

Index of Average Earnings - June 2006

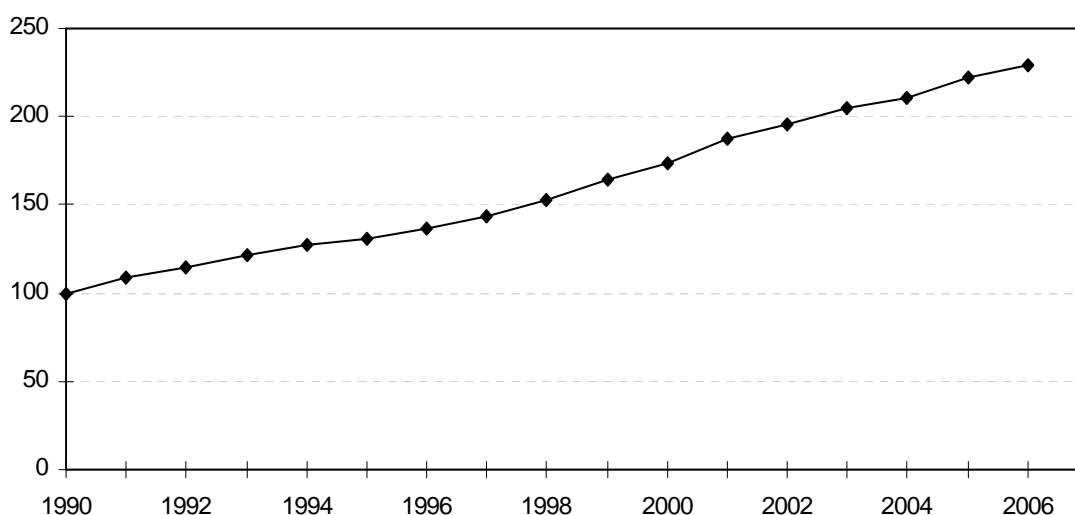
Headlines

- In June 2006 the average weekly earnings¹ of workers² in Jersey was 3.3% higher than in June 2005.
- The latest annual increase in average earnings is 2.0 percentage points less than that reported for the previous 12-month period (5.3% to June 2005), with smaller annual rates of increase seen in most sectors.
- **Average earnings increased by more than the underlying rate of inflation** during the 12 months to June 2006.
- Average earnings in the **private sector** increased by 3.4% over the year to June 2006, the lowest percentage increase for about a decade.
- The majority of workers in the **public sector** have not yet received a pay award for 2006. However, as a result of the 2004 and 2005 pay awards taking effect for some groups of workers during the latest 12-month period, average earnings across the sector increased by 2.5%.
- The highest annual increases in average earnings were seen in the Transport, storage and communications and Agricultural sectors (about 6%) whilst Wholesale and retail recorded the lowest increase (less than 2%).

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 222.2 in June 2005 to 229.5 in June 2006 (on a basis of June 1990 = 100), an annual increase of 3.3%.

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

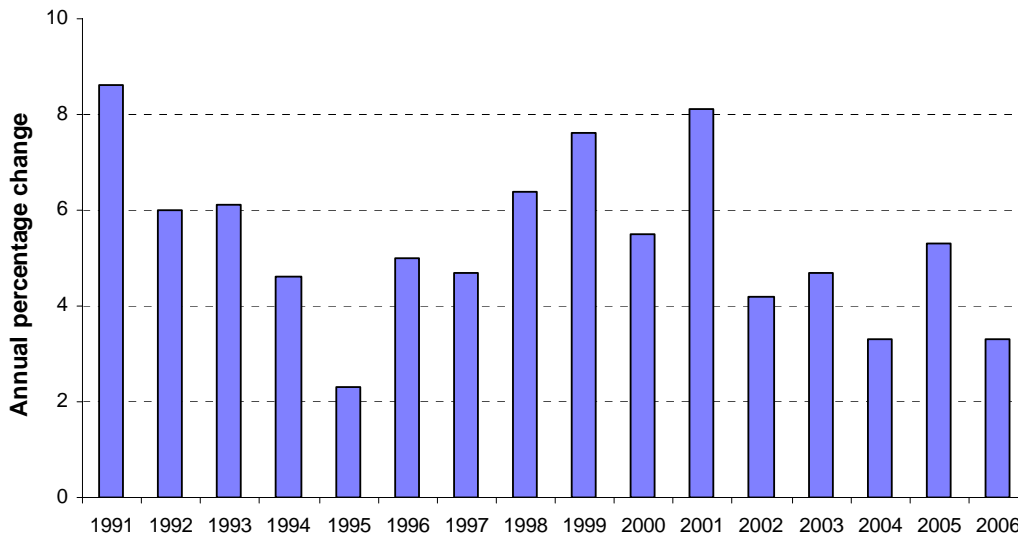


¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2006 Index measures changes in average earnings received between the last weeks of June 2005 and June 2006.

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 were weighted in the calculation of FTEs according to hours worked.

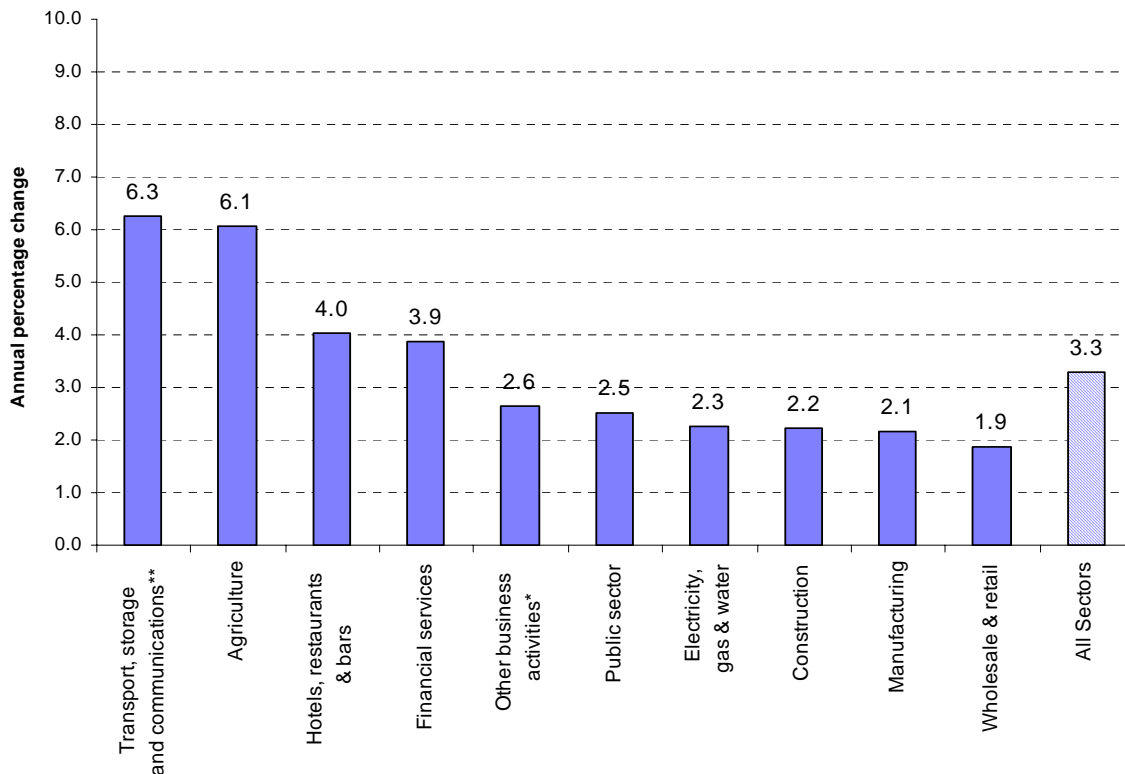
The annual percentage changes in average earnings since 1991 (over the 12 months to June of each year) are shown in Figure 2. The rate of increase for 2006 was below the trend increase for the preceding 15-year period (5.5% per annum), with only 1995 recording a lower increase.

Figure 2 - Annual Percentage Change in Average Earnings



Individual Business Sectors

Figure 3 - 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'.

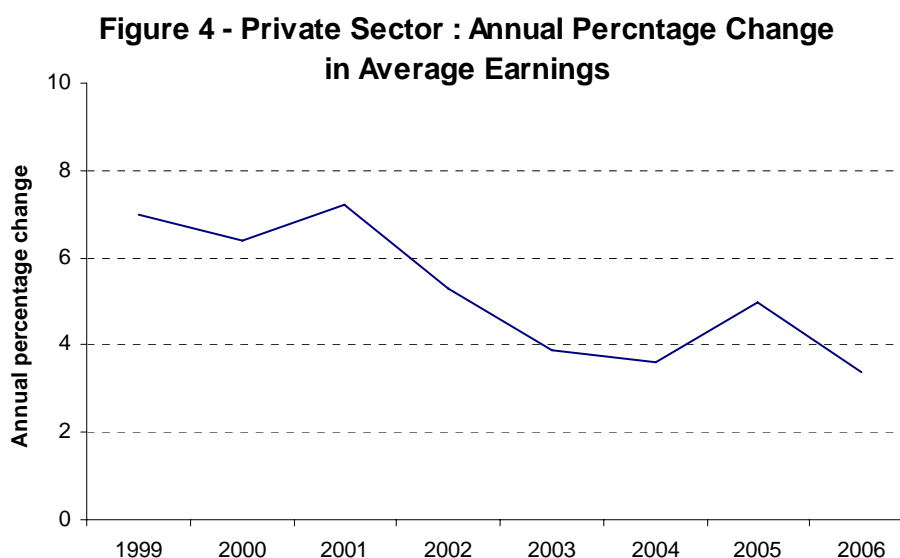
** 'Transport, storage and communication' includes Jersey Airport, Harbours, Postal Administration and Jersey Telecom.

As indicated in Figure 3, some of the key movements in earnings of individual business sectors over the 12 months to June 2006 included:

- Transport, storage and communications recorded the highest annual rate of increase (6.3%) of any sector;
- Agriculture showed a similar annual rate of increase (6.1%), influenced by the introduction of minimum wage legislation in Jersey³. The average rise for agriculture workers was less than that recorded in June 2005 (8.2%) but 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 Hotels, restaurants and bars received an average increase of 4.0%, with the implementation of the minimum wage a contributing factor;
- average earnings in Financial services rose by 3.9%, a rate of increase slightly below that of 2005 (4.5%);
- the lowest annual rate of increase was recorded by Wholesale and retail (1.9%). Increases in Manufacturing, Construction and Electricity, gas & water were also below 2.5%.

Private Sector

The annual rate of increase of average earnings in the private sector overall has exhibited a predominantly downward trend for the past five years (see Figure 4), with the most recent annual increase (3.4%) being the lowest recorded for around a decade⁴.



³ Minimum Wage legislation came into effect in Jersey on 1 July 2005, i.e. during 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 and increased to £5.24 on 1 April 2006. Offsets were implemented for the provision of food and accommodation by employers and for accommodation only. These offsets are particularly relevant for employees living in tied (staff) accommodation in the 'Agriculture' and 'Hotels, restaurants and bars' sectors.

⁴ Due to a comprehensive reconciliation exercise conducted for the determination of National Accounting aggregates (GVA, GNI, GDP), consistent sectoral earnings data are available back to 1998. Definitional issues regarding the precise delineation of the private and public sectors prevent direct comparisons of the private sector to be made for the period prior to 1998.

Public sector

The majority of public sector workers did not receive a pay award between June 2005 and June 2006. The 2.5% increase recorded by the public sector was primarily the result of pay awards implemented during the 12 months to June 2006 for a small number of pay groups, particularly manual workers and nurses & midwives, which had not received annual pay awards in the previous 12 month period, to June 2005.

Comparison with the Retail Prices Index

The annual change in the Jersey Retail Prices Index (RPI) stood at 2.9% in June 2006.

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 are relevant within an entire June to June period⁵.

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 June⁶. On this basis, the time-weighted average change in the RPI was 2.7%. Thus, average earnings over the 12 months to June 2006 increased by slightly more (0.6 percentage points) than the average annual changes in the RPI published 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 2.3%. The Index of Average Earnings thus increased by 1.0 percentage points more than the average annual changes in RPI(X) published during the 12 months to June 2006.

The long-term growth of earnings in Jersey remains above the increase in retail prices: since 1990 earnings have increased by an average of 5.3% per annum whilst the RPI has increased at an average rate of 4.3% per annum. Earnings have increased at a faster rate than prices in 12 out of the past 16 years.

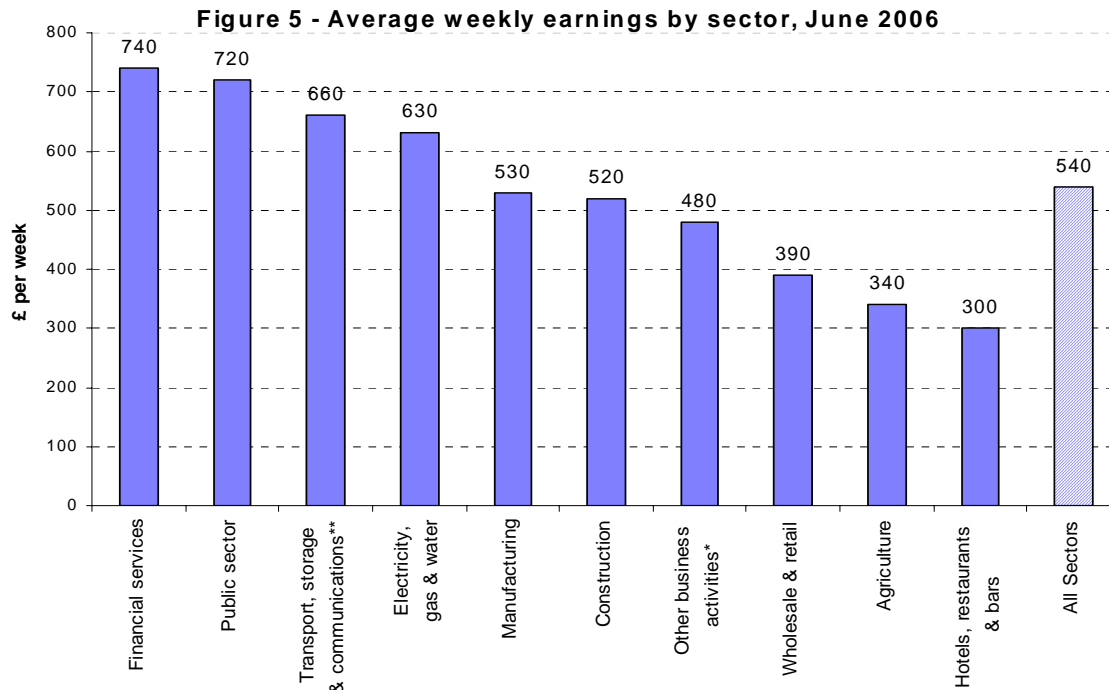
Level of Earnings by Sector

The average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2006 was £540 per week⁷. Average earnings by sector ranged from more than £700 per week in Financial services and the Public sector to about £300 per week in Hotels, restaurants & bars (see Figure 5).

⁵ For changes in earnings over the 12 months to June 2006 the relevant RPI figures are those of March 2005 to March 2006, inclusive. The annual changes and publication dates were: 4.5 % for March 2005 published on 20 April 2005; 3.6% for June 2005 published on 20 July 2005; 2.0% for September 2005 published on 19 October 2005; 2.2% for December 2005 published on 25 January 2006; 2.4% for March 2006 published on 26 April 2006.

⁶ 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.

⁷ 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 5 should be considered as reasonable approximations with an uncertainty of approximately £20. The levels of earnings determined for June 2005 using 2006 data are consistent at this degree of uncertainty for all sectors, and overall, with those published in 2005 except for the Other Business activities sector, which saw a greater shift in the level of average earnings due to improved coverage of medical professionals in the June 2006 sample. However, the change in average earnings for this sector, and hence overall, is unaffected by the shift in level.



Based on data recorded for the 2005 Survey of Financial Institutions, bonus payments increase the average earnings of FTE workers in the Finance sector by around £100 per week.

Comparison with the UK

The overall annual change in average earnings in the UK to June 2006 was 0.6 percentage points higher than in Jersey, whilst the rate of increase for the UK private sector was 0.8 percentage points higher than that for Jersey's private sector (Table 1). Average earnings in the public sector increased by a similar rate in both jurisdictions.

**Table 1 - Annual percentage changes in Average Earnings and Retail Prices:
June 2005 to June 2006**

	Jersey	UK ⁸
<u>Average earnings</u>		
All sectors	3.3	3.9
Private sector	3.4	4.2
Public sector	2.5	2.7
<u>Retail prices</u> <i>(time weighted average)⁹</i>		
RPI	2.7	2.6
RPI(X)	2.3	2.3

The increase in average earnings in the UK (all sectors) was 1.3 percentage points above that of the UK RPI, compared to a 0.6 percentage point differential in Jersey.

With respect to the underlying rate of inflation, the difference between the rates of increase of average earnings and RPI(X) was also higher in the UK than in Jersey, 1.6 and 1.0 percentage points respectively.

⁸ 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 2006 (excluding bonuses, seasonally adjusted 3 month average).

⁹ 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.

Reconciliation of Earnings data with the Household Expenditure Survey (HES)

The Jersey Index of Average Earnings measures the change in average (mean) earnings *excluding* bonuses of full-time equivalent employees (FTEs). As indicated previously, the data also enable estimation of the level of earnings, which for 2005 was determined to be £520 per week, corresponding to £27,000 per annum.

The annual Survey of Financial Institutions in Jersey¹⁰ enables calculation of the average bonus paid per FTE employee working in the sector; for 2005 this was £5,600 per annum. Including bonuses increases the average weekly pay for 2005 from £710 to £820 per FTE in the Finance sector, and increases the overall average for the entire labour force from £27,000 to £28,400 per annum.

Census information shows that there is an average of 1.24 FTE workers per household in Jersey. Scaling up individual average earnings by this factor results in an average (mean) household income from employment in 2005 of £35,200.

The Household Expenditure Survey¹¹, conducted in Jersey over the 12 months to October 2005, showed that median household income from employment was £34,400. Relating this figure to that above shows that, as is typical of earnings distributions, the mean household earnings from employment is somewhat greater than the median (in this case by almost £1,000).

¹⁰ Survey of Financial Institutions 2005: States of Jersey Statistics Unit, July 2006.

¹¹ Report on the Jersey Household Expenditure Survey 2004/05 (see page 18): States of Jersey Statistics Unit, July 2006.

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 almost half (45%) of all workers in Jersey.

A total of around 410 firms in the private sector were sent a survey questionnaire; 345 completed questionnaires were received back, representing an overall response rate of 84%.

Of the returned forms, almost three-quarters (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). The average earnings for each sector 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.

Please forward any enquiries to Kim Guegan, telephone: 01534 440423.

Statistics Unit

30 August 2006

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
2006	229.5	+3.3

Appendix 2**Annual percentage change in average earnings by sector: 2002 – 2006**

	2002	2003	2004	2005	2006
Agriculture	-3.3	-2.5	0.6	8.2	6.1
Manufacturing	0.2	5.5	3.3	6.5	2.1
Construction and quarrying	8.3	-1.1	4.4	5.7	2.2
Electricity, gas and water	5.1	4.8	4.0	8.7	2.3
Wholesale and retail	5.0	3.4	3.5	5.5	1.9
Hotels, restaurants and bars	1.8	4.2	3.2	3.2	4.0
Transport, storage and communication	2.3	7.0	3.8	4.6	6.3
Financial services	7.5	5.6	3.4	4.5	3.9
Other business activities	5.6	5.3	3.9	5.0	2.6
<i>All Private sectors</i>	<i>5.3</i>	<i>3.9</i>	<i>3.6</i>	<i>5.0</i>	<i>3.4</i>
Public sector	-2.4	8.3	2.1	6.9	2.5
ALL SECTORS	4.2	4.7	3.3	5.3	3.3