



27 September 2024

Jonathan Cribb, IFS
Magdalena Dominguez, IFS
Andrew McKendrick, IFS

@TheIFS

Pressures on public sector pay

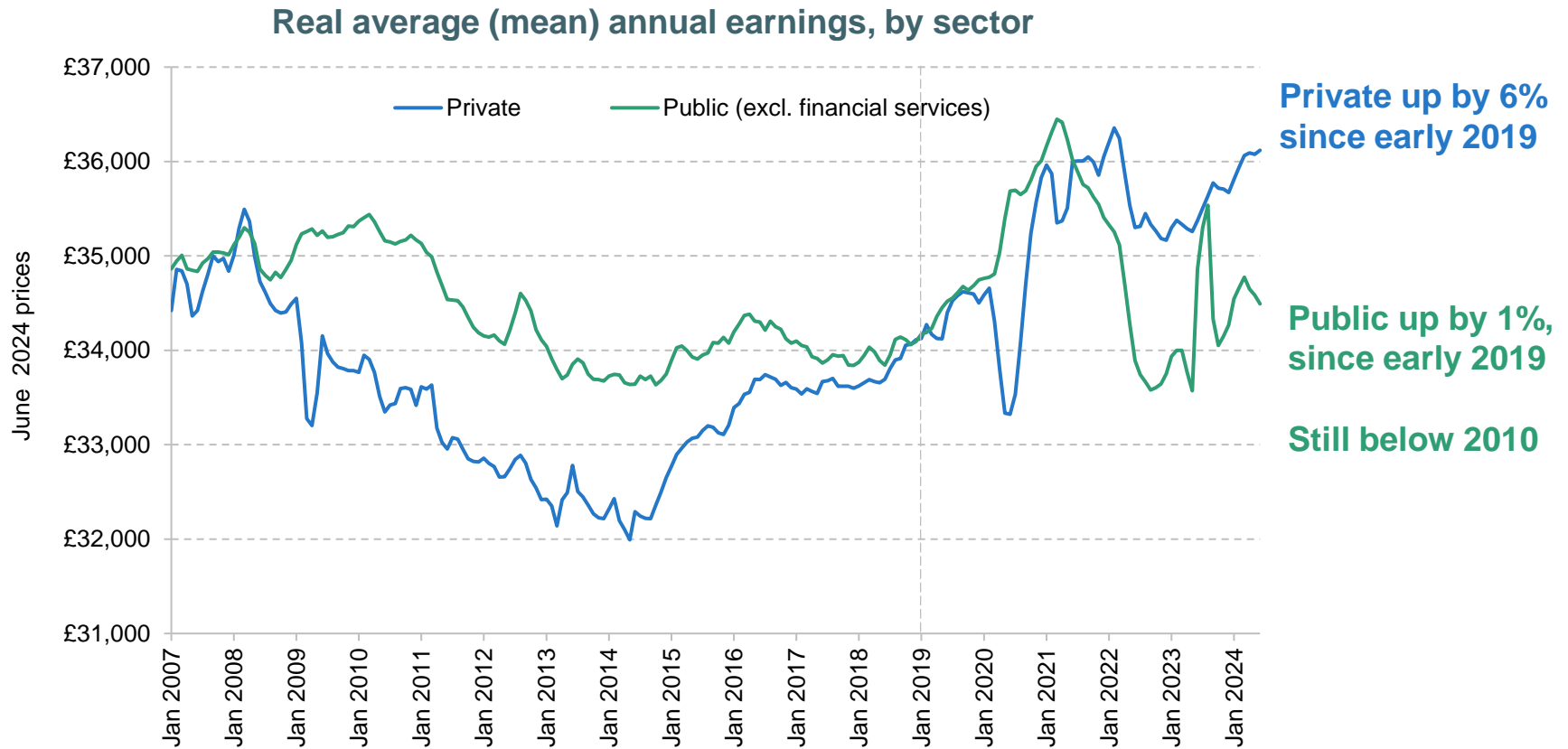
- **5.9 million people are employed by central and local government in the UK** (19% of payrolled employees)
- **Public sector pay is an important component of public spending**
 - £270 billion in 2023–24 (10% of national income and 22% of total UK government spending)
- The employment, pay, and productivity of these employees are a **crucial input into the provision of public services**, and important for **material living standards** of many families

Key questions

- **What are the key trends in public sector workforce and pay?**
- **What problems are there with the structure of public sector remuneration?**
- **Might public sector pay be a key spending pressure in coming years?**

In all cases we examine the difference experiences, and issues, across the different parts/occupations of the public sector

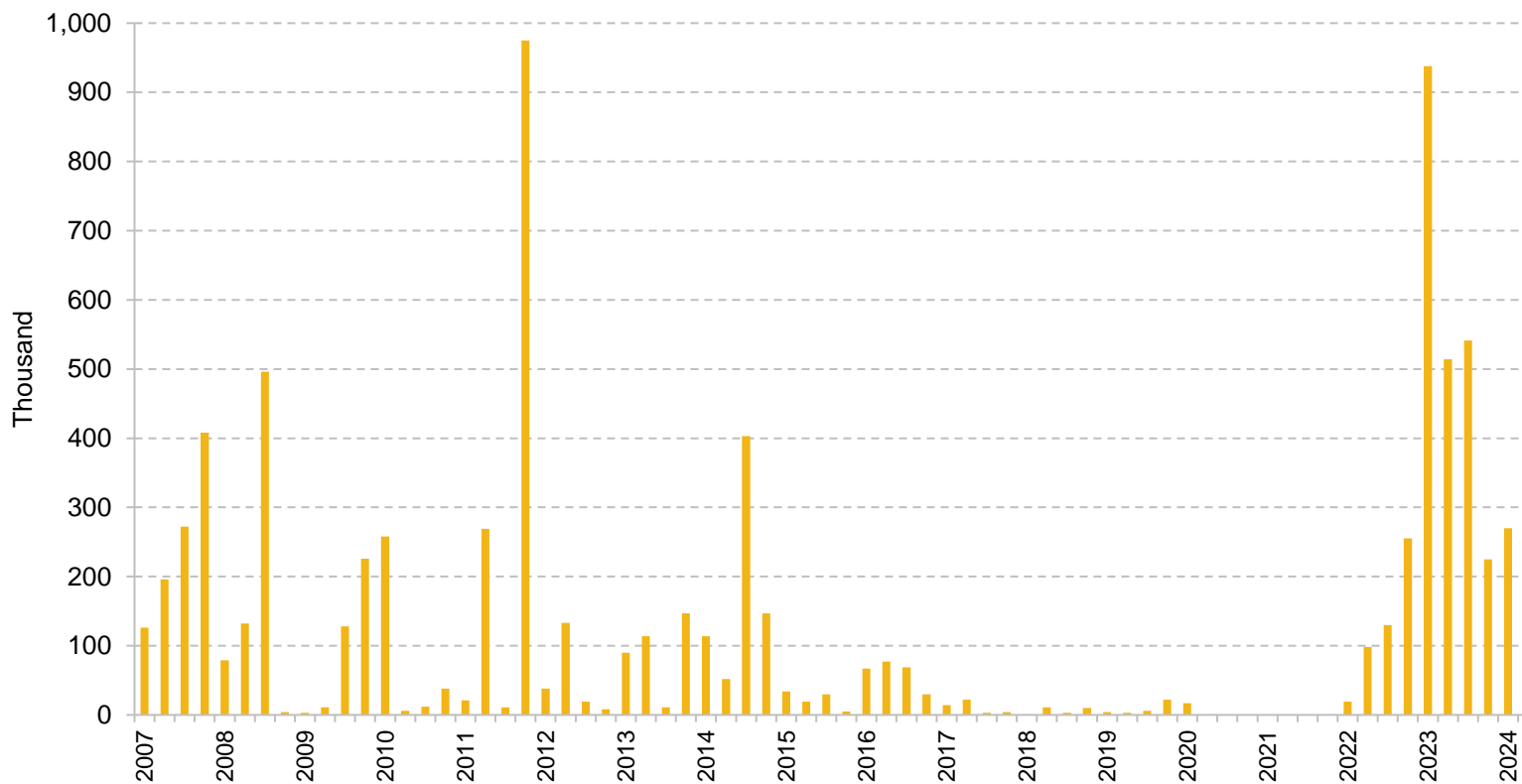
Private sector pay has grown faster than public pay in the past five years...



Source: Figure 4.1, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

...accompanied by strike action

Working days lost to strike action in the public sector, by quarter



Note: Data not available for February 2020 to January 2022

Source: Figure 4.3, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

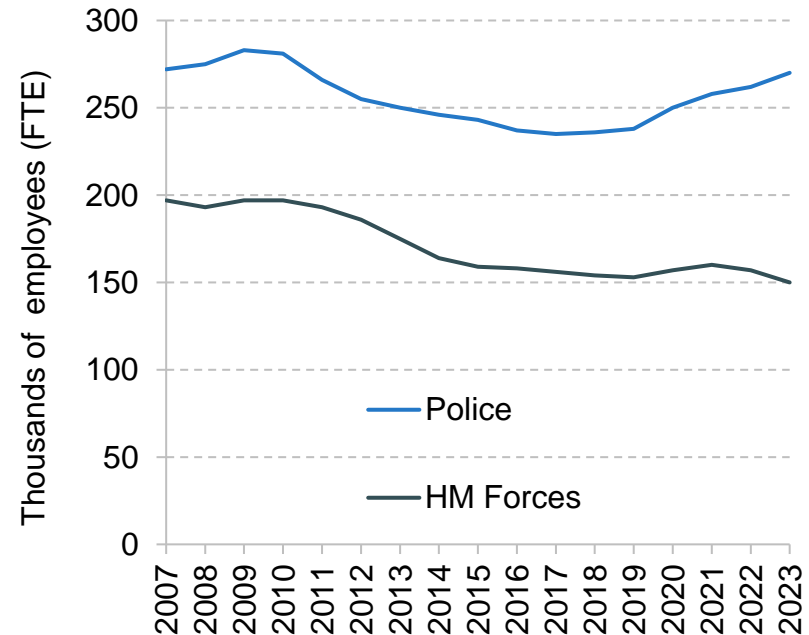
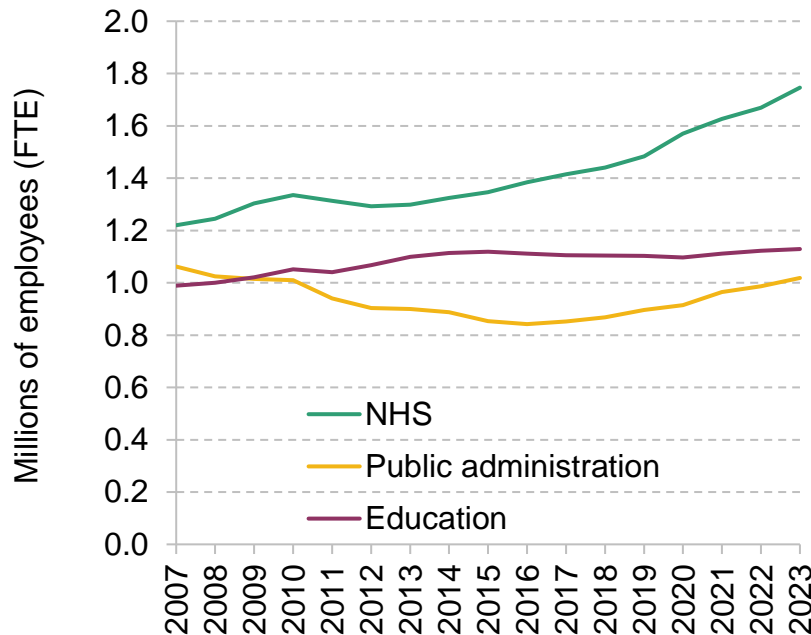
2024 Q2 saw 130,000 working days lost to strikes.

In 2015-19 not a single quarter saw more than 80,000



Trends in pay and employment across the public sector

Employment in the public sector

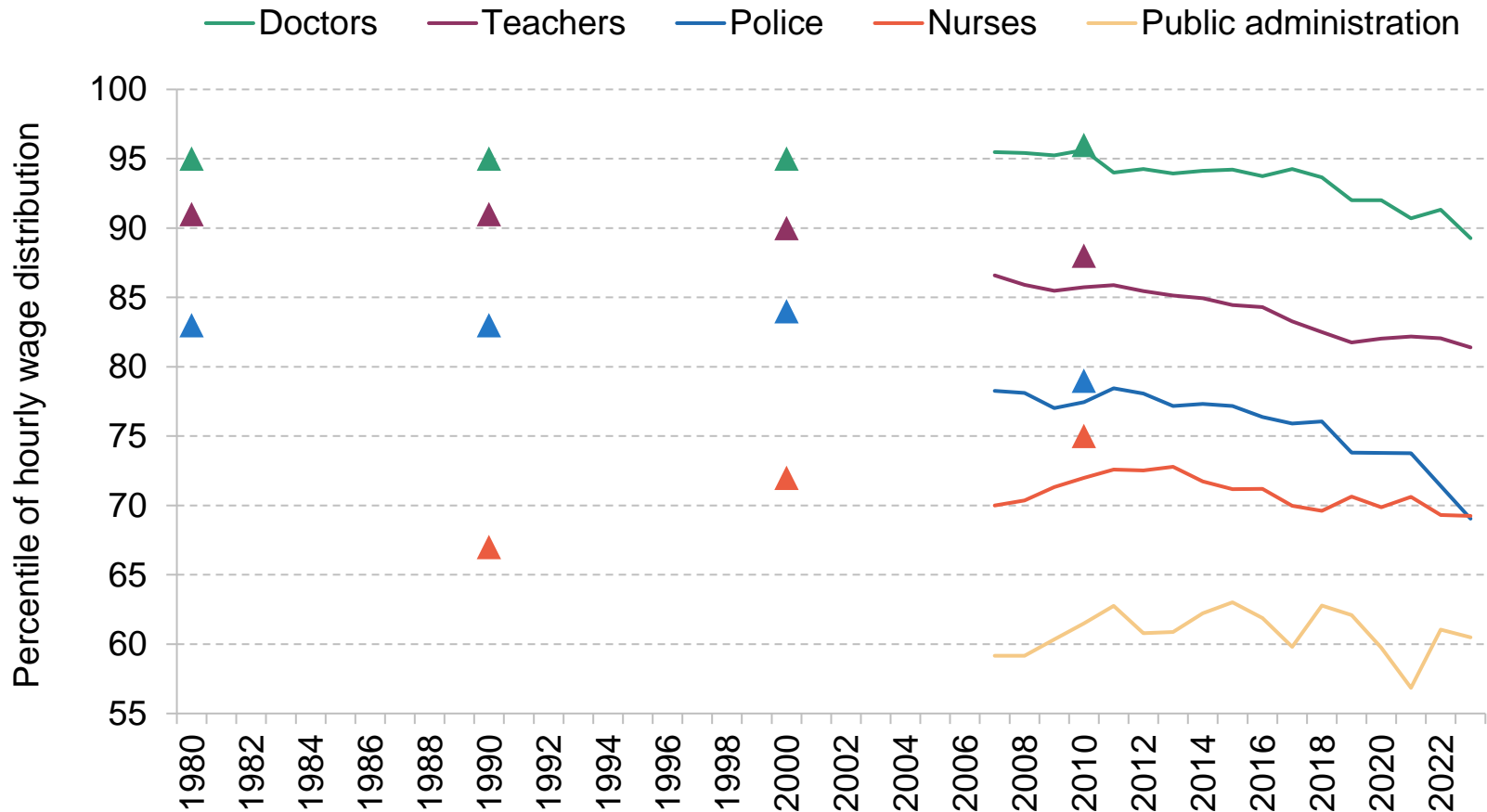


Source: Figure 4.4, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

- **Growth in three sectors: NHS** workforce has grown consistently (31% since 2010), and the **public administration** and **police** have returned to 2010 levels.
- The public sector education workforce has been essentially unchanged since 2015, and HM Forces is down almost a quarter on its 2010 level.
- **In comparison, private sector employment grew by 15% 2010 to 2023**

Some occupations have fallen down the pay distribution

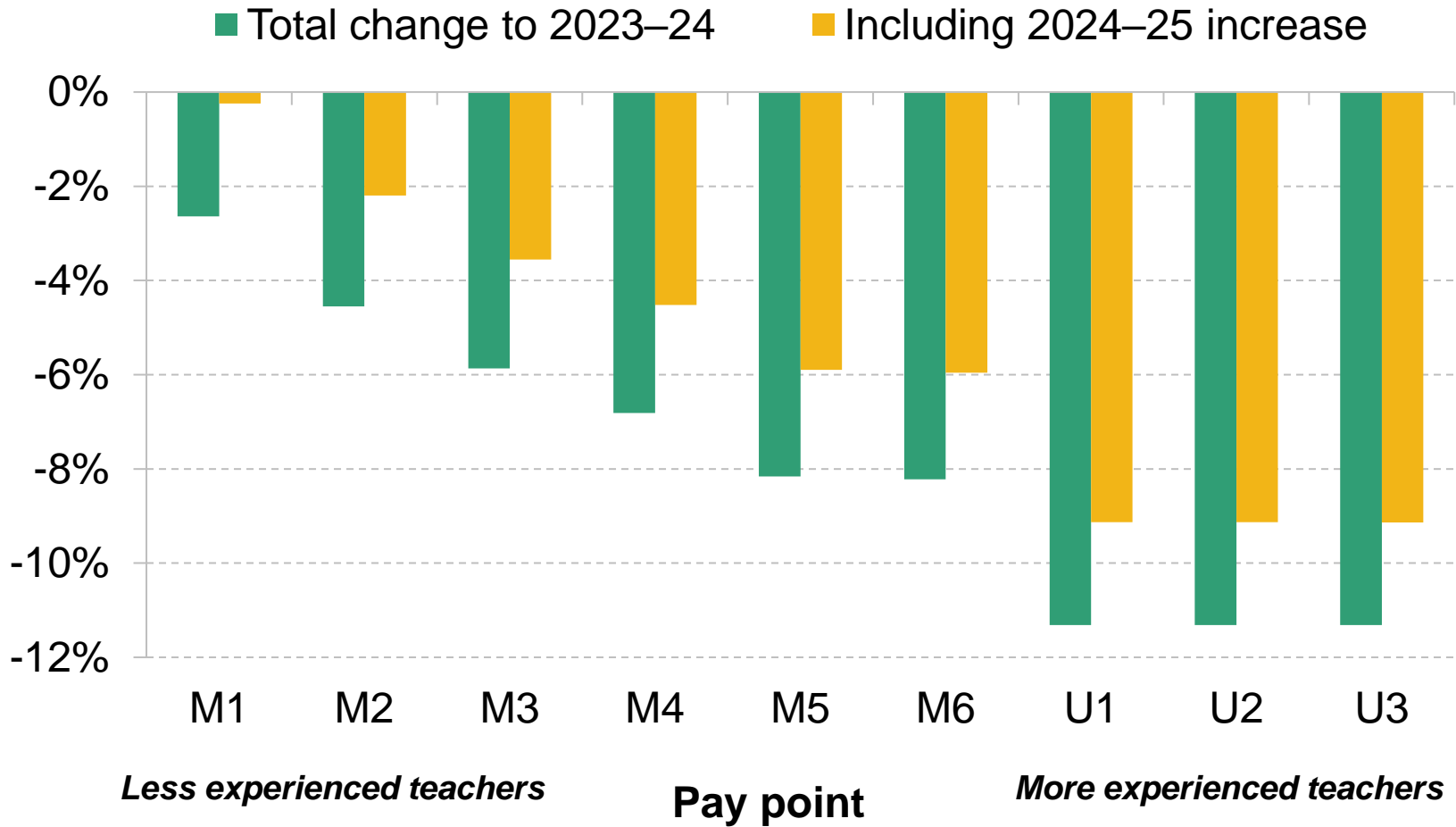
Position (percentile) of median pay of major public sector occupations in the overall hourly pay distribution



Source: Figure 4.5, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

Teachers

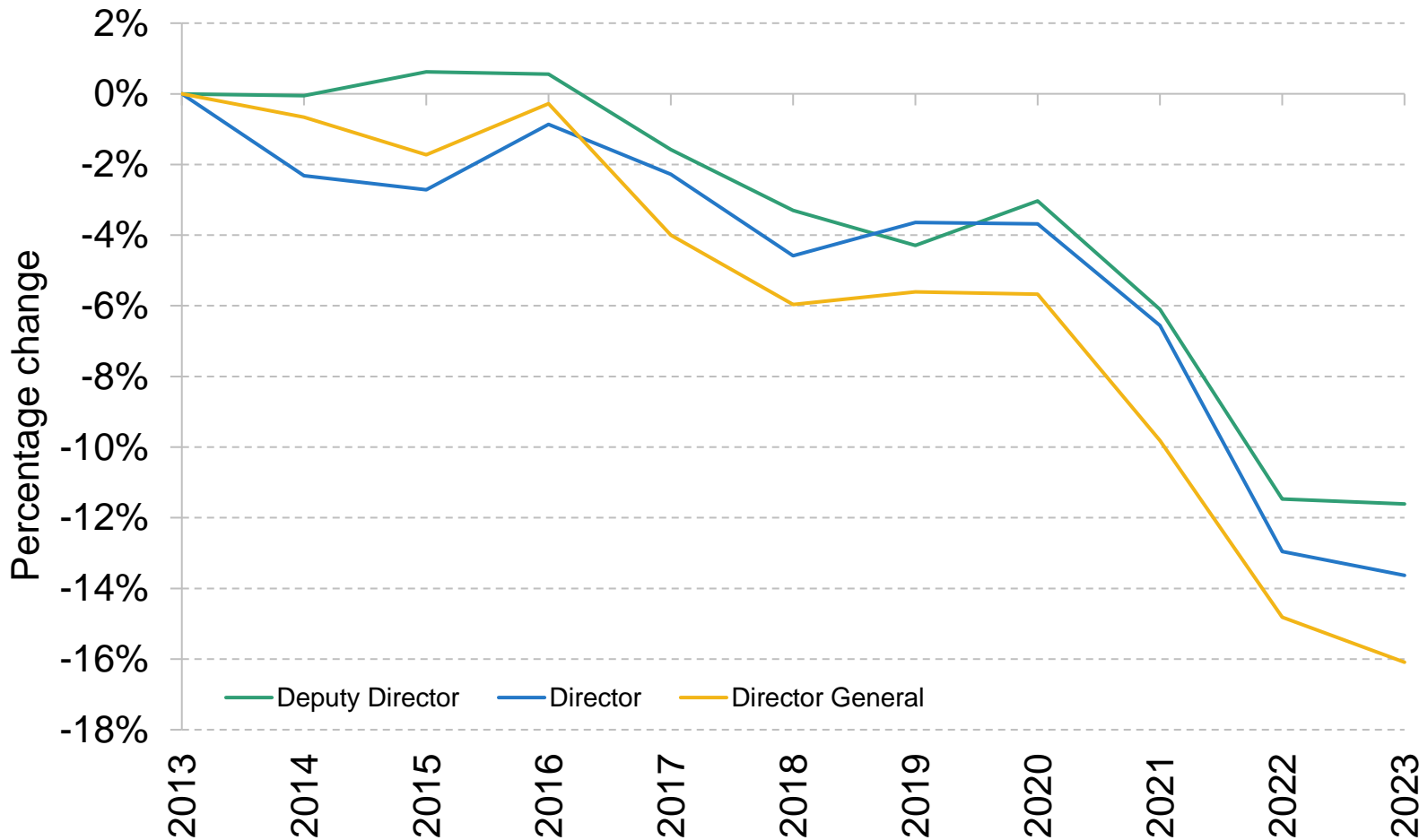
Real terms changes in teacher core salary points since 2010



Source: Figure 4.9, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

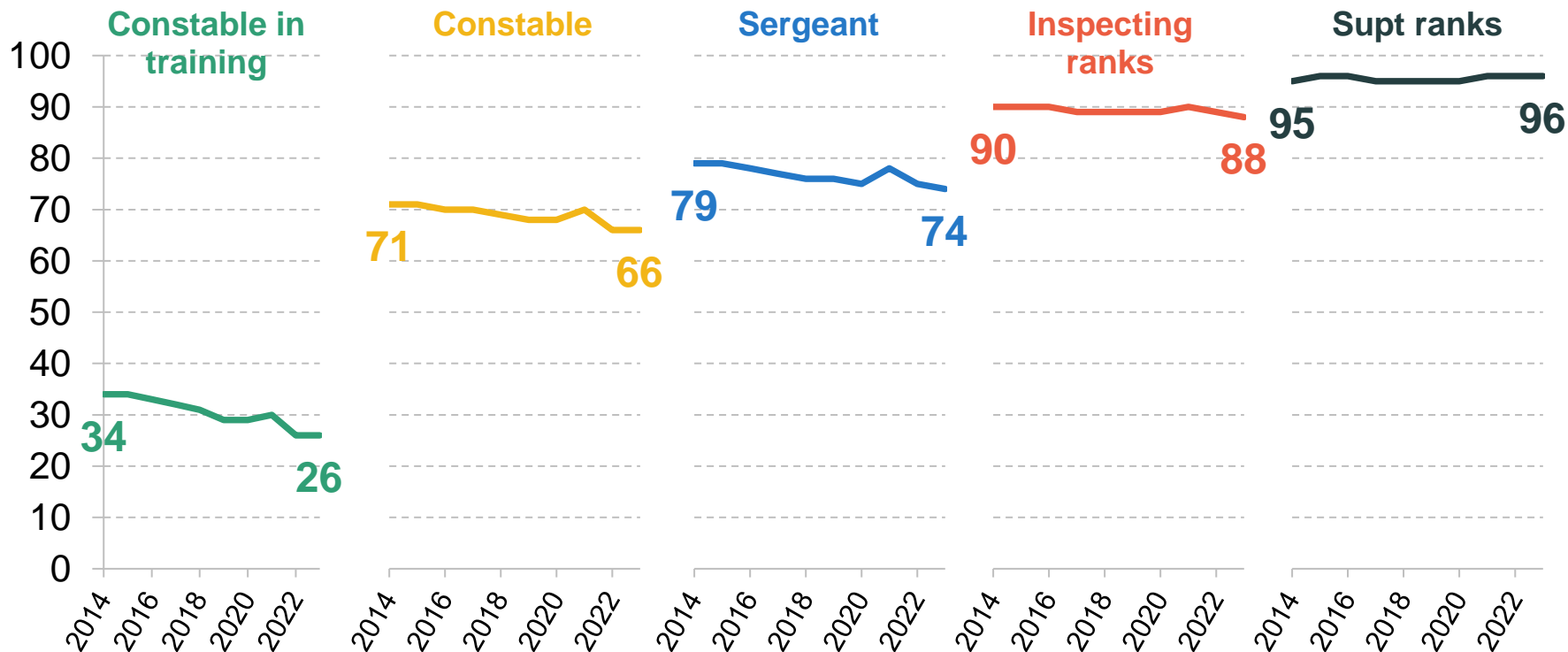
Senior Civil Service

Real terms pay compared with 2013 for median senior civil service salaries



Source: Figure 4.13, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

Police pay scale positions in the distribution of earnings



Source: Adapted from Figure 4.11, 'Pressures on public sector pay', Cribb et al., IFS Green Budget 2024

Summary so far

- Public sector pay has clearly fallen behind private sector pay over the last few years.
- Many occupations have fallen both in real and relative terms.
 - Senior doctors, teachers, and senior civil servants.
 - Junior police officers.
- Each area faces its own challenges in terms of recruitment and retention.



27 September 2024

Jonathan Cribb, IFS
Magdalena Dominguez, IFS
Andrew McKendrick, IFS

@TheIFS

Challenges facing public sector workforces



Economic
and Social
Research Council



- The independent Pay Review Bodies (PRBs) have recommended pay scale increases of between 4.75 and 6% for 2024-25.
 - The government has accepted in full.
- PRB recommendations must account for a number of factors:
 - Recruitment and retention.
 - Departmental budgets and wider government strategy
 - Inflation
 - Pay in comparable roles outside the public sector

- The independent Pay Review Bodies (PRBs) have recommended pay scale increases of between 4.75 and 6% for 2024-25.
 - The government has accepted in full.
- PRB recommendations must account for a number of factors.
- First, we will go through the basis for the recommendations.
- Then, we will look at the potential pressure that may be placed on the public finances by future public sector pay increases.

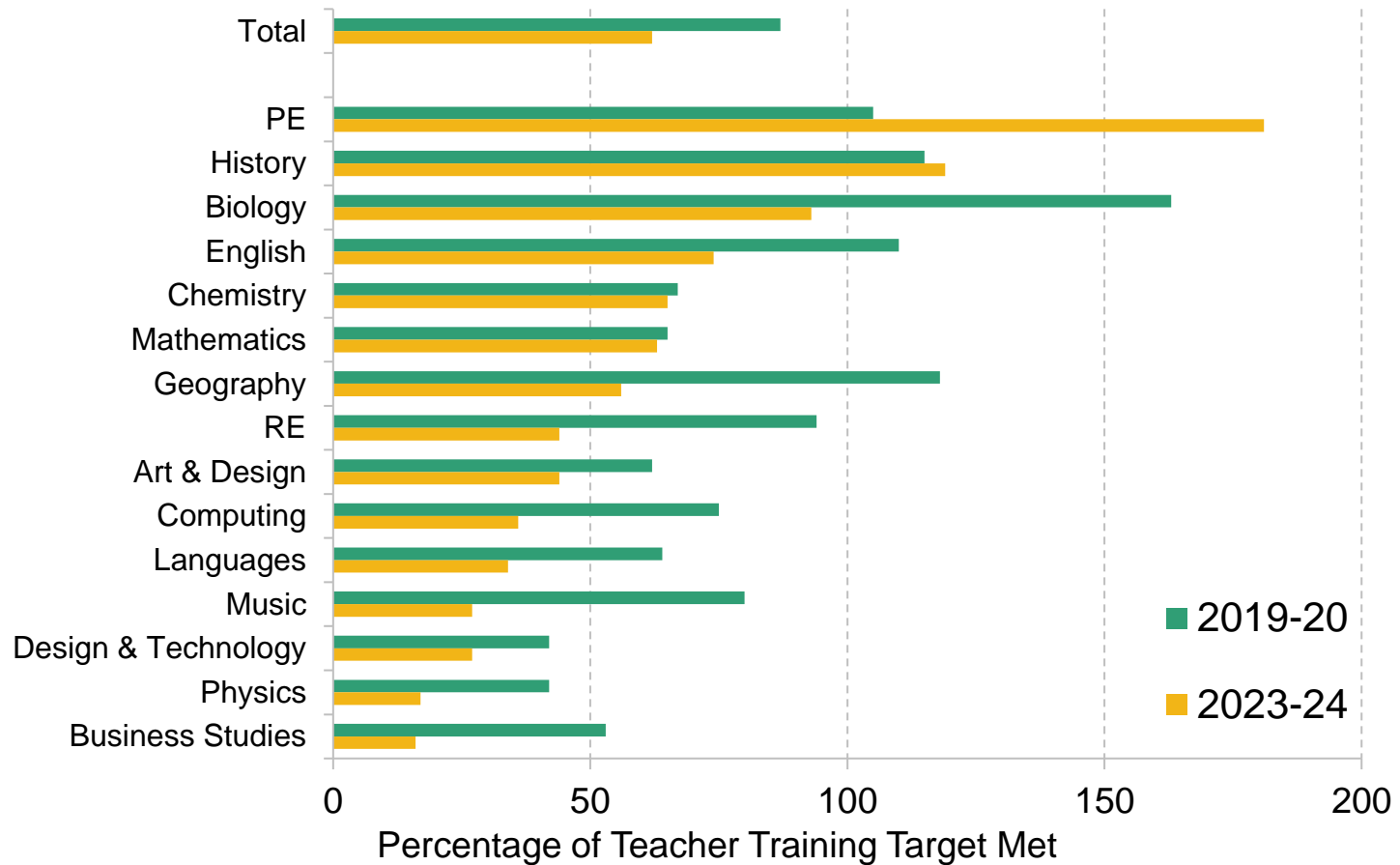
There are broad-based problems with recruitment across the public sector.



- **NHS** “Long Term Workforce Plan” will require over 800,000 additional staff to be employed over the next decade.
 - There is high reliance on international and agency workers.
- In 2023-24, only 62% of the **teacher training** target is being achieved across secondary subjects (down from 87% in 2019-20).

Teacher recruitment issues

Percentage of initial teacher training (ITT) target met in 2019–20 and 2023–24, by subject in secondary education



There are broad-based problems with recruitment across the public sector



- **NHS** “Long Term Workforce Plan” will require over 800,000 additional staff to be employed over the next decade.
 - There is high reliance on international and agency workers.
- In 2023-24, only 62% of the **teacher training** target is being achieved across secondary subject.
- **Police forces** are facing a shortage of officers –
 - the Metropolitan Police is 1400 officers (4%) short of its target

But it's not just a question of numbers



- The quality of applicants, particularly for senior roles, is falling.
- In the **Senior Civil Service** in 2022-23
 - **37% of posts** had only one appointable candidate.
 - the share of candidates considered good or outstanding was **54% in 2022–23** (68% in 2018–19).
- In the Judiciary:
 - 51 of 100 vacancies for District Judges went unfilled in 2023-24.
 - **There are enough applicants** – it is the quality of those applicants that is the issue.

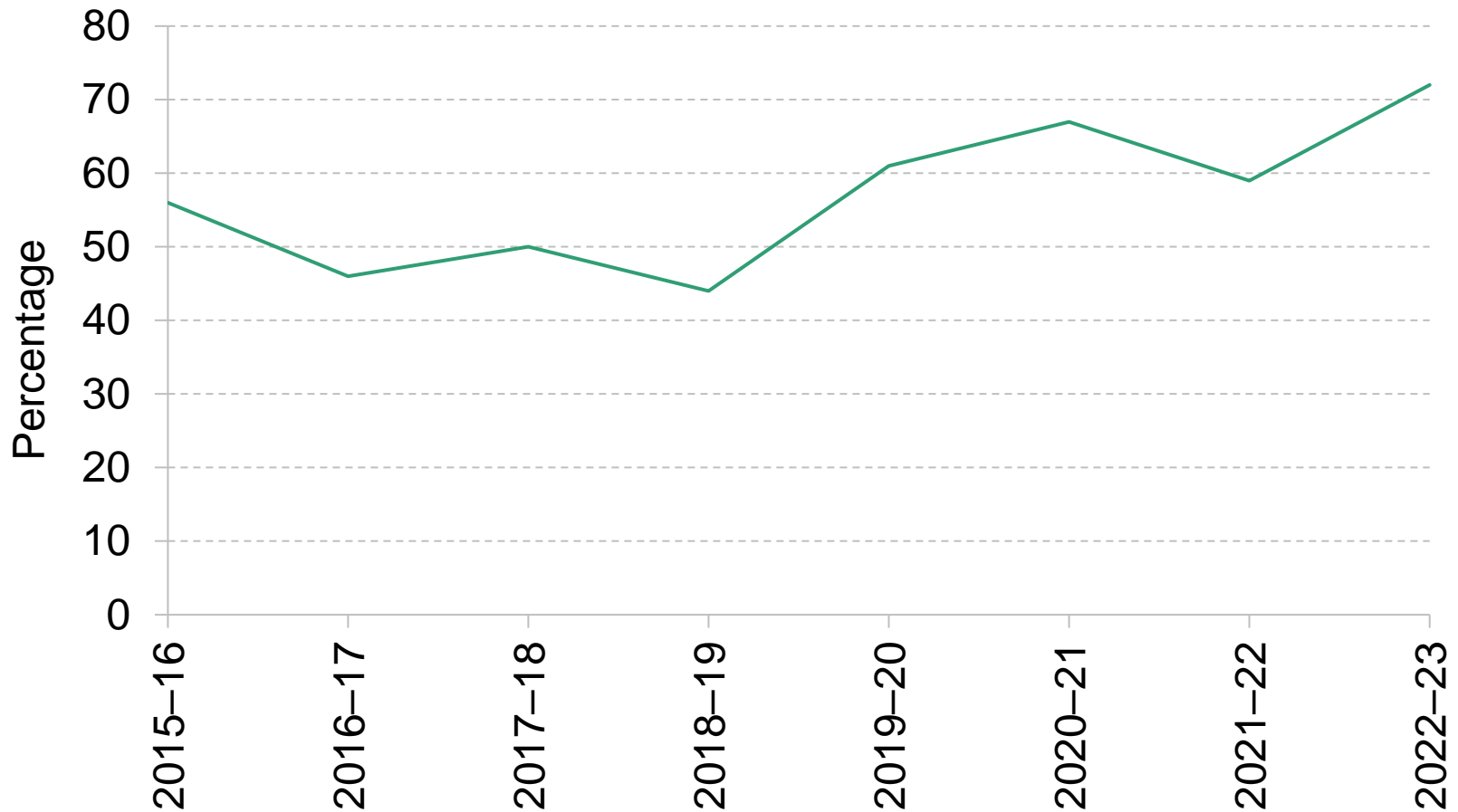
Parts of the public sector is also struggling to retain staff



- Prison Service – more than 1 in 8 leave within their first year.
- The Teachers PRB is concerned about retention of teachers
 - Rates are lowest in subjects that are not training enough teachers.
- In the police, the PRB is concerned about retention at lower levels.
- A quarter of Senior Civil Servants changed roles, departments or left the SCS entirely in 2022-23.

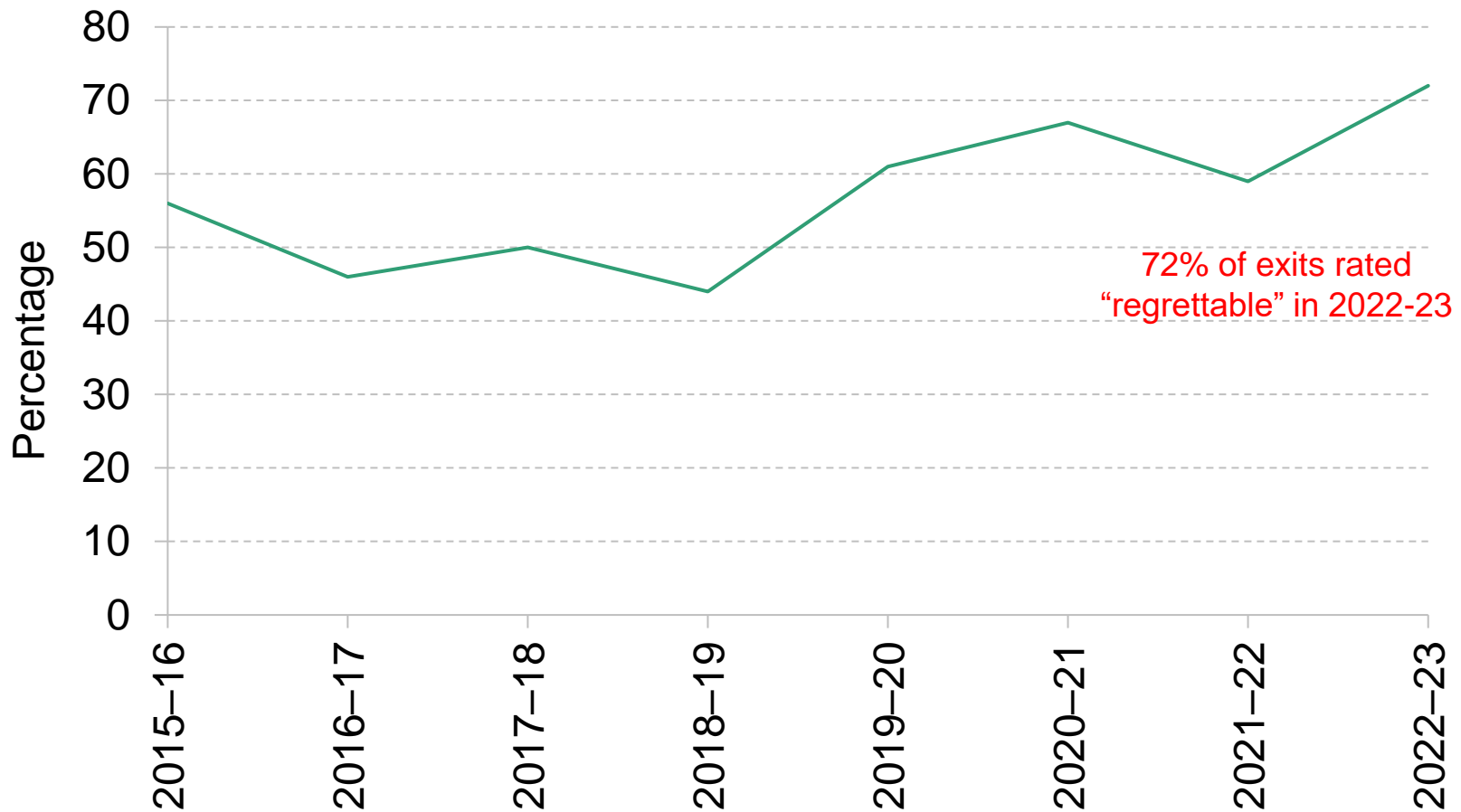
Who leaves?

Share of exits from the Senior Civil Service that are graded as 'regrettable'



Who leaves?

Share of exits from the Senior Civil Service that are graded as 'regrettable'

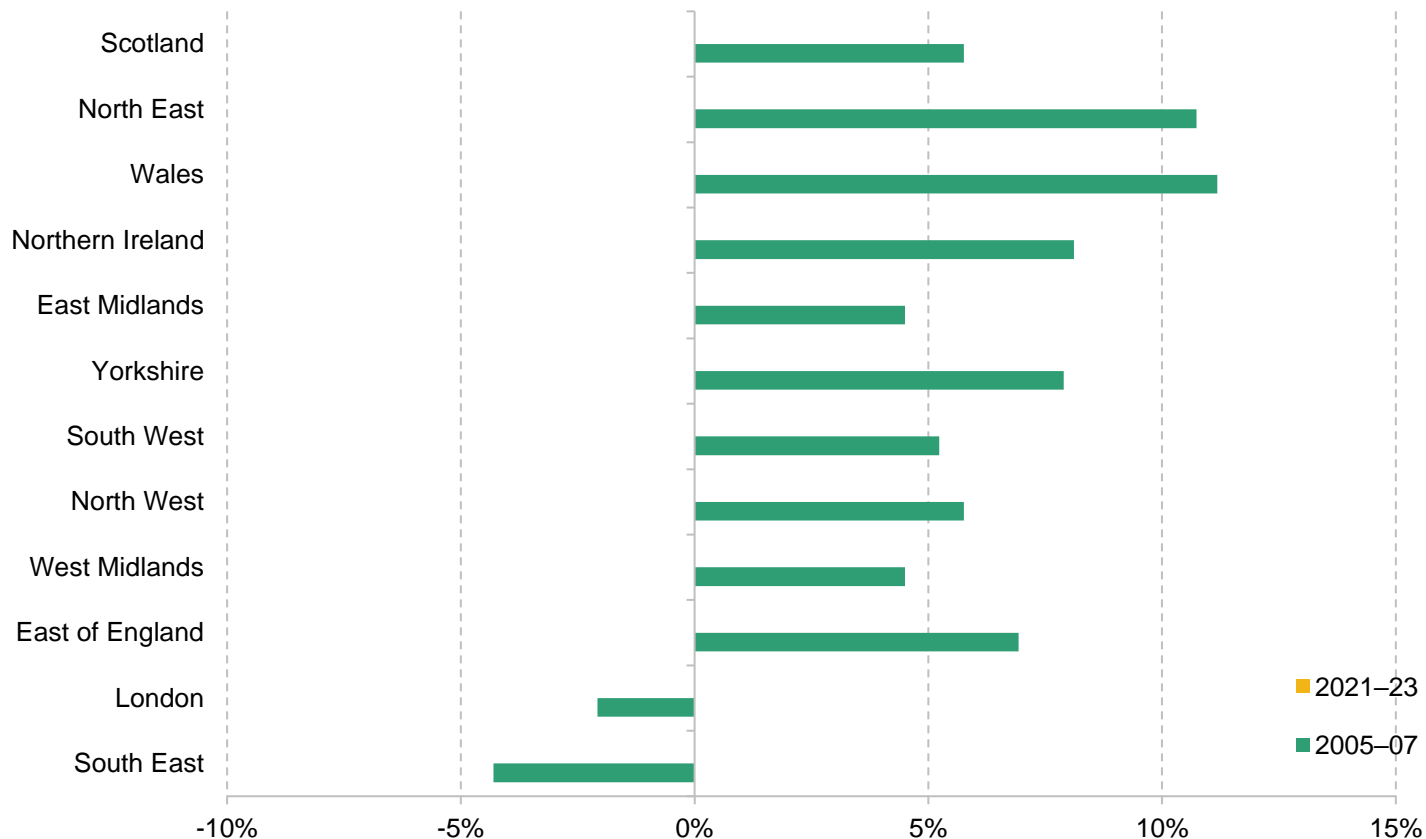




Cross-cutting issues

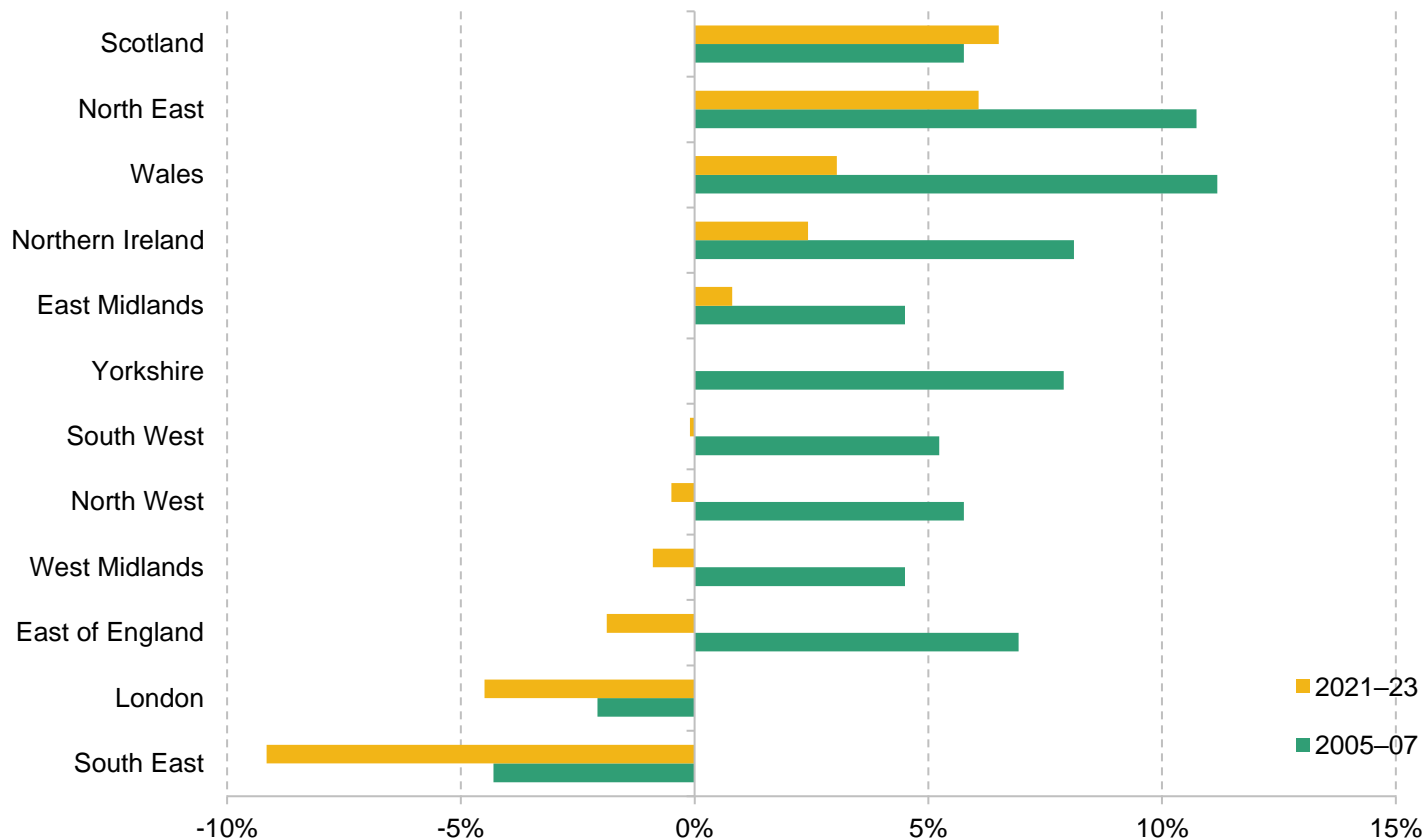
Regional Variation

Public sector pay differential conditional on workers' characteristics, by UK region and nation



Regional Variation

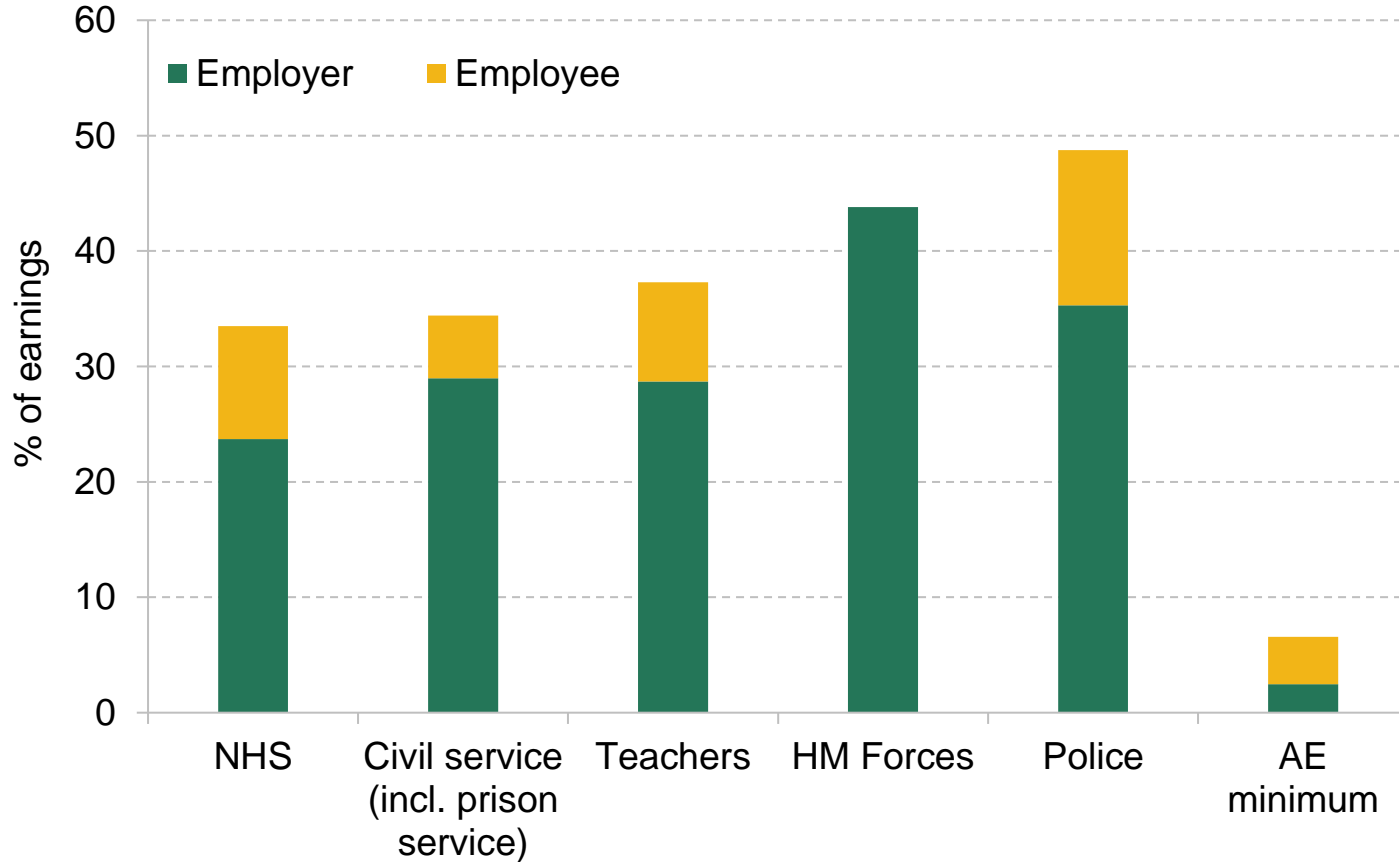
Public sector pay differential conditional on workers' characteristics, by UK region and nation



High employer pension contributions, but some missing out



Employer and employee pension contributions, as a % of earnings, for an average earner (on £35,000)

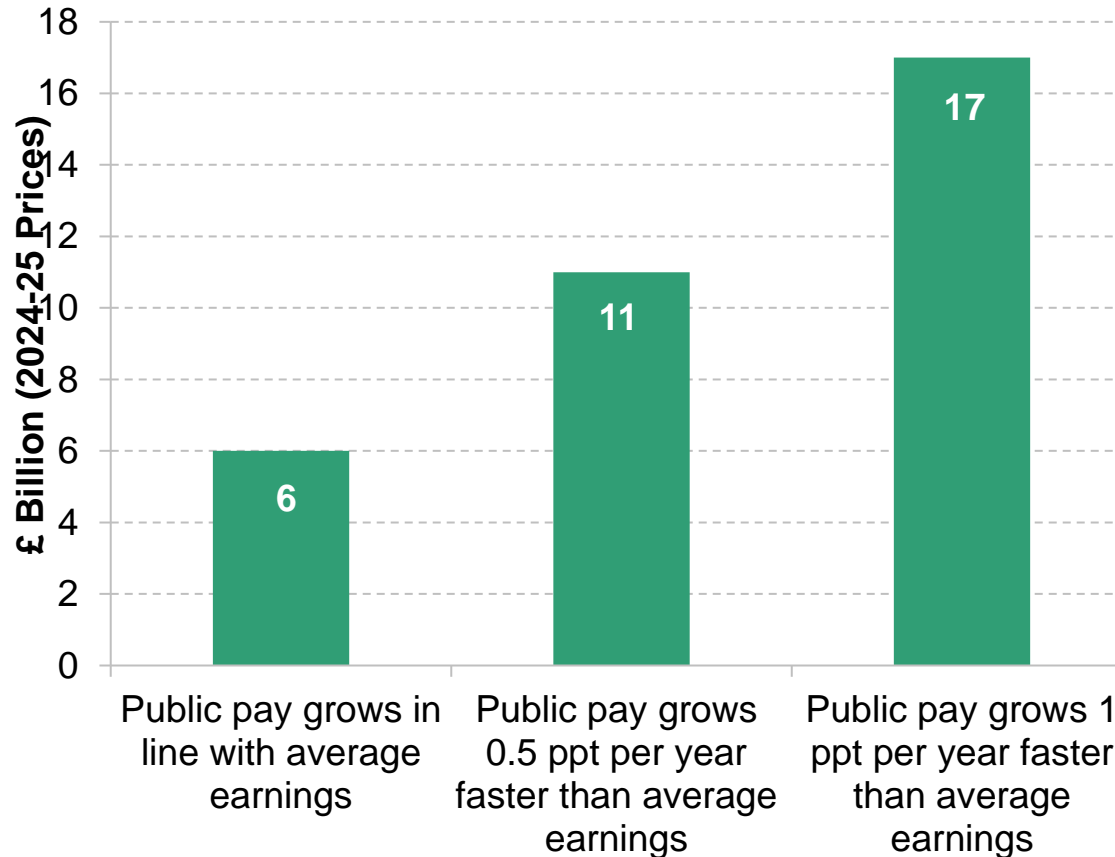




Potential cost of increasing public sector pay

Public sector pay will continue to put pressure on public finances

Increases in public spending on paybill (2024-25 to 2028-29) given different assumptions on public sector pay





Conclusions

Conclusions

- Government has accepted the recommendations of the Pay Review Bodies to increase public pay scales by between 4.75 and 6%.
 - With private sector wage growth at similar levels, unlikely that these will solve recruitment and retention challenges
 - In some areas, e.g. NHS, expansion in workforce is planned
- The government still faces public spending pressure coming from public sector pay
 - And faces a set of structural issues: geographical variation in attractiveness of public sector; remuneration through pensions that some (particularly lower paid) are missing out on
- Increasing public sector pay in line with average earnings costs £6 billion per year by 2028–29
 - 1 ppt higher growth than average: £17 billion each year by 28/29

The Institute for Fiscal Studies
7 Ridgmount Street
London
WC1E 7AE

www.ifs.org.uk





Appendix

PRB pay recommendations

Group	2024–25 pay recommendations	2023–24 pay recommendations	No. covered by PRB
NHS (including doctors)	6.00% for doctors + £1K for doctors in training 5.50% for other NHS staff	6.00% for doctors 8.10–10.70% for junior doctors 5% for other NHS staff ^a	1,344,866 FTE
Teachers	5.50%	6.50% Starting salary rise to £30K (7.00% increase)	468,693 FTE
Police	4.75%	7.00% Removal of lowest pay band	236,588 FTE
HM Forces	6.00%	5.00% + £1K	183,230
Prison service	5.00%	Varying rates by band between 5.00% and 7.00%, with higher rates for lower bands	64,779 FTE
'Senior salaries'			
Senior civil service	5.00% + £1K uplift to the pay minima	5.50%	6,300 FTE
Senior health leaders	5.00%	5.00%	Around 3,000
Judiciary	6.00%	7.00%	Around 2,200
Chief police officers	4.75%	N/A ^b	231
Senior officers in Armed Forces	5.00%	5.50%	132