

Index of Average Earnings - June 2007

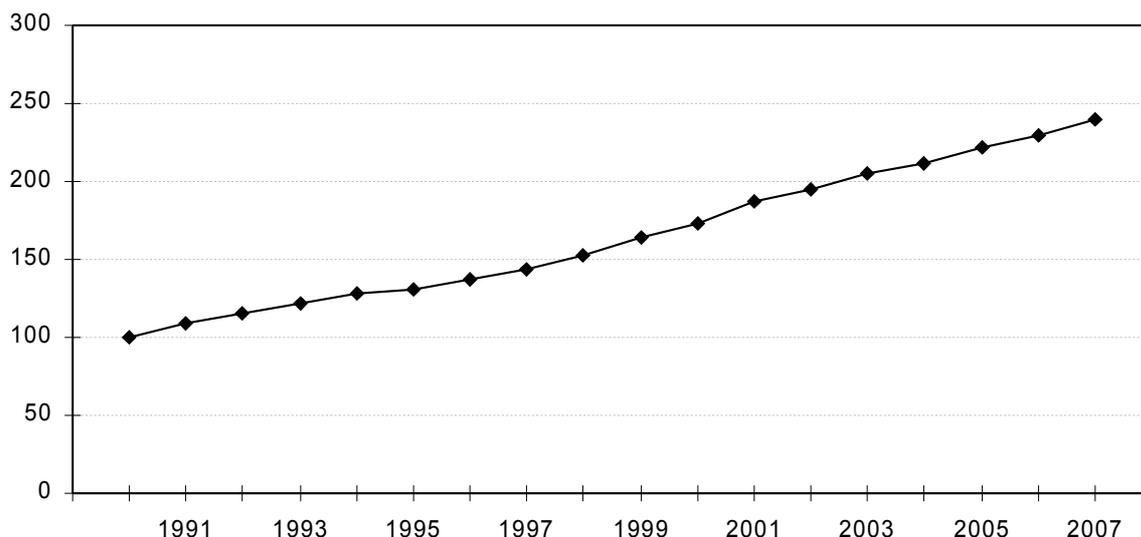
Headlines

- In June 2007 the average weekly earnings¹ of workers² in Jersey was 4.7% higher than in June 2006.
- The latest annual increase in average earnings is 1.4 percentage points higher than that reported for the previous twelve-month period (3.3% to June 2006), but is below the longer term average seen between 1991 and 2006.
- Average earnings in the **private sector** increased by 4.3% over the year to June 2007, whilst the **public sector** saw average earnings increase by 6.7% due to two annual pay awards being implemented for the majority of public sector employees in the twelve months to June 2007.
- The highest annual increases in average earnings were seen in the Construction and Public sectors. In contrast, earnings in Agriculture remained essentially unchanged over the last twelve months.
- The overall increase in average earnings was above that of retail prices (measured by the RPI) over the twelve months to June 2007.

Index of Average Earnings

As Figure 1 shows, the Index of Average Earnings rose from 229.5 in June 2006 to 240.2 in June 2007 (on a basis of June 1990 = 100), an annual increase of 4.7%.

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

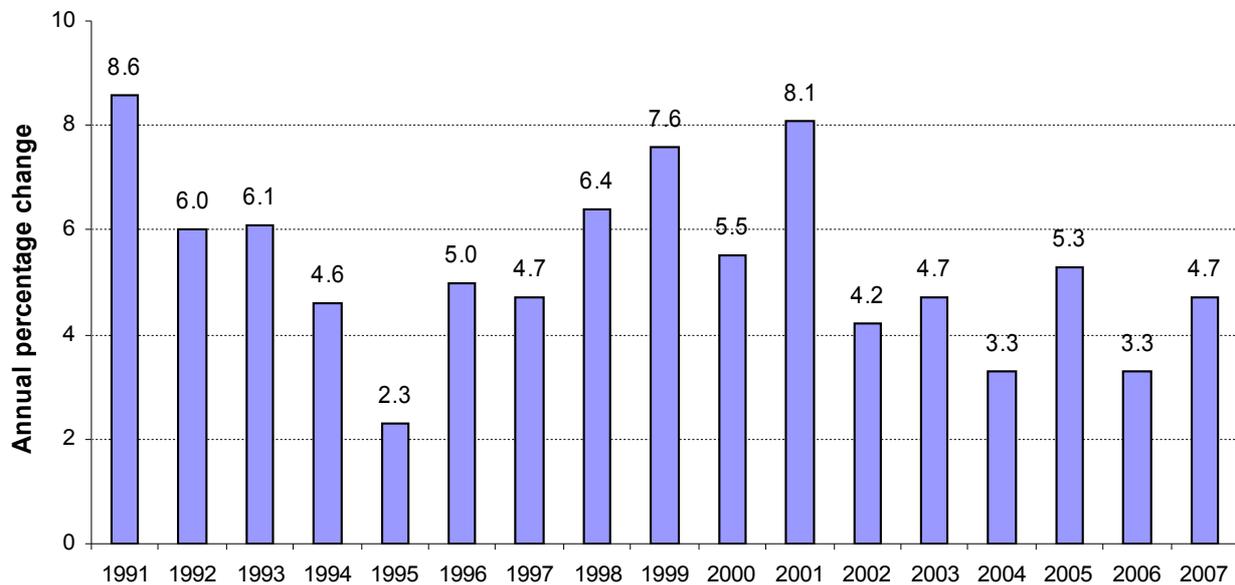


¹ The Index of Average Earnings measures changes in average earnings (gross wages and salaries) that have occurred, and been paid, to workers in Jersey. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g. free accommodation or meals). The 2007 Index measures changes in average earnings received between the last weeks of June 2006 and June 2007.

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.

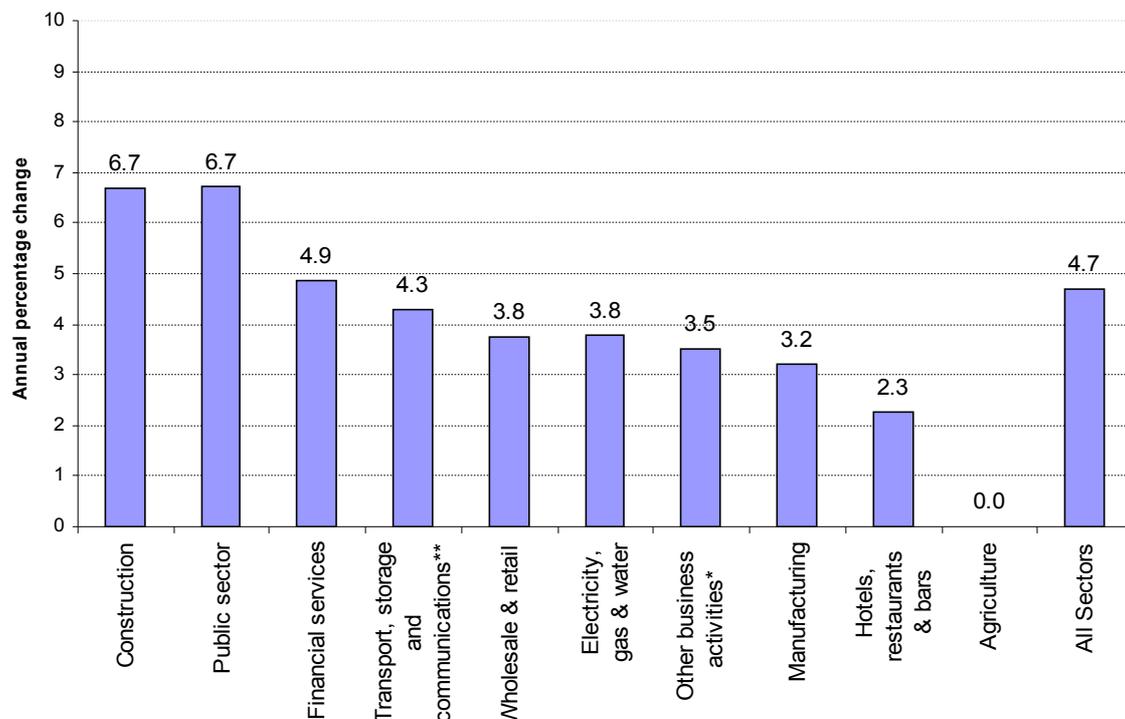
The annual percentage changes in average earnings since 1991 (over the twelve months to June of each year) are shown in Figure 2. The rate of increase for 2007 was below the average annual increase for the preceding 16-year period (5.3% per annum), but was slightly higher than the preceding five-year average of 4.1% per annum.

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.

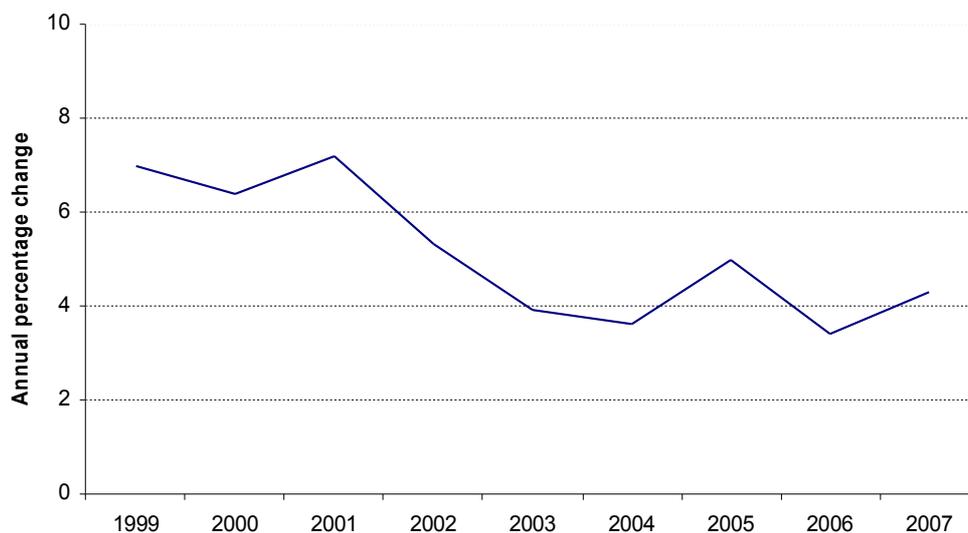
As indicated in Figure 3, some of the principle movements in earnings of individual business sectors over the twelve months to June 2007 included:

- The Construction and Public sectors recorded the highest annual rates of increase (6.7%). The increase in Construction earnings was largely due to more overtime payments compared to the previous June. The Public sector increase was a result of two pay awards in the twelve months to June 2007; the majority of Public sector employees did not receive a pay award in 2006.
- Average earnings in Financial services rose by 4.9%, a higher rate of increase than seen in 2006 (3.9%);
- Average earnings for Agriculture remained unchanged over the last twelve months, despite a 3% rise in the minimum wage³ and reflecting high staff turnover in this sector;
- Employees in Hotels, restaurants and bars saw average earnings increase by 2.3%, with the increase in the minimum wage and high staff turnovers being contributing opposing influences;
- The remaining sectors saw similar annual rates of increase in earnings, of around three to four percent.

Private Sector

In recent years the annual level of increase has been below the peak seen in 2001 (see Figure 4), with the latest increase (4.3%) similar to the preceding five-year average of 4.2% per annum.

Figure 4 - Private Sector: Annual Percentage Change in Average Earnings



³ Minimum Wage legislation came into effect in Jersey on 1 July 2005 with the minimum hourly rate set at £5.08, increasing to £5.24 on 1 April 2006 and to £5.40 on 1 April 2007.

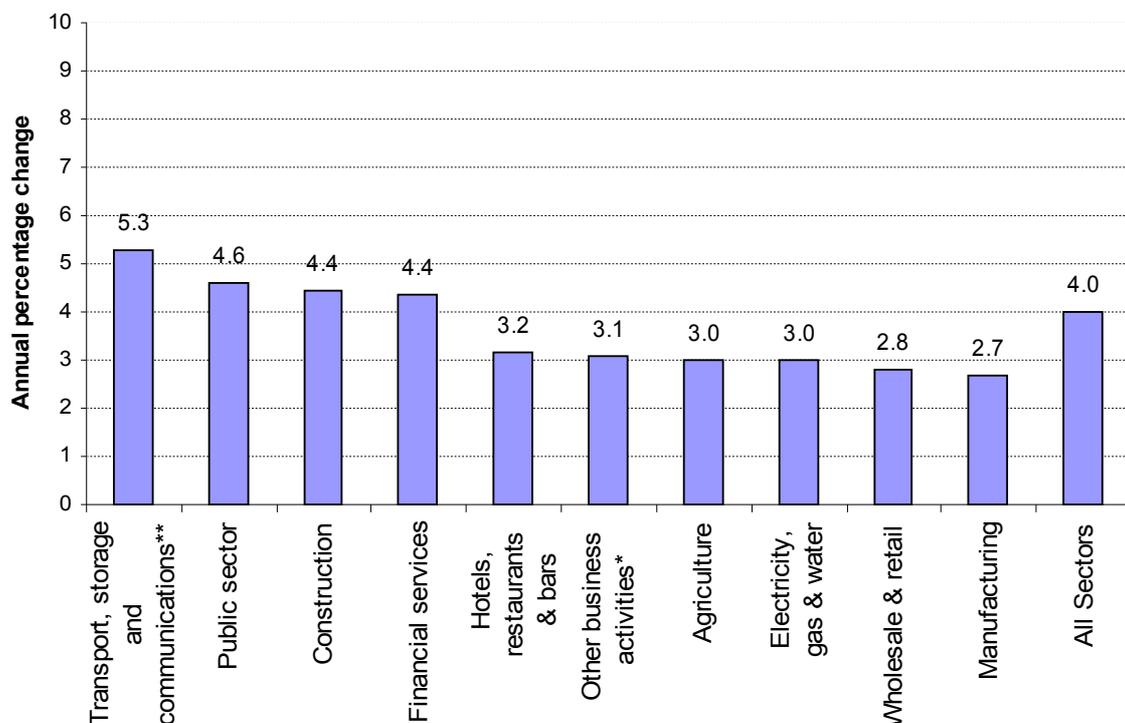
Public sector

Between June 2006 and June 2007 most employees in the Public sector received two pay awards: that for 2006, back-dated to June 2006, and also the pay award for 2007⁴. The timing and implementation of these two awards resulted in average earnings in the public sector increasing by 6.7% over the twelve-month period.

Public sector earnings had seen a lower average increase of 2.5% in the previous 12 months (to June 2006) 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, shown in Figure 5.

Figure 5 - Average annual percentage change in earnings: by sector for the two year period June 2005 - June 2007



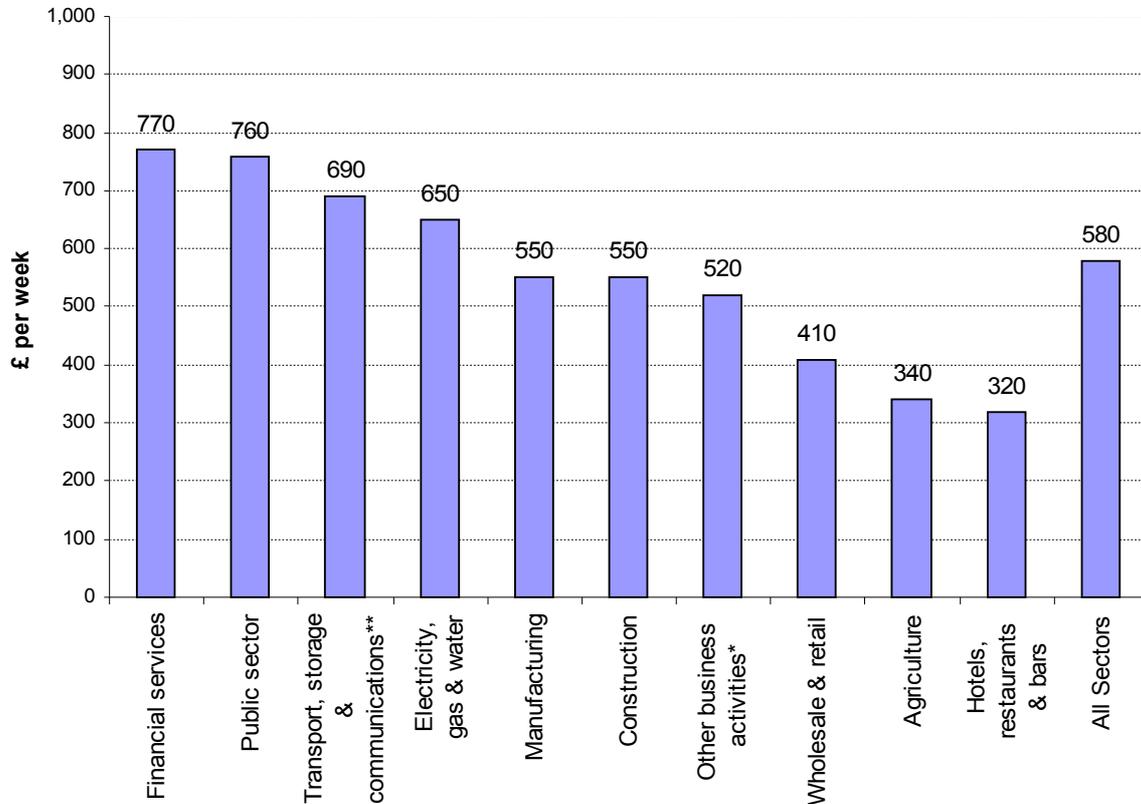
Over the two-year period from June 2005 to June 2007 earnings in the Public sector increased at an average annual rate of 4.6% whilst the private sector, overall, saw an average annual increase of 3.8%.

⁴ Due to the arbitration processes which were still underway in June 2007, some health pay groups (eg. nurses/midwives) had not yet received pay awards for 2006 and 2007 in the period covered by the 2007 Index of Average Earnings (between the last weeks of June 2006 and June 2007)

Level of Earnings by Sector

The average weekly earnings for full-time equivalent (FTE) employees in Jersey in June 2007 was £580 per week⁵. Average earnings by sector ranged from £770 per week in Financial services and £760 in the Public sector to £320 per week in Hotels, restaurants & bars (see Figure 6).

Figure 6 - Average weekly earnings by sector, June 2007 (£ per week)



Based on data recorded for the 2006 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 Retail Prices Index

The annual change in the Jersey Retail Prices Index (RPI) stood at 4.3% in June 2007.

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 period⁶.

⁵ 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 levels of earnings determined for June 2006 using 2007 data are consistent at this degree of uncertainty for all sectors, and overall, with those published in 2006 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 2007 sample. However, the change in average earnings for this sector, and hence overall, is unaffected by the shift in level.

⁶ For changes in earnings over the 12 months to June 2007 the relevant RPI figures are those of March 2006 to March 2007 inclusive. The annual changes and publication dates were: 2.4% for March 2006 published on 19 April 2006; 2.9% for June 2006 published on 19 July 2006; 3.6% for September 2006 published on 18 October 2006; 3.7% for December 2006 published on 24 January 2007; and 4.4% for March 2007 published on 25 April 2007.

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 June⁷. On this basis, the time-weighted average change in the RPI was 3.5%. Thus, average earnings over the twelve months to June 2007 increased by 1.2 percentage points more 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 2.8%. The Index of Average Earnings thus increased by 1.9 percentage points more than the average annual changes in RPI(X) published during the twelve months to June 2007.

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 4.2% per annum. Since the Index of Average Earnings was first compiled in 1990, earnings in Jersey have increased at a faster rate than retail prices for all but four years.

Comparison with the UK

The annual change in average earnings in Jersey to June 2007 was greater than in the UK, overall and for both the public and private sectors (Table 1). The overall rate of increase of earnings was 1.3 percentage points greater in Jersey, 0.9 percentage points for the private sector and 3.6 percentage points for the public sector.

**Table 1 - Annual percentage changes in Average Earnings and Retail Prices:
June 2006 to June 2007**

	<i>Jersey</i>	<i>UK</i> ⁸
<u>Average earnings</u>		
All sectors	4.7	3.4
Private sector	4.4	3.5
Public sector	6.7	3.1
<u>Retail prices</u> <i>(time weighted average)</i> ⁹		
RPI	3.5	3.9
RPI(X)	2.8	3.4

Compared with retail prices, the increase in average earnings in the UK (all sectors) was 0.5 percentage points below that of the UK RPI, in contrast to Jersey where the increase in earnings was 1.2 percentage points above the Jersey RPI.

With respect to the underlying rate of inflation, average earnings in the UK increased at the same rate as RPI(X), whilst average earnings in Jersey increased at a rate 1.9 percentage points above that of RPI(X).

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

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 2007 (excluding bonuses, seasonally adjusted three 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.

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 over half (55%) of all workers in Jersey.

Some 450 firms in the private sector were sent a survey questionnaire; 373 completed questionnaires were received back, representing an overall response rate of 83%.

Of the returned forms, 87% (covering 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.

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

29 August 2007

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
2007	240.2	+4.7

Appendix 2**Annual percentage change in average earnings by sector: 2002 – 2007**

	2002	2003	2004	2005	2006	2007
Agriculture	-3.3	-2.5	0.6	8.2	6.1	0.0
Manufacturing	0.2	5.5	3.3	6.5	2.1	3.2
Construction and quarrying	8.3	-1.1	4.4	5.7	2.2	6.7
Electricity, gas and water	5.1	4.8	4.0	8.7	2.3	3.8
Wholesale and retail	5.0	3.4	3.5	5.5	1.9	3.8
Hotels, restaurants and bars	1.8	4.2	3.2	3.2	4.0	2.3
Transport, storage and communication	2.3	7.0	3.8	4.6	6.3	4.3
Financial services	7.5	5.6	3.4	4.5	3.9	4.9
Other business activities	5.6	5.3	3.9	5.0	2.6	3.5
<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>	<i>4.3</i>
Public sector	-2.4	8.3	2.1	6.9	2.5	6.7
ALL SECTORS	4.2	4.7	3.3	5.3	3.3	4.7