

PRESS RELEASE

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Inappropriate comparisons are unhelpful

Comparisons between average earnings in the public and private sectors are mostly inappropriate, due to the very different workforce profiles of the two sectors. The term ‘counterparts’, frequently used in making comparisons between them, is not really appropriate, since the public sector is not only smaller in size, but contains a far higher proportion of professional and specialized staff than the private sector.

By contrast, the private sector contains a wider variety of roles, and has a greater concentration of very low-paid employees on the one hand and very highly-paid people on the other. These different workforce profiles are one of the major influences on the very different distributions of earnings in each of these two areas of the economy. A detailed analysis accompanies this release.

These are some of the key findings of a new research report from IDS, ‘Pay in the public services 2010’, which provides authoritative guidance for negotiators and decision-makers on the key issues in public sector pay, pensions and employment. It looks at the major political parties’ policies on public sector pay and how these might shape outcomes this year and next. It covers vital topics like progression, equal pay and recruitment and retention, and it discusses the economic and inflation backdrop and the influence these will have on pay decisions.

Ahead of next Wednesday’s Budget, it also details the way in which the debate over the scale and timing of reductions in public spending is casting a long shadow over discussions on pay and conditions this year and beyond, into 2011 and 2012.

Other key findings include:

- The strict limits or freezes being proposed by both parties will, if implemented, mean that public sector pay rises may well fall behind those in the private sector
- In the 1990s, this made for a severe impact on recruitment and retention, and in many areas, staffing shortfalls, which only began to be addressed in 2000
- Rising inflation will make for real-terms pay cuts for many public sector workers in 2010
- The median pay settlement in the public sector during 2009 was 2.1 per cent, only slightly above the median figure for the private sector, of 2 per cent. There were many fewer pay freezes in the public sector but this is set to change in 2010/11
- Since around 2005, restraint has been ever tighter, culminating in the Government’s announcement in 2009 of a 1 per cent limit for the next three years. Senior staff across the public sector will have their pay frozen
- Long-term deals will provide a measure of protection this year for NHS staff, police officers and support staff, and teachers but these deals will all come to an end in 2011
- Opposition policy is for a freeze in 2011/12, with the exception of the armed forces, and staff earning below £18,000 a year. This means that large numbers of staff – around half in local government, for example – might expect a pay rise, but how much is not clear

- Tight restraint is having a deleterious effect on both industrial relations and the machinery for determining pay and conditions, with private-sector comparability all but outlawed
- Centrally-set pay limits are likely to stress-test the independence of the pay review bodies, even as plans are laid for extending this sort of mechanism to other parts of the public sector
- The various equal pay initiatives do not appear to have had an impact on the gender pay gap, which actually widened in the public sector on the latest figures. This is because they are focussed on equal value issues, and leave occupational segregation – one of the main factors behind the gender pay gap – untouched.

A pdf extract from ‘Pay in the public services 2010’ accompanies this release.

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Notes for Editors

IDS ‘Pay in the public services 2010’ is the latest in an annual series of documents examining the key issues in public sector pay and conditions, pensions and employment. For [details](#) see our website (address below) or call 0845 600 9355.

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