Comparing pay trends in the public services and private sector

Labour Research Department
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Issued to be covered

- The trends examined
- The varying patterns over 14 years and the impact of the crisis
- The overall picture
Trends examined

• Looks at changes in earnings over 14 years (2003 to 2017)
  – NOT earnings themselves
• Based on available national earnings statistics
  – Not Eurostat statistics
• Public compared with private sector where possible
  – Differences in extent of public sector
• Where public and private not available
  – Public admin, health and education compared with total economy
  – Sometimes this is not possible
Countries covered

• In EU (24)
  – EU 28 with following exceptions
  – Belgium, Greece, Luxembourg and Portugal

• Outside EU (18)
  – Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Georgia, Iceland, Kosovo, Kyrgyz Republic, FYRO Macedonia, Moldova, Montenegro, Norway, Russia, Serbia, Tajikistan, Turkey and Ukraine
Varying patterns

• Comparable pay growth interrupted by the crisis
  – (8 in EU and 2 outside EU)

• Lower public services pay growth made worse by crisis
  – (4 in EU)

• Lower public services pay growth not clearly linked to crisis
  – (1 in EU and 2 outside EU)

• Similar pay growth in public services and private sector
  – (8 in EU and 4 outside EU)

• Faster pay growth in public sector
  – (3 in EU and 7 outside EU)

• Position unclear
  – (3 outside EU)
Comparable pay growth interrupted by the crisis (10 states)

- Often have public sector pay cuts or pay freezes
- Pay cuts and freezes generally imposed not negotiated
- Timing of divergence varies
- Some public sector pay recovery after that
- BUT do not catch up
Comparable pay growth interrupted by the crisis in EU 28 - 1

**Austria:**

- Public sector
- Private sector: manual workers
- Private sector: non-manual workers

**Czech Republic:**

- Business sphere
- Non-business sphere
Comparable pay growth interrupted by the crisis in EU 28 – 2

Ireland: but short period

Italy:

[Graph showing pay growth in Ireland and Italy]
Comparable pay growth interrupted by the crisis in EU 28 – 3

Latvia:

Romania:
Comparable pay growth interrupted by the crisis in EU 28 – 4

**Slovenia**

**Spain: but short period**

- Public admin
- Health & social work
- Education
- Total
Comparable pay growth interrupted by the crisis outside EU

Azerbaijan

Serbia
Lower public sector pay growth made worse by crisis (4 states)

- Public sector pay freezes or pay cuts
- Pay freezes and pay cuts imposed
  - Although finally agreement in Lithuania
- Reason why public sector pay already growing slower than private sector pay before the crisis
  - Booming private sector: Bulgaria, Lithuania
  - Constraints on public sector: France, Hungary
Slower public pay growth made worse by the crisis in EU 28 – 1

**Bulgaria:**

- Public sector
- Private sector

**France:**

- Public admin, education & health
- All civil servants
- All non-agricultural

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Slower public pay growth made worse by the crisis in EU 28 – 2

**Hungary:**

- Blue line: Budgetary Institutions
- Red line: Business Sector

**Lithuania**

- Blue line: Public sector

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Slower public sector pay growth (3 states)

- Varied group of countries
- Reasons vary between countries
Gap before crisis then parallel growth
EU 28

Germany:

[Graph showing the growth of non-market services and the private sector in Germany from 2005 to 2017.]
Slower public services pay growth outside EU

**Belarus:**
- Public admin
- Health
- Education
- Total

**Kyrgyz Republic: no public admin**
- Health and social services
- Education
- Total

Sources:
- Labour Research Department
Public services and private sector pay on similar path (16 states)

- Strong presence of Nordic countries (Denmark, Sweden, Iceland and Norway)
  - But separate figures for central, regional and local government make comparisons more difficult
- Impact of crisis seen in public sector pay cuts and freezes
  - But public services have caught up
Public services and private sector pay on similar path EU 28 – 1

Croatia:

Cyprus: but short period
Public services and private sector pay on similar path EU 28 – 2

Denmark:

Estonia:
Public services and private sector pay on similar path EU 28 – 3

Malta: but short period

Netherlands:
Public services and private sector pay on similar path EU 28 – 4

**Poland:**

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<th>Private</th>
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<td>80%</td>
<td>100%</td>
</tr>
<tr>
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<td>120%</td>
</tr>
<tr>
<td>2005</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>2006</td>
<td>110%</td>
<td>160%</td>
</tr>
<tr>
<td>2007</td>
<td>120%</td>
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<tr>
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<td>130%</td>
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<tr>
<td>2009</td>
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<tr>
<td>2010</td>
<td>150%</td>
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<tr>
<td>2011</td>
<td>160%</td>
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<td>200%</td>
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<tr>
<td>2016</td>
<td>210%</td>
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</tr>
</tbody>
</table>

**Sweden**

- Central government
- Municipalities
- County councils
- Private sector non-manual
Public services and private sector pay on similar path outside EU – 1

Iceland: but short period

Norway:
Public services and private sector pay on similar path outside EU – 2

Moldova:

Ukraine:
Public pay growing faster than private sector pay (10 states)

• Several examples in Western Balkans
  – Albania, Bosnia and Herzegovina, Kosovo and Montenegro
• Crisis has had an impact
• Data is often limited
Public pay growing faster than private sector pay in EU 28 – 1

Finland: at least in central govt

Slovakia:
Public pay growing faster than private sector pay in EU 28 – 2

UK:

[Graph showing comparison of public and private sector pay over time]
Public pay growing faster than private sector pay outside EU – 1

Albania:

Bosnia and Herzegovina:
Public pay growing faster than private sector pay outside EU – 2

Georgia:

Kosovo: but short period
Public pay growing faster than private sector pay outside EU – 3

Montenegro: but short period

Russia:

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Public pay growing faster than private sector pay outside EU – 4

Turkey: but no public admin

![Graph showing the growth of public pay in Turkey compared to private sector pay outside the EU.](image-url)
No clear pattern (3 states)

• All show varied position of individual public service industries
  – Public administration, health and education

• But public administration has lowest rate of pay increase
Variations in public services mean there is no clear picture – 1

Armenia:

FYRO Macedonia
Variations in public services mean there is no clear picture – 2

Tajikistan:
The present

• No figures go beyond 2017 and some end in 2016

• Recently seen pay increases in public services
  – After long periods without any or with limited increases
    • Italy, UK
  – Or at a higher level
    • Denmark, Germany “best increase for years”

• Will situation be different in 2018?
Tentative conclusions

• Crisis still being felt
  – 33% of states (14 out of 42) have lower public services pay growth compared with private sector following crisis

• EU states have kept down public sector pay more than non-EU states
  – Public sector pay lagging
    • EU: 13 – non-EU: 4
  – Public sector similar or ahead
    • EU: 11 – non-EU: 11
  – Not clear
    • Non-EU: 3
Thank you for your attention
Questions and comments

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