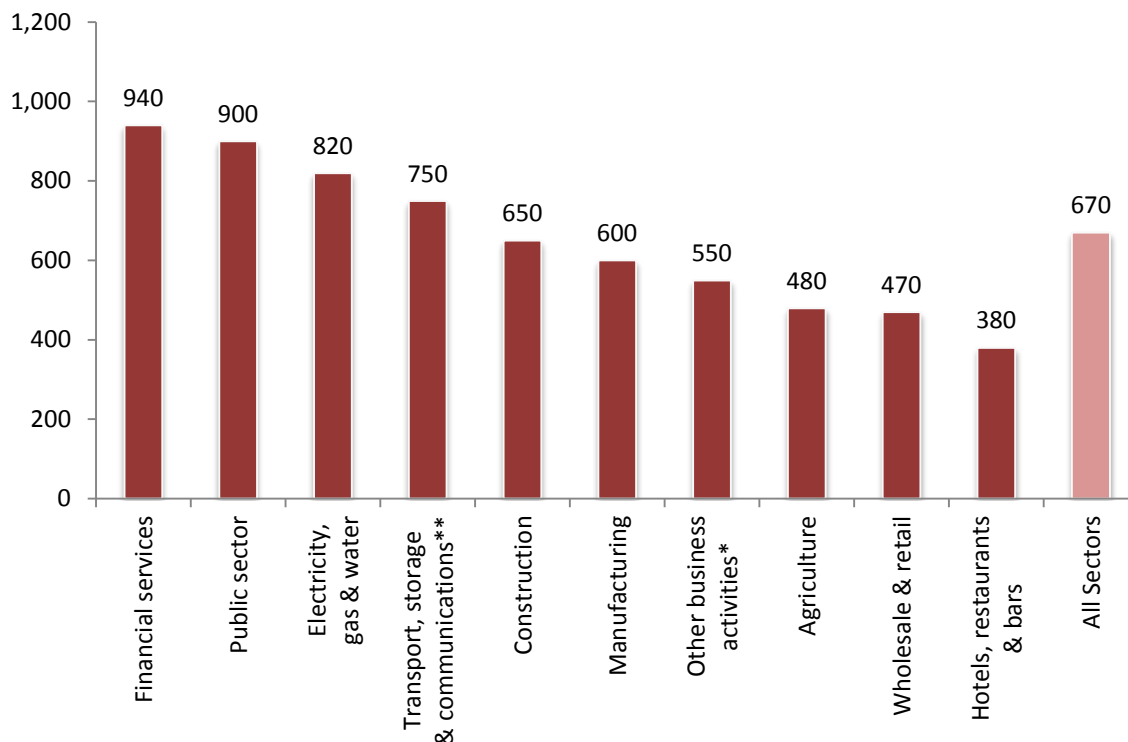
On an FTE basis, part-time staff are converted into full-time equivalents based on the number of hours worked. It should be noted, therefore, that part-time workers will actually earn a fraction of the weekly averages presented in this report and shown in Figure 7, depending on the proportion of a full-time week worked.

The mean average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2014 was £670 per week⁶.

⁵ Historically, the State pension was up-rated by the Index of Average Earnings. From 2013, the State pension is 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 (per FTE) by sector ranged from £380 per week in **Hotels, restaurants and bars** and £470 per week in **Wholesale and retail** to £900 per week in the **Public sector** and £940 per week in **Financial services**. Mean weekly earnings in June 2014 in **Agriculture** were £480 per week, reflecting the large numbers of hours worked by employees in this sector.

Figure 7 - Average weekly earnings by sector, June 2014 (£ per week per FTE)



Based on data recorded for the 2013 Survey of Financial Institutions, bonus payments increase the average earnings of employees in the Finance sector by around £110 per week per FTE employee.

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.

Median earnings

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.

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 2014 using the Jersey Index of Average Earnings.

Applying the methodology outlined in the notes, the estimated median earnings in June 2014 was £550 per week per FTE employee.

⁶ 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 $\pm£20$. The levels of earnings determined for June 2013 using 2014 data are consistent at this level of uncertainty for all sectors except Agriculture and Manufacturing due to minor revisions in the 2013 data for these sectors. However the change in average earnings for these sectors, and hence overall, are unaffected by the changes in level.

Comparison with the UK

Over the twelve months to June 2014, average weekly earnings in the UK rose by 0.8%; average earnings in Jersey increased by 2.6% over the same time period.

Although these two measures are not strictly comparable due to differing methodologies⁷, 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 2014.

⁷ 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 440 firms in the private sector were sent a survey questionnaire; 335 completed questionnaires were received back, representing a response rate of 77%.
- Of the returned questionnaires, 88% (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 (54%) of all workers in Jersey.

Statistics Unit, 20 August 2014

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
2014	284.5	+2.6

Table A2: Annual percentage change in average earnings by sector: 2002 – 2014

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	4.5
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	3.7
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	1.4
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	1.3
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	1.4
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	1.6
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	3.1
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	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	0.6	1.0	1.8
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	2.2
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	4.7