



26 October 2006  
RESEARCH NOTE 2  
**PUBLIC SECTOR PAY**

## Working life is easier in the public sector

New figures released today by the Office for National Statistics show that public sector workers earn **13.5 per cent** more per week than their private sector counterparts – average gross weekly pay for public sector employees is **£488**, compared with **£430** in the private sector.<sup>1</sup> This note presents evidence showing that public sector workers are getting a better deal than their private sector counterparts.

The ONS figures, together with other sources, present a revealing picture of how working life is easier in the public sector. The key points from today's evidence are:

- Average gross annual pay in 2006 is **£20,223** in the public sector versus **£19,289** in the private sector.
- On average, public sector employees work **36 hours per week** compared with **37.5 hours** in the private sector.
- This means that the difference in hourly pay between the public and private sectors is even greater than the difference in annual pay. Average hourly pay in the public sector is **£11.59** compared with **£9.23** in the private sector.
- The average growth in hourly pay since 2000 has been **4.4 per cent** in the public sector, far higher than the **3.4 per cent** average growth in the private sector.
- The average number of days taken off sick is around 30 per cent higher in the public sector than in the private sector. In 2005, public sector employees took an average of **8.5 days** off sick, compared with **6 days** for the private sector
- The proportion of public sector employees enjoying generous final-salary pension schemes was **88 per cent**, compared with only **16 per cent** in the private sector.

---

<sup>1</sup> Annual Survey of Hours and Earnings 2006, First Release, Office for National Statistics, 26 October 2006 <http://www.statistics.gov.uk/pdfdir/ashe1006.pdf>

## Comment from the TaxPayers' Alliance

Corin Taylor, Head of Research at the TaxPayers' Alliance, said:

*"Many people in the 1990s thought that public sector workers were underpaid. But the figures out today suggest that the pendulum has swung too far the other way, leaving ordinary private sector workers with a worse deal."*

*"Taxpayers have had enough of ever higher taxes to pay for an easier life for public sector workers, who enjoy higher salaries, shorter working hours, more days off sick and gold-plated pensions. It's time for the Government to favour everyone equally by cutting taxes."*

### Further details

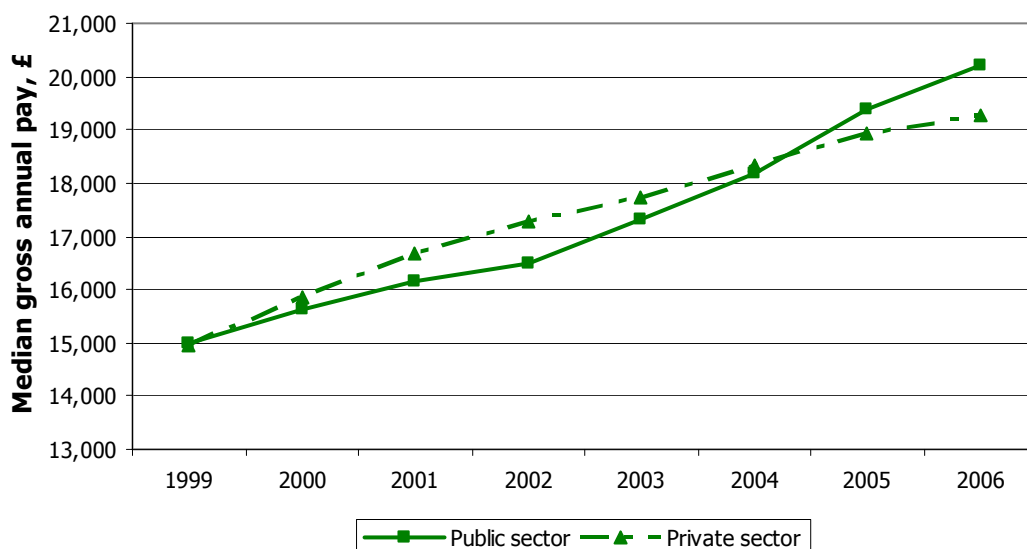
The sources used in this note are detailed at the end of this document.

#### 1. Annual pay

Median gross annual pay in the public sector has jumped ahead of the private sector in the last couple of years, helped by bumper pay deals.

- In 1999, median gross annual pay was around £15,000 a year in both the public and the private sectors.
- Since then, public sector pay has jumped ahead. Public sector employees now earn around £1,000 more than their private sector counterparts.

Chart 1: Median pay in public and private sectors

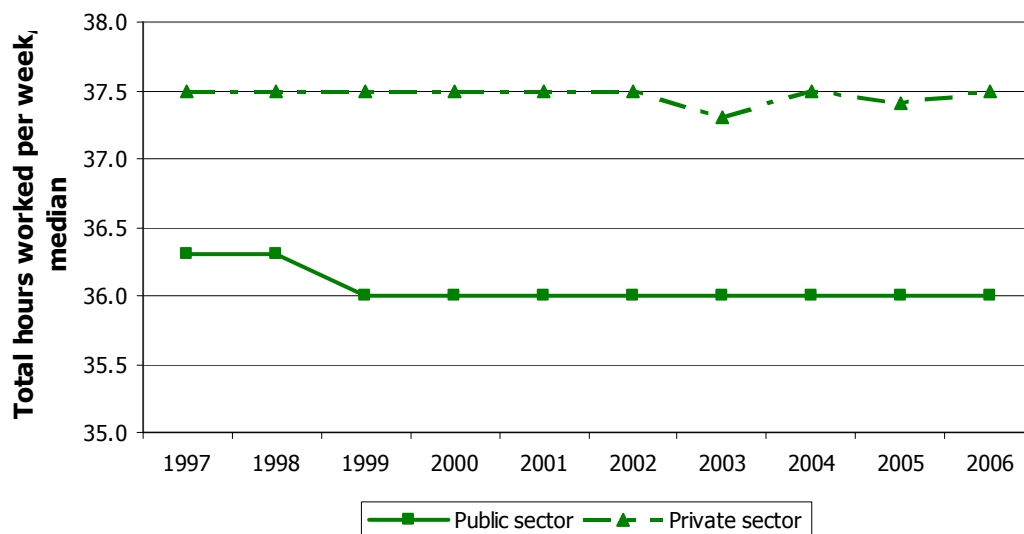


## 2. Hours worked

Median weekly hours worked have been consistently lower in the public sector than in the private sector.

- Since 1996, public sector employees have worked around 36 hours a week on average, compared with 37.5 hours in the private sector.

Chart 2: Median hours worked in public and private sectors



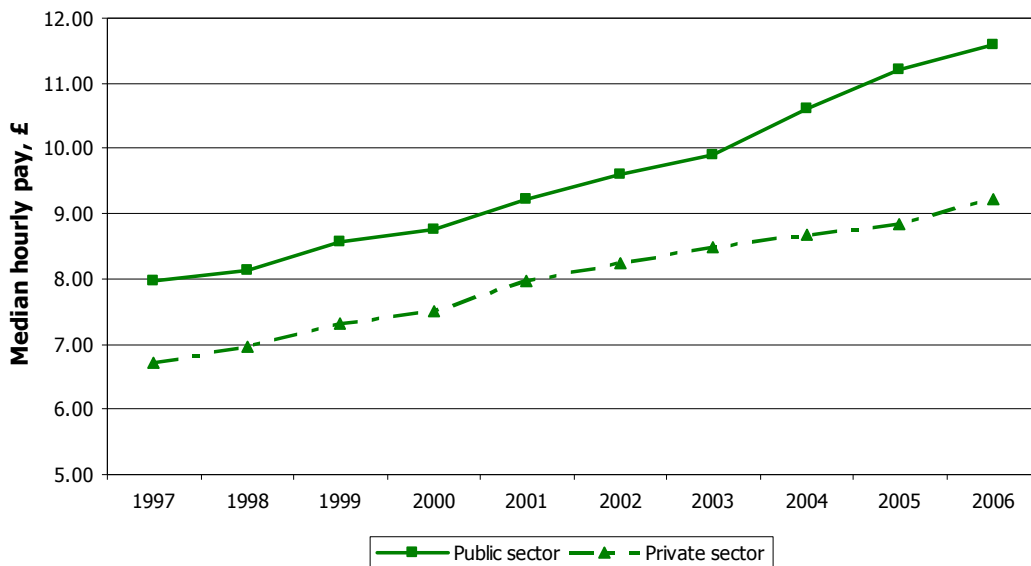
## 3. Hourly pay

The fact that public sector employees work fewer hours than their private sector counterparts means that the difference in hourly pay is even greater than the difference in annual pay between the two sectors.

Median hourly pay in the public sector has consistently been above that in the private sector, and the gap has risen due to faster pay growth in the public sector.

- In 1997, median hourly pay was £7.98 in the public sector and £6.72 in the private sector, a difference of £1.26.
- In 2006, median hourly pay is £11.69 in the public sector, compared with £9.23 in the private sector, a difference of £2.46 – almost double the difference in 1997.

Chart 3: Median hourly pay in public and private sectors



#### 4. Pay growth

The growth in annual and hourly pay has been much faster in the public sector than in the private sector.

- Since 2000, median gross annual pay has grown at an annual average of 4.4 per cent in the public sector, compared with 3.7 per cent in the private sector.
- Also since 2000, median gross hourly pay has grown at an annual average of 4.4 per cent in the public sector, compared with 3.4 per cent in the private sector.

Table 1: Average pay growth in public and private sectors since 2000

%	Public sector	Private sector
<b>Median gross annual pay</b>	4.37%	3.70%
<b>Median gross hourly pay</b>	4.44%	3.38%

## 5. Sickness absence

Over the last decade, public sector employees have generally taken around 30 per cent more days off sick than their private sector counterparts.

- In 2005, the latest year for which figures are available, public sector employees took an average of 8.5 days off sick, compared with 6 days for the private sector.

Chart 4: Public and private sector absence



## 6. Pensions

The number of public sector workers enjoying a generous final-salary pension has been growing at the same time as the private sector has been closing final-salary schemes.

- The latest official figures show that 88 per cent of public sector employees were members of a final-salary pension scheme in 2004, compared with 78 per cent in 1995.
- The same figures showed that the trend has been the opposite in the private sector. In 1995, 23 per cent of private sector employees were members of a final-salary pension scheme. This figure fell to just 16 per cent in 2004.

Chart 5: Public and private sector final-salary pension schemes



The generous public sector pension arrangements will come at a cost to future generations. The latest estimate of unfunded public sector pension liabilities puts the total at over £1 trillion, or 80 per cent of GDP. This will hit taxpayers in the future with a massive burden.

The Government had the chance to resolve this problem last autumn by raise the retirement age for existing public sector workers to the same level as everyone else. Unfortunately, they missed the opportunity (a civil servant who started work in 2005 will still retire at 60 with a generous final-salary pension), which will mean future generations having to sort out the mess.

A decade or two ago, it was possible to defend the generous public sector pension arrangements because public sector workers were generally paid less than their private sector counterparts. A final-salary pension was seen as a justifiable reward for a lifetime of service. Now, with public sector pay exceeding that in the private sector, and with public sector workers enjoying shorter working weeks and more sickness absence, these gold-plated pensions and earlier retirement ages are no longer justifiable.

## Sources

The following sources were used in this research note:

- Tables 13.5a and 13.9a, *Annual Survey of Hours and Earnings 1997-2006*, Office for National Statistics. These tables record the median and mean gross hourly pay and hours worked per week, in the public and private sectors, for all employee jobs on adult rates whose pay for the survey pay-period was not affected by absence. The median was used in this research note.
- Table 13.7a, *Annual Survey of Hours and Earnings 1999-2006*, Office for National Statistics. This table records the median and mean gross annual pay, in the public and private sectors, for all employee jobs on adult rates who have been in the same job for more than a year. The median was used in this research note.
- *Absence Surveys 1997-2005*, CBI. These record the mean number of days taken off sick per worker per year in the public and private sectors.
- *Occupational Pension Schemes*, Government Actuary surveys, 1995, 2000, 2004, 2005. These record the number of employees in the public and private sectors who are members of defined-benefit (final-salary) pension schemes. Unfortunately the 2005 survey only contains data for the private sector, and so 2004 is the latest year for which a comparison is available.
- *Labour Market Trends* time series data, Office for National Statistics. This data records the total number of employees in the public and private sectors.
- *Reforming Pensions*, Reform, November 2005. This contains further information on public sector pensions.
- *Sir Humphrey's Legacy: facing up to the cost of public sector pensions*, Neil Record, Institute of Economic Affairs, 22 September 2006. This is the latest estimate of total unfunded public sector pension liabilities.

An excel spreadsheet with full details, including median and mean figures, is available upon request.

For any enquiries, please contact the author:

**Corin Taylor**

Head of Research, The TaxPayers' Alliance

corin.taylor@taxpayersalliance.com

07866 141 110