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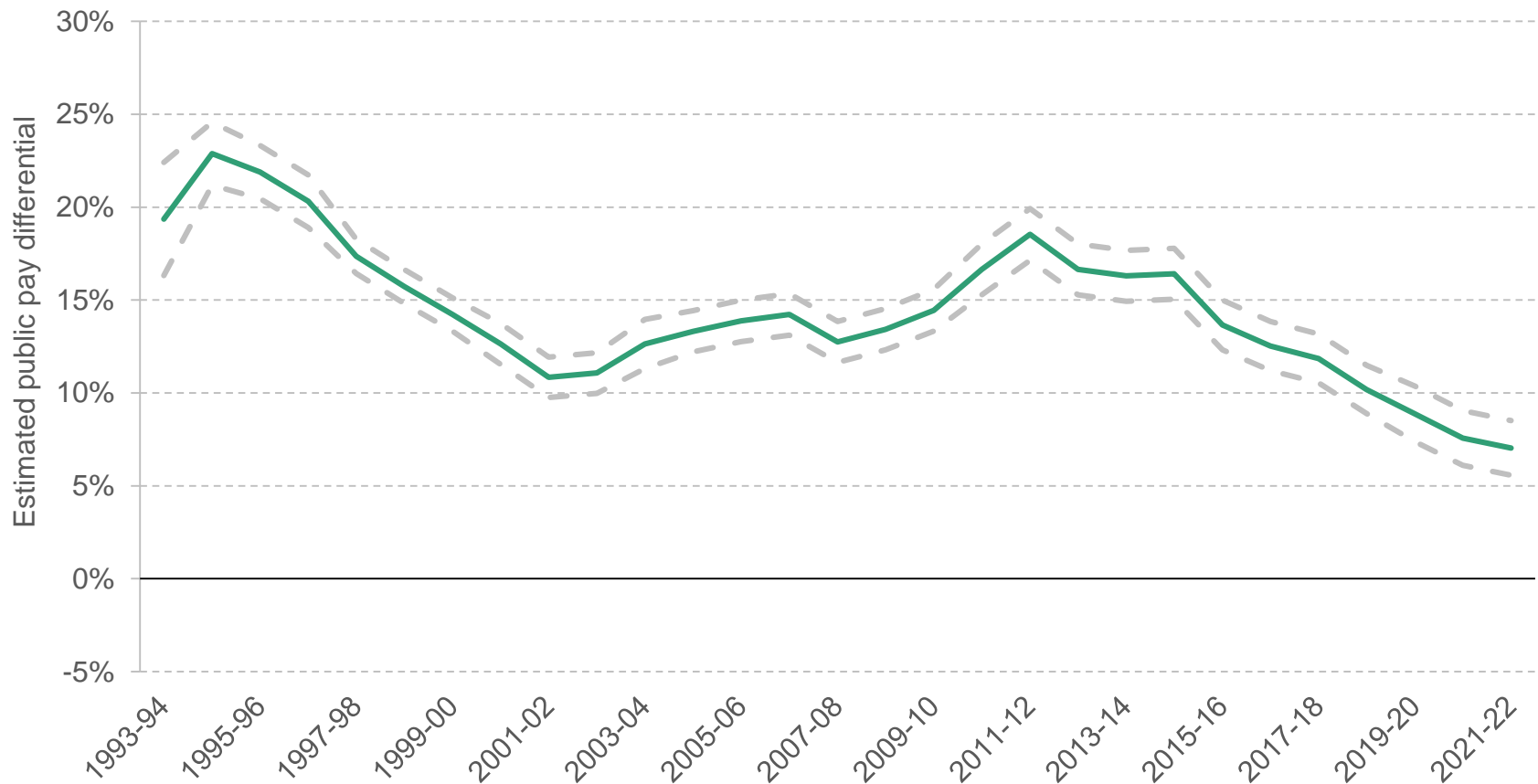
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Remuneration in the public and private sector

Public sector pay has been falling relative to the private sector

Average public-private hourly pay differentials from 1993–94 to 2021–22



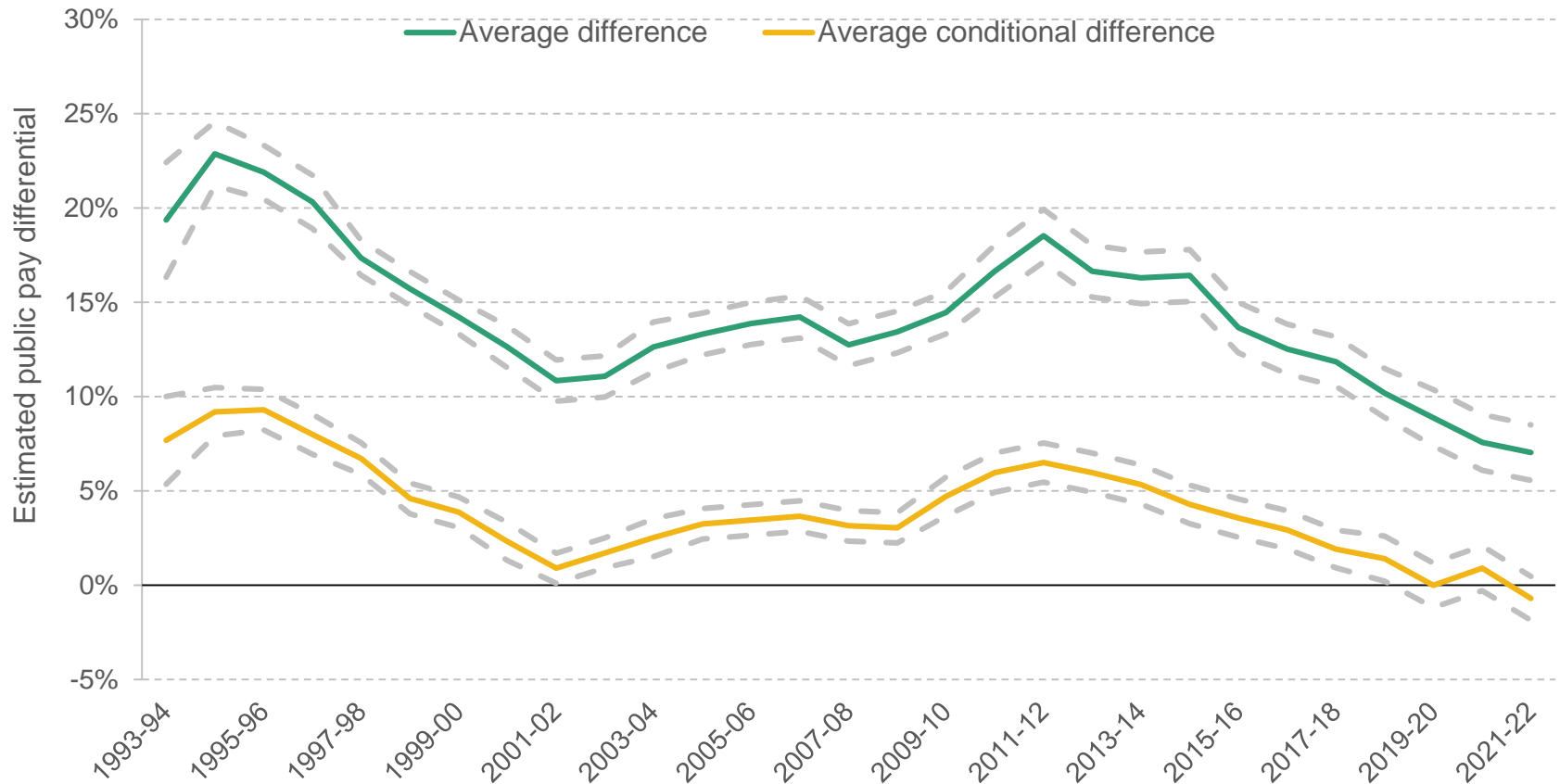
Notes and sources: see Figure 4.7 of Boileau, O'Brien, and Zaranko (2022)

Two sectors differ in composition

- Different workforces in the two sectors
 - Public sector workers tend to be more highly educated, older, more experienced, more likely to work part-time, etc
 - Making direct comparisons between average pay does not give a full picture of the difference for similar workers
- We use Labour Force Survey data and regression analysis to control for these differences
 - Look at the public sector premium for otherwise similar workers

Public sector pay has been falling relative to the private sector

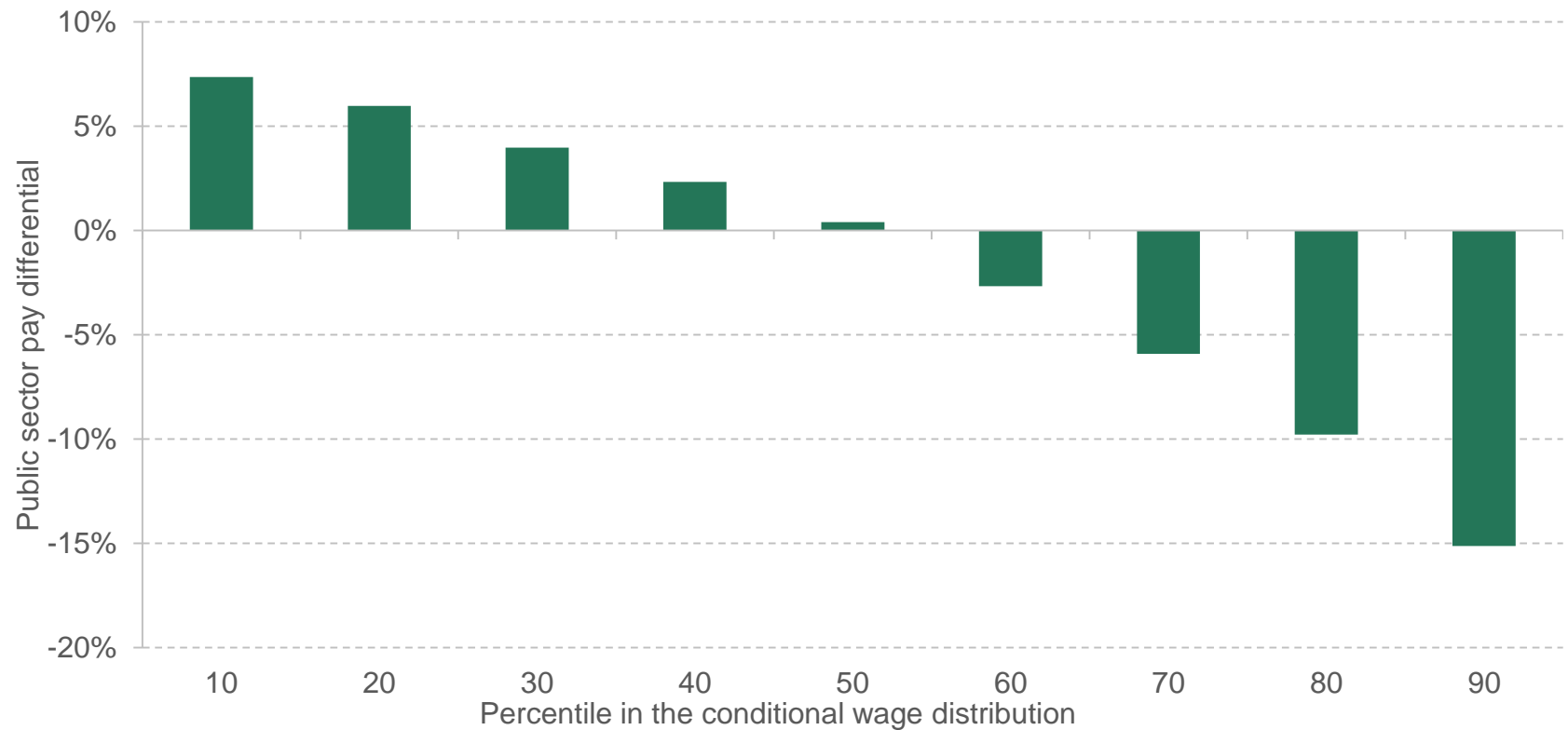
Average public-private hourly pay differentials from 1993–94 to 2021–22



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Conditional wage distribution shows relative compression

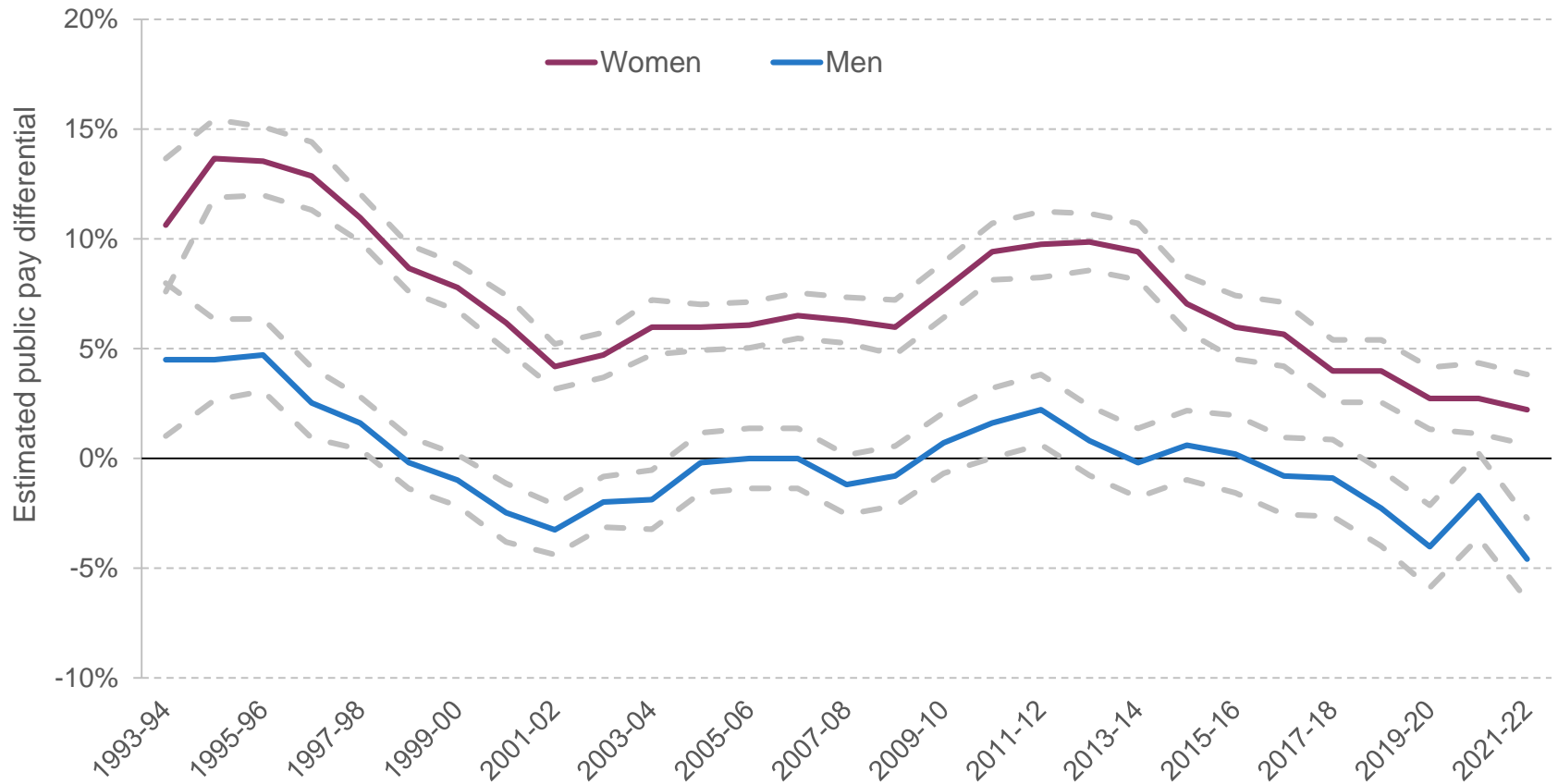
Estimated public-private hourly pay differential by percentile in the conditional wage distribution, 2021-22



Notes and sources: see Figure 4.8 of Boileau, O'Brien, and Zaranko (2022)

The public-private pay differential is higher for women

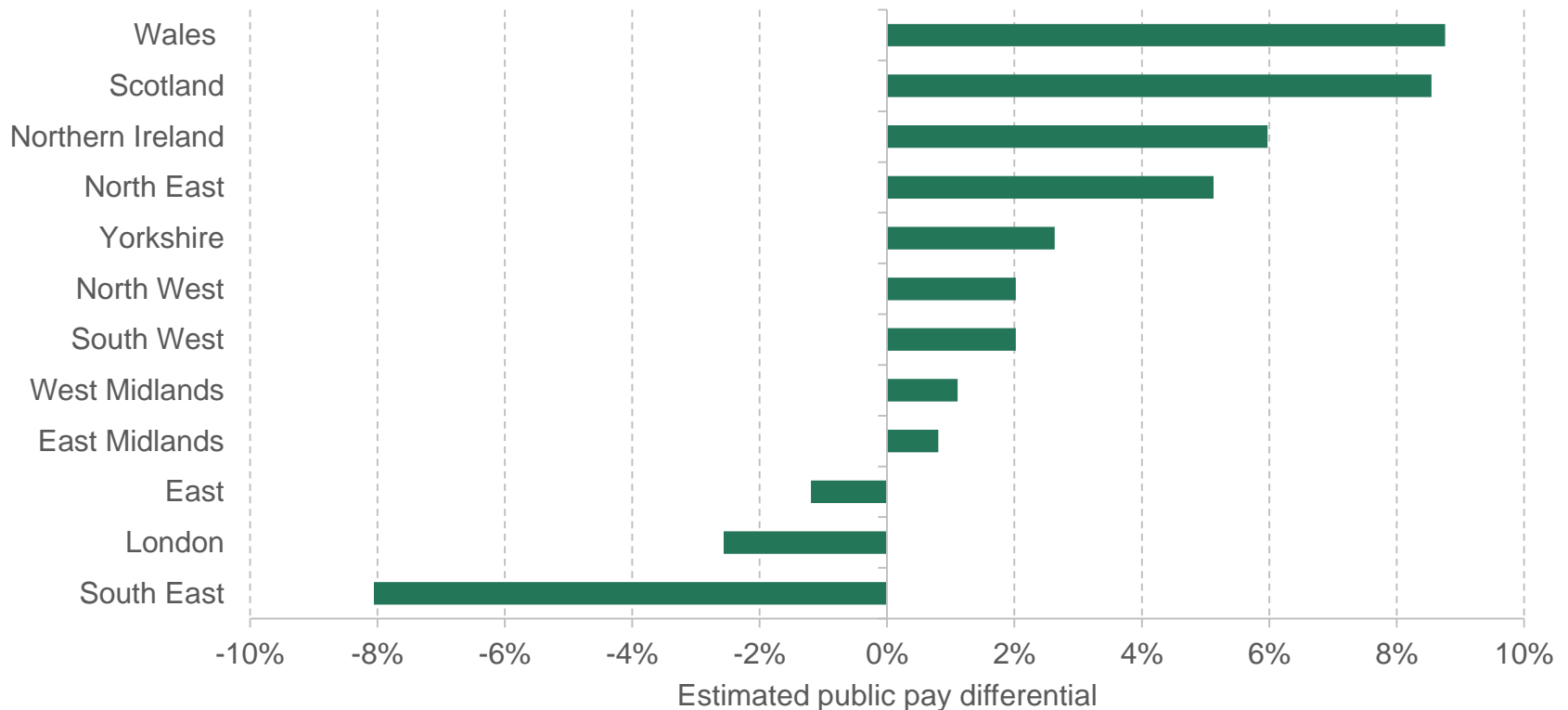
Average public-private hourly pay conditional differential over time, by sex



Notes and sources: see Figure 4.9 of Boileau, O'Brien, and Zaranko (2022)

Variation in the public pay differential across the UK

Public-private pay differential conditional on workers' characteristics, by UK region and nation, 2019-2021



Notes and sources: see Figure 4.10 of Boileau, O'Brien, and Zaranko (2022)

Pension participation differs between sectors

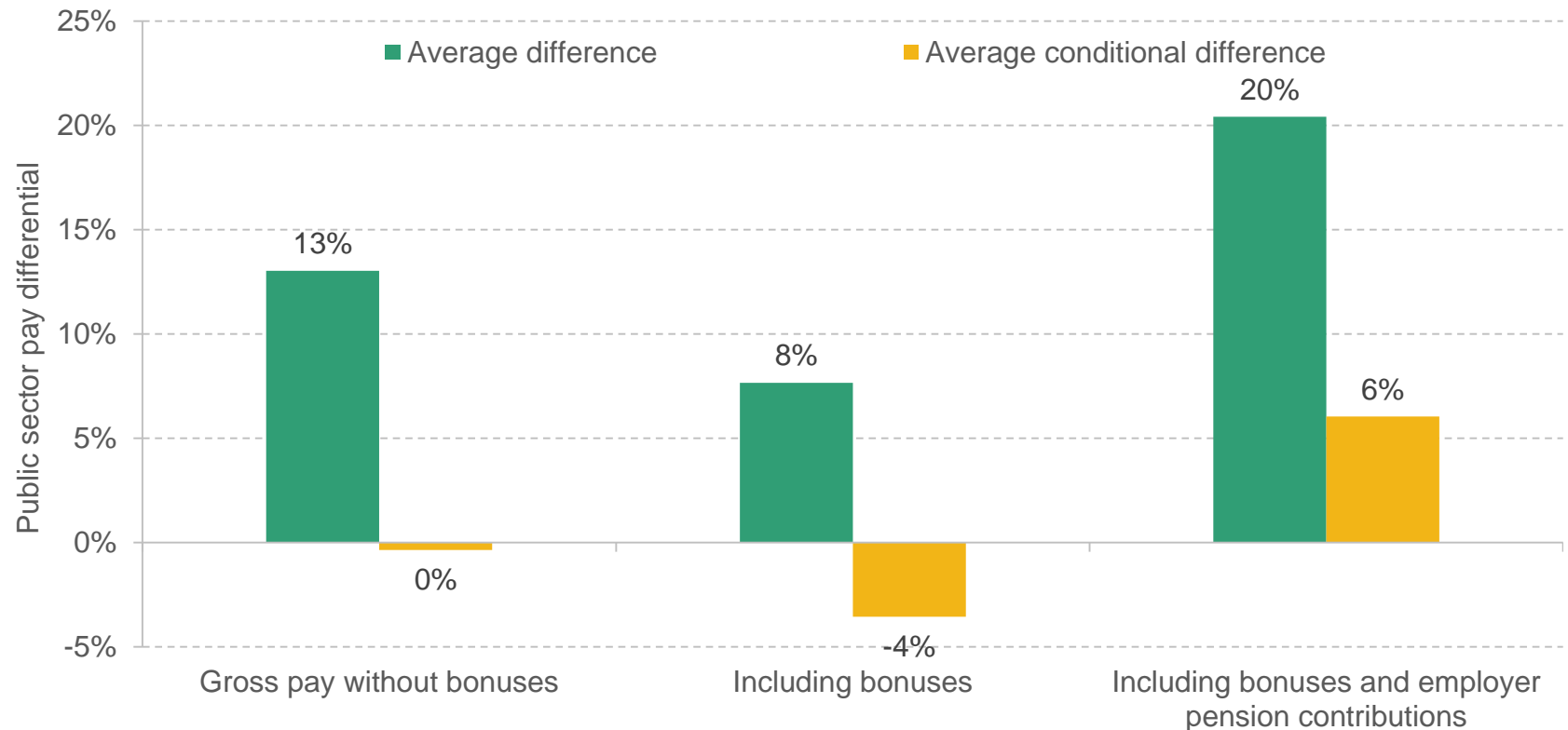
- Have only been looking at pay – pensions another important part of overall remuneration
- Public sector pension provision more generous

	Private sector	Public sector
Pension participation	75%	91%
% in a Defined Benefit pension scheme	7%	82%
% with employer contribution...		
>10%	11%	86%
>20%	2%	47%

Source: Authors' calculations using ONS ASHE Pension Tables 2021, P2.1 and P10.1

Pension contributions increase the public pay differential

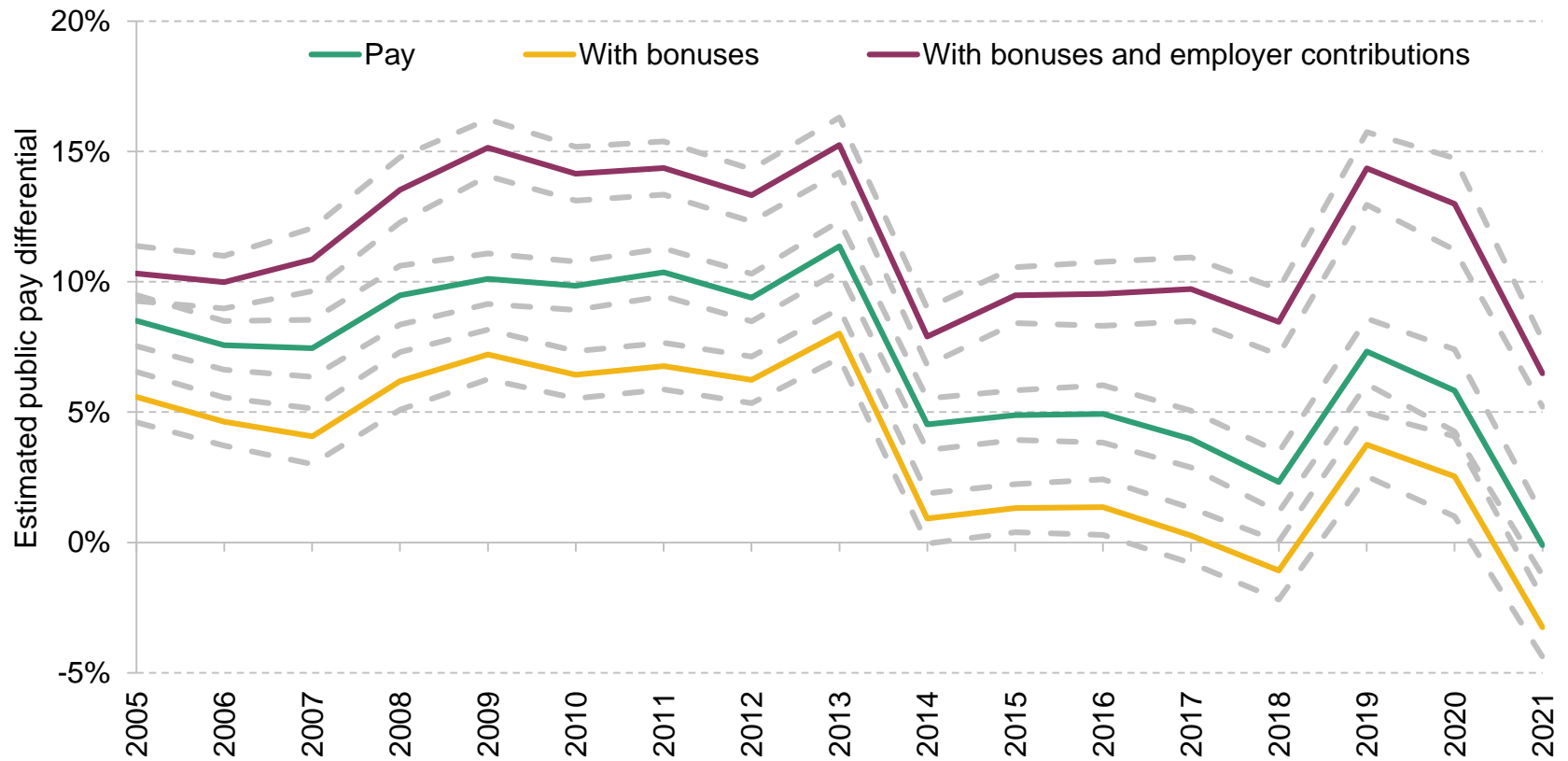
Average public remuneration differential in 2021



Notes and sources: see Figure 4.14 of Boileau, O'Brien, and Zaranko (2022)

The total remuneration gap has fallen

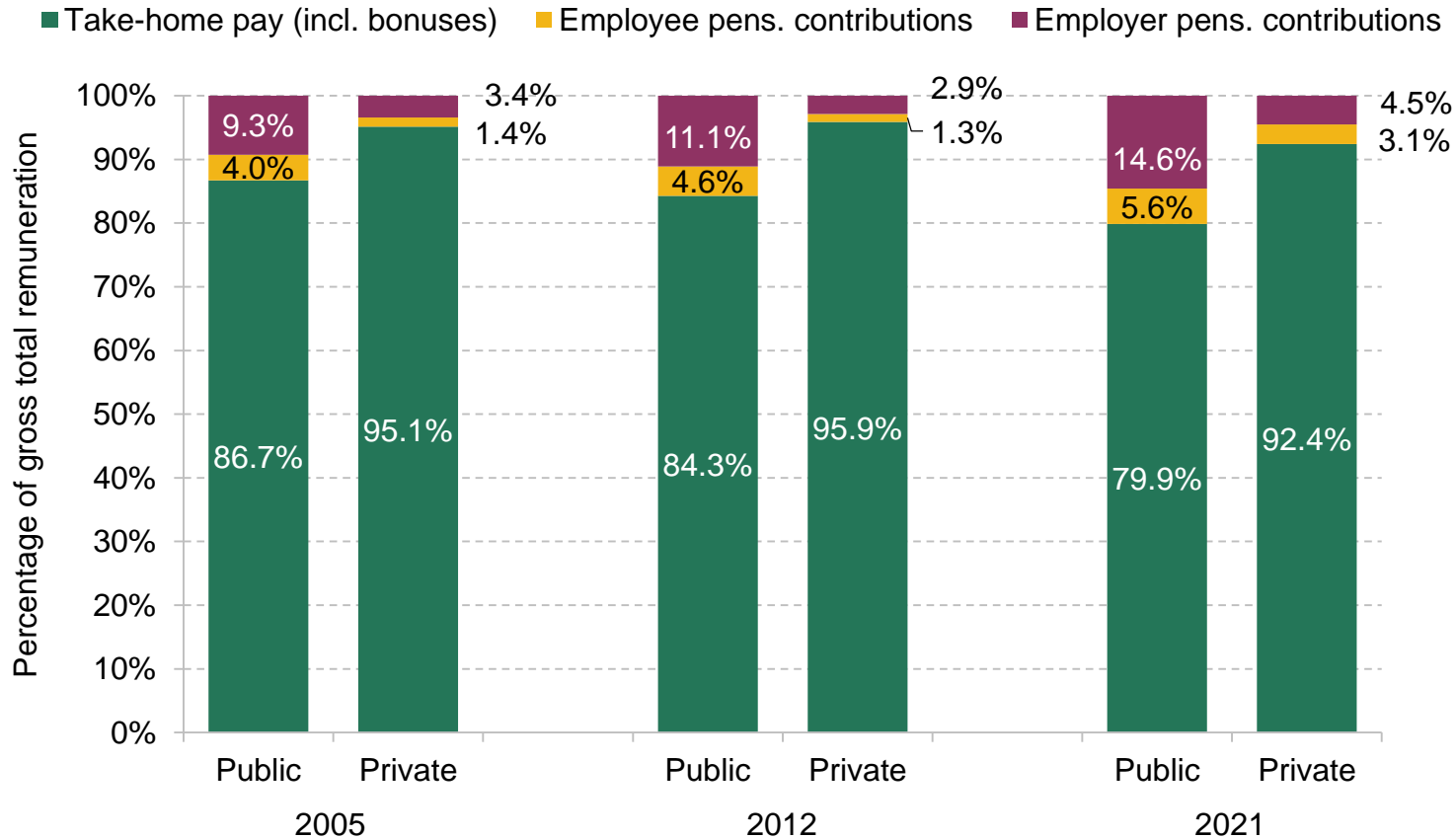
Average conditional public pay differential from 2012 to 2021



Notes and sources: see Figure 4.15 of Boileau, O'Brien, and Zaranko (2022)

Deferred pay increasing share of public sector remuneration

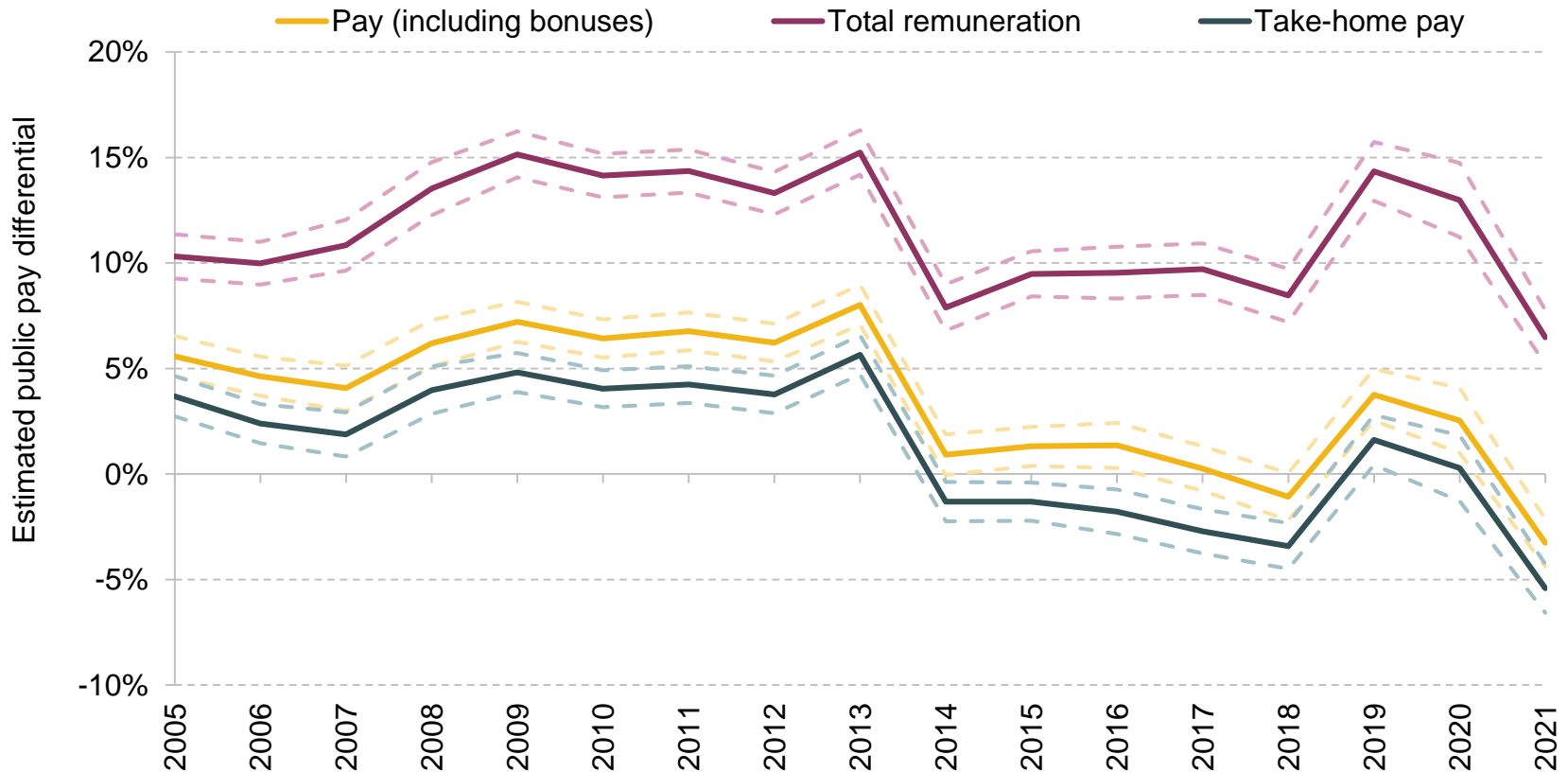
Share of hourly remuneration as take-home and deferred pay, by year and sector



Notes and sources: see Figure 4.16 of Boileau, O'Brien, and Zaranko (2022)

Differential in take-home pay is lower than for pay

Average conditional public pay differential from 2012 to 2021



Notes and sources: see Figure 4.15 of Boileau, O'Brien, and Zaranko (2022)

Longer-term policy issues

- **Structure of public sector remuneration**
 - Remuneration in the public sector increasingly skewed towards deferred pay
 - Take-home (non-deferred) pay may be more important to employees, especially during a cost of living crisis
 - Can't reduce DB pension contributions: binary in-out decision

 News ▶ Cambridge News ▶ Addenbrookes Hospital

Cost of living crisis hits Addenbrooke's Hospital as staff members opt out of NHS pension to cope

Hospital bosses heard from a member of staff who had spoken to a colleague who had opted out of the NHS pension scheme because they were struggling.

Longer-term policy issues

- **Structure of public sector remuneration**
 - Remuneration in the public sector increasingly skewed towards deferred pay
 - Take-home (non-deferred) pay may be more important to employees, especially during a cost of living crisis
 - Can't reduce DB pension contributions: binary in-out decision
 - Starting point: reducing employee pension contributions and increasing take-home pay
 - Prevent rise in opt-outs, increase public sector workers' welfare

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