



Annual Average Wage in 2010 Rebounds From First Decline

by Freda Wiggins, Research Economist

New Jersey's annual average wage reached a new high in 2010 after seeing its first decline in more than 40 years in 2009. The annual average wage for the state is the figure derived when the total amount of wages paid out during the year is divided by the total number of workers covered under the state's Unemployment Insurance (UI) system who got a paycheck. The annual average wage gives insight into the condition of the New Jersey economy. More importantly, however, the figure affects nearly every business and worker in the state because it is the key factor used in calculating both contribution levels and the benefit levels for programs like Unemployment and Temporary Disability insurance.



Following an historic decline of 0.2 percent from 2008 to 2009 to an average of \$55,173 the 2010, annual average wage in New Jersey rose to \$56,385. That change represents an increase in the average of \$1,212 or 2.2 percent. By comparison, annual growth in wages during the five years prior to 2009 (2004-2008) averaged 3.6 percent.

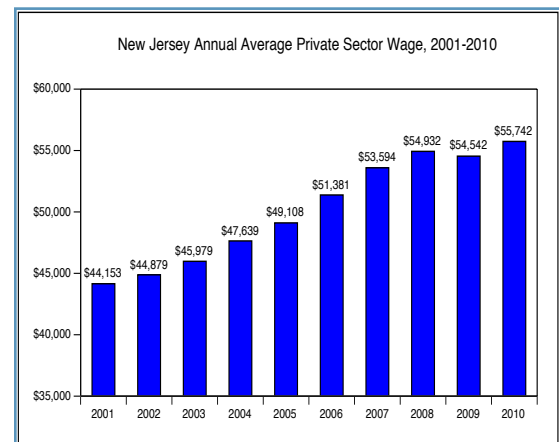
Changes in the annual average wage provide an overall gauge of trends in the State's economy. By law, the average annual wage for workers covered by UI, (excluding federal workers), is used to calculate the UI taxable wage base, the amount of wages on which employers

and employees pay into the UI system. The annual average wage also is used to calculate maximum weekly benefit rates for UI, Temporary Disability Insurance (TDI); Family Leave Insurance (FLI); and Workers' Compensation benefits for the upcoming calendar year. The UI benefit rate and taxable wage base for calendar year 2012 are based on average annual wages for 2010.

UI coverage of workers applies to employers with one or more employees, including non-profit employers. Since 1978, UI coverage has also included virtually all state and local government workers, as well as certain domestic and agricultural workers. The wages of all full-time and part-time workers who contribute to UI are included in the calculation of the annual average wage. Changes in the percentage of jobs which are part-time, rising or declining levels of overtime or wage bonuses, retroactive payments, changes in job tenure or changing industry composition or occupational patterns may all influence average annual wage statistics.

The annual average wage is calculated by dividing the sum of total wages paid for the calendar year subject to UI coverage by average monthly employment. Therefore, year-to-year changes in annual average wages do not necessarily represent the experience of any individual

The 2010 annual average wage in New Jersey rose to \$56,385 from \$55,173 in 2009, an increase of \$1,212 or 2.2 percent.



workers, nor are they solely the result of wage increases. Rising or declining levels of overtime or wage bonuses, changes in the percentage of jobs which are part time, changes in the length of tenure, as well as changing industry composition and occupational staffing patterns all play a role in influencing average wage statistics.

While annual average wages increased during 2010, total average employment declined by 1.0 percent compared with calendar year 2009. The decline in employment over-the-year contributed to the growth in annual average wages during 2010 of 2.2 percent, as total wages for all workers covered by UI increased at a slower pace, rising by 1.2 percent.



Industry Analysis

The annual average wage in New Jersey for private sector jobs covered by UI rose from \$54,542 in 2009 to \$55,742 in 2010, an increase of 2.2 percent. Similarly, annual average wages for government workers covered by UI also increased by 2.2 percent in 2010 to \$59,736 from \$58,424. The gain in private sector annual average wages during 2010 followed a decline during the previous year of 0.7 percent. Annual average wages in the public sector rose during 2009 by 2.2 percent.

Fulltime and part-time jobs are counted the same with equal weight in the calculation, therefore, annual average wages can vary widely among industries depending, in part, on the ratio of full- to part-time workers in that industry. Similarly, average wage comparisons

of public sector and private sector jobs can also differ as part-time jobs are more prevalent in the private sector.

While annual average wages increased during the year, employment in the private and public sectors declined by 0.8 and 1.9 percent, respectively, compared with calendar year 2009. Employment in the private sector comprised about 84 percent of total covered employment during 2010, with the public sector accounting for the other 16 percent. From 2009 to 2010, total wages for workers covered by UI rose in the private sector by 1.4 percent, while wages for workers in the public sector grew by 0.3 percent.

The highest annual average wage growth during 2010 occurred in the industry sectors of finance and insurance (+7.2%) and management of companies and enterprises (+6.4%). These two industry sectors also had the highest annual average wages in 2010, with workers in the management of companies sector earning an average of \$132,715 and finance and insurance industry jobs paying an average of \$104,418. Total wages in the finance and insurance sector grew at a somewhat slower pace of 4.7 percent, with a decline in employment of 2.3 percent contributing to the higher average rate of wage growth of 7.2 percent. Similarly, total wages rose by 2.2 percent in the management of companies sector during 2010, while employment declined by 3.9 percent, resulting in a higher rate of growth in annual average wages of 6.4 percent.

During 2010, employment declined in 10 of the 17 private industry sectors. The largest annual employment declines were in construction (-6.5%), information (-5.7%) and manufacturing (-3.6%). Construction and information were the only two private industry sectors which

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also experienced decreases in total wages during 2010, with construction down by 6.2 percent and information falling by 2.4 percent.

Of the 17 industry categories in the private sector, all experienced some growth in annual average wages during 2010, with the exception of health care and social assistance where annual average wages remained unchanged at \$47,093. The three industry sectors recording the lowest annual average wage growth during 2010 included: construction (+0.3%), accommodation and food services (+0.9%), and retail trade (+1.0%). Annual average wages were the lowest for jobs in accommodation and food services (\$20,323), followed by retail trade (\$29,988); both industries employ large numbers of entry level, part-time and seasonal workers.

The three government sectors experienced a combined 2.2 percent increase in annual average wages during 2010, with growth in annual average wages occurring as follows: federal (+1.0%), state (+1.2%) and local (+2.8%). Local government employment, which was the largest component in the public sector accounting for 67 percent of all government jobs, fell by 2.4 percent, while state employment decreased by 1.9 percent. Federal employment rose during 2010 by 1.1 percent. State government also had a decrease in total wages of 0.7 percent in 2010, while federal and local government total wages rose by 2.1 and 0.3 percent, respectively.

During 2010, New Jersey employment totaled 3,734,623, with the private sector comprising about 84 percent of the total (3,133,821) and government representing the remaining 16 percent (600,802). The largest industry sectors during 2010, as measured by average annual employment, were health care and social assistance (493,410), retail trade (434,902).

The industry sector with by far the highest percentage increase in annual employment was utilities which rose by 21.7 percent; however, this industry comprised a relatively small share of total employment in New Jersey's private sector (0.5%). The utilities sector also had the largest annual increase in total wages during 2010 (+26.9%), followed by other services (+5.7%) and finance and insurance (+4.7%). Other sectors recording positive annual employment growth included: administrative and waste services (+2.7%), other services (+1.8%), health care and social assistance (+1.5%), educational services (+1.1%), accommodation and food services (+0.2%) and retail trade (+0.2%).

New Jersey Annual Average Wage for Jobs Covered by Unemployment Insurance by NAICS Industry Sector, 2009 and 2010 ¹				
NAICS Industry Sector	2009	2010	Net Change	% Change
Total Private Sector *	\$54,542	\$55,742	\$1,200	2.2%
Utilities	\$95,466	\$99,545	\$4,079	4.3%
Construction	\$60,588	\$60,767	\$179	0.3%
Manufacturing	\$71,374	\$74,131	\$2,757	3.9%
Wholesale Trade	\$74,113	\$76,808	\$2,695	3.6%
Retail Trade	\$29,677	\$29,988	\$311	1.0%
Transportation/Warehousing	\$46,622	\$47,782	\$1,160	2.5%
Information	\$83,562	\$86,407	\$2,845	3.4%
Finance/Insurance	\$97,368	\$104,418	\$7,050	7.2%
Real Estate/Rental/Leasing	\$51,779	\$54,260	\$2,481	4.8%
Professional/Technical Services	\$86,279	\$88,448	\$2,169	2.5%
Management of Companies/Enterprises	\$124,784	\$132,715	\$7,931	6.4%
Administrative/Waste Services	\$36,752	\$37,245	\$493	1.3%
Educational Services	\$43,071	\$44,119	\$1,048	2.4%
Health Care/Social Assistance	\$47,093	\$47,093	\$0	0.0%
Arts/Entertainment/Recreation	\$33,053	\$33,651	\$598	1.8%
Accommodation/Food Service	\$20,132	\$20,323	\$191	0.9%
Other Services **	\$32,090	\$33,299	\$1,209	3.8%
Total Government	\$58,424	\$59,736	\$1,312	2.2%
Federal Government	\$69,636	\$70,353	\$717	1.0%
State Government	\$62,511	\$63,263	\$752	1.2%
Local Government	\$55,442	\$56,966	\$1,524	2.7%
TOTAL	\$55,173	\$56,385	\$1,212	2.2%

¹Includes both full- and part-time workers.
^{**}Includes smaller categories not shown separately: agriculture, mining, forestry, fishing and firms which have failed to provide sufficient information for industrial classification.

Of the seven industries with rising employment during 2010, six recorded growth in annual average wages as well, led by utilities (+4.3%). Five other industries experienced annual growth in both employment and annual average wages during 2010, with annual average wages increasing in those industries as follows: other services (+3.8%), educational services (+2.4%), administrative and waste services (+1.3%), retail trade (+1.0%) and accommodation and food services (+0.9%). As noted above, annual average wages were unchanged during 2010 in health care and social assistance.

County Analysis

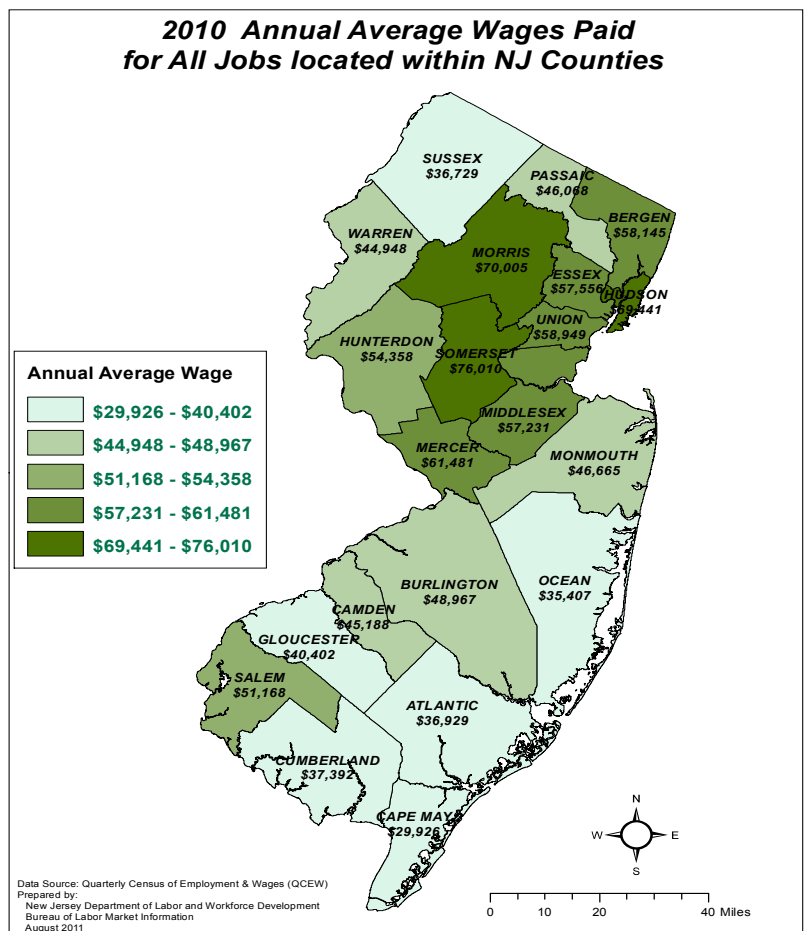
Annual average wages for private sector jobs covered by UI rose by 2.2 percent from 2009 to 2010, increasing from \$54,542 to \$55,742. Annual average wages during 2010 ranged from a low of \$29,926 for jobs located in Cape May County to a high of \$76,010 for employment in Somerset County.

Private sector annual average wages rose in 19 of New Jersey's 21 counties over the year, with the largest annual increase occurring in Hudson County (+5.7%), followed by Mercer County (+5.2%) and Salem County (+3.4%). Annual average wages declined over the year in the remaining two counties: Hunterdon County (-3.2%) and Sussex County (-0.1%).

Eight of the State's 21 counties had private sector annual average wages during 2010 which were above the statewide average: Bergen, Essex, Hudson, Mercer, Middlesex, Morris, Somerset and Union. The highest private sector annual average wages were for jobs located in Somerset County (\$76,010), Morris County (\$70,005) and Hudson County (\$69,441). Of the 13 counties which were below the statewide annual average wage, those with the lowest

private sector annual average wages included: Cape May County (\$29,926), Ocean County (\$35,407) and Sussex County (\$36,729).

Five counties recorded increases in average covered employment during 2010, led by Passaic County with an increase of 1.5 percent. Other counties with over-the-year employment gains included: Mercer County (+1.4%), Union County (+0.6%), Ocean County (+0.4%) and Sussex County (+0.3%). Of the remaining 16 counties with employment declines during 2010, the largest decrease occurred in Essex County (-2.1%), followed by Gloucester County (-2.0%) and Atlantic County (-1.9%).



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