

Estimating Differences in Public and Private Sector Pay, 2011 - Summary

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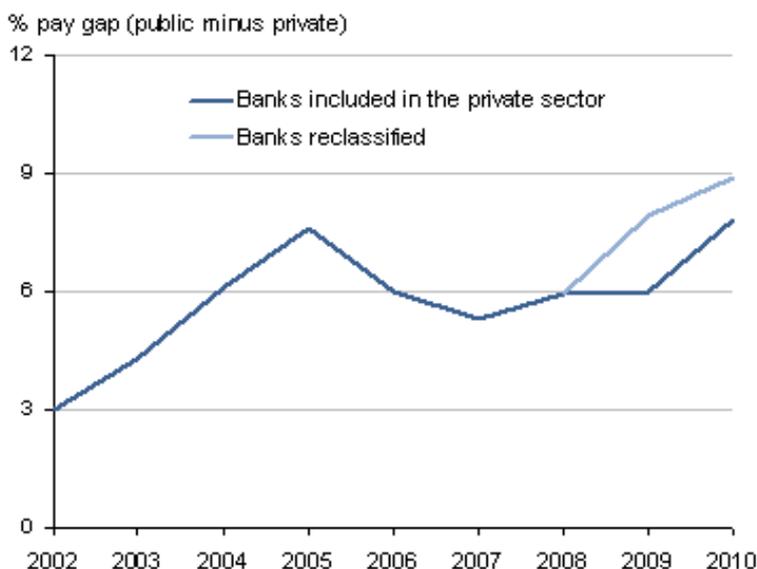
Animated YouTube video

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7.8% pay difference between public and private sector

Pay gap between the public and private sector, April 2002 to 2010, UK



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(23 Kb)

The difference in average earnings between employees in the public and private sector has increased since April 2007, the year before the start of the recent recession.

Comparison of the two sectors is complicated because of differences in the types of job and characteristics of employees. Allowing for these differences as far as possible, in April 2010, public sector employees were paid on average 7.8 per cent more than private sector employees. This was an increase of 2.5 percentage points since 2007, where the pay difference was estimated at 5.3 per cent. For consistency over time, these estimates assume employees of those banks reclassified to the public sector in 2008 were in the private sector.

This analysis is based on characteristics collected in the Annual Survey of Hours and Earnings and the Labour Force Survey. There are other factors that could influence the pay difference and this analysis does not include other forms of remuneration, for example pension contributions, company cars and health insurance. Also, ASHE does not cover those who are self-employed so it will miss many high paid self-employed and also some lower paid. The timing of the survey in April means that only bonus payments related to April are included, outside of the main bonus season which is normally January to March. These factors would account for some but not all of the difference.

Comparing employees who have a degree or an equivalent qualification shows that on average those in the public sector earned around 5.7 per cent less than those in the private sector in 2010.

The article [Estimating differences in public and private sector pay \(84.2 Kb Pdf\)](#) also looks at the differences between the types of jobs in the two sectors and the characteristics of the people within them, showing that:

- The public sector is made up of a higher proportion of higher skilled jobs – widening over the last decade as lower skilled jobs have been outsourced from the public to the private sector.
- The public sector consists of a higher proportion of older employees and earnings tend to increase with age and experience.
- The public sector workforce contains more people with a degree or an equivalent qualification, 38 per cent in 2010, compared with 23 per cent in the private sector.
- The gap between the lowest and highest earners is higher in the private sector with the top 5 per cent (95th percentile) of earners paid around 5.6 times more than the bottom 5 per cent (5th percentile). The gap is 4.6 times in the public sector.

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Appendices

Background information

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Notes:

- a) Covers employees aged 16 to 64 and excludes those self-employed.
- b) All analysis is from ASHE except for when qualifications are quoted in which the information is from the Labour Force Survey.
- c) For ASHE, only considers earnings of those people who are on adult rates and whose pay for the pay period in April was not affected by any absence.

d) Linear regression of log hourly earnings with independent variables, sex, age, age-squared, occupation, region and sector used to estimate the pay difference.

e) Occupations are grouped by the skill level required according to the following guidelines:

- Low – This skill level equates to the competence acquired through compulsory education. Job-related competence involves knowledge of relevant health and safety regulations and may be acquired through a short period of training. Examples of occupations at this level include postal workers, hotel porters, cleaners and catering assistants.
- Lower-middle – This skill level covers occupations that require the same competence acquired through compulsory education, but involve a longer period of work-related training and experience. Occupations at this level include machine operation, driving, caring occupations, retailing, and clerical and secretarial occupations.
- Upper-middle – This skill level equates to competence acquired through post-compulsory education but not to degree level. Occupations found at this level include a variety of technical and trades occupations, and proprietors of small business. For the latter, significant work experience may be typical. Examples of occupations at this level include catering managers, building inspectors, nurses, police officers (sergeant and below), electricians and plumbers.
- High – This skill level is normally acquired through a degree or an equivalent period of work experience. Occupations at this level are generally termed 'professional' or managerial positions, and are found in corporate enterprises or governments. Examples include senior government officials, financial managers, scientists, engineers, medical doctors, teachers and accountants.

f) The article [Estimating differences in public and private sector pay \(84.2 Kb Pdf\)](#) looks in greater detail at the differences between employees in both the public and private sector, and the types of jobs in both sectors.