



The public sector pay gap in a selection of euro area countries

Presentation based on a study by an ESCB-WGPF working team:

<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1406.pdf>

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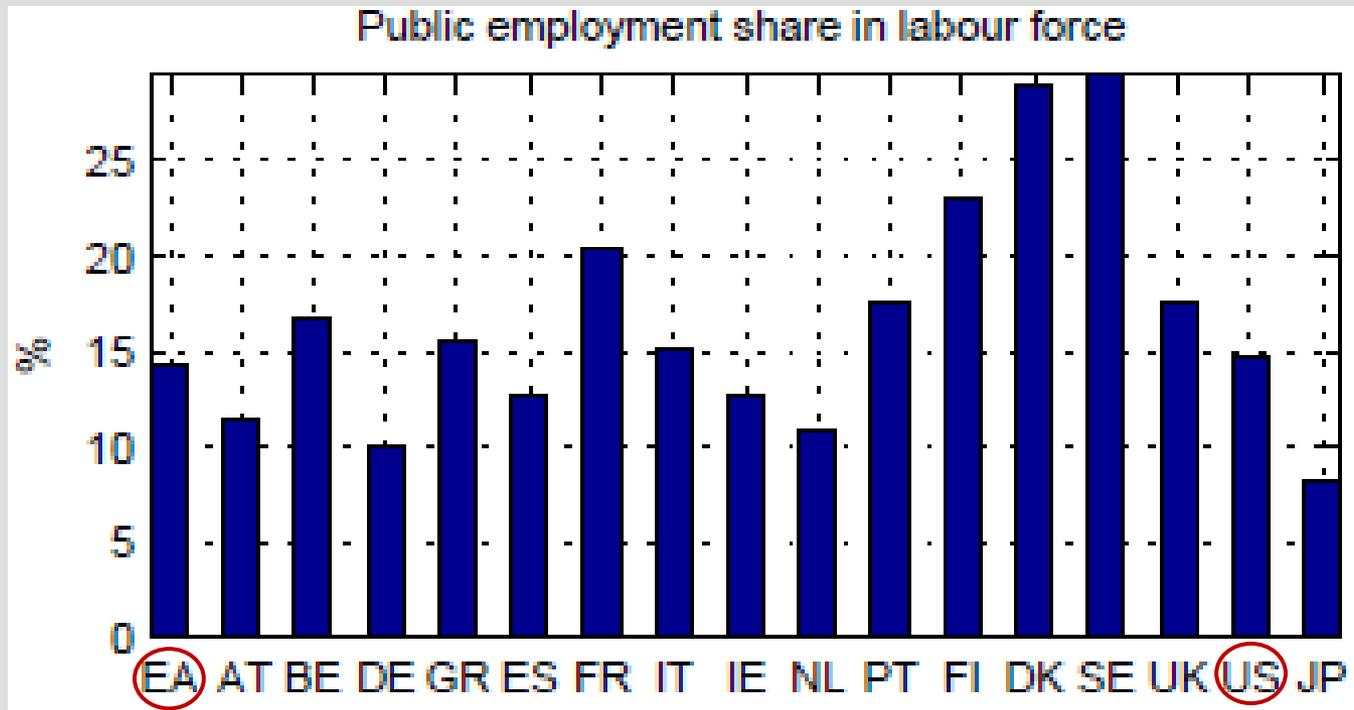
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Public wages & fiscal stress

In European countries the government sector is a relevant provider of services, and thus a relevant player in the labour market



Source: OECD. Averages over 2000-2005

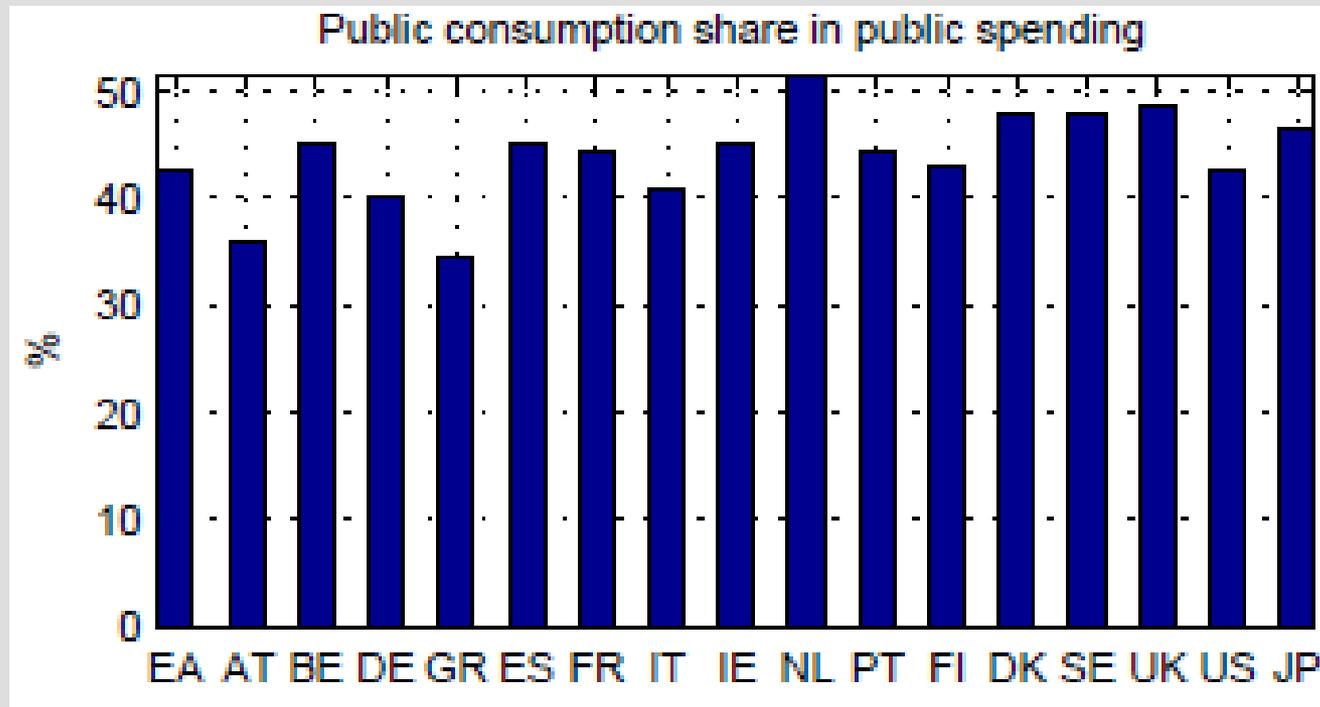
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Public wages & fiscal stress

In general European societies support this role

And pay taxes to fund it



Source: OECD. Averages over 2000-2005

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Public wages & fiscal stress

In times of “fiscal stress”, nevertheless, given the weight of the government wage bill and the possibility to implement measures with immediate effects...

... “cost-cutting” measures typically hinge upon it

... like wage cuts/freezes, or hiring restrictions/firings

Issues on design/efficiency?

Before the start of the most recent crisis there was a significant debate on the interactions between public and private sectors’ wages

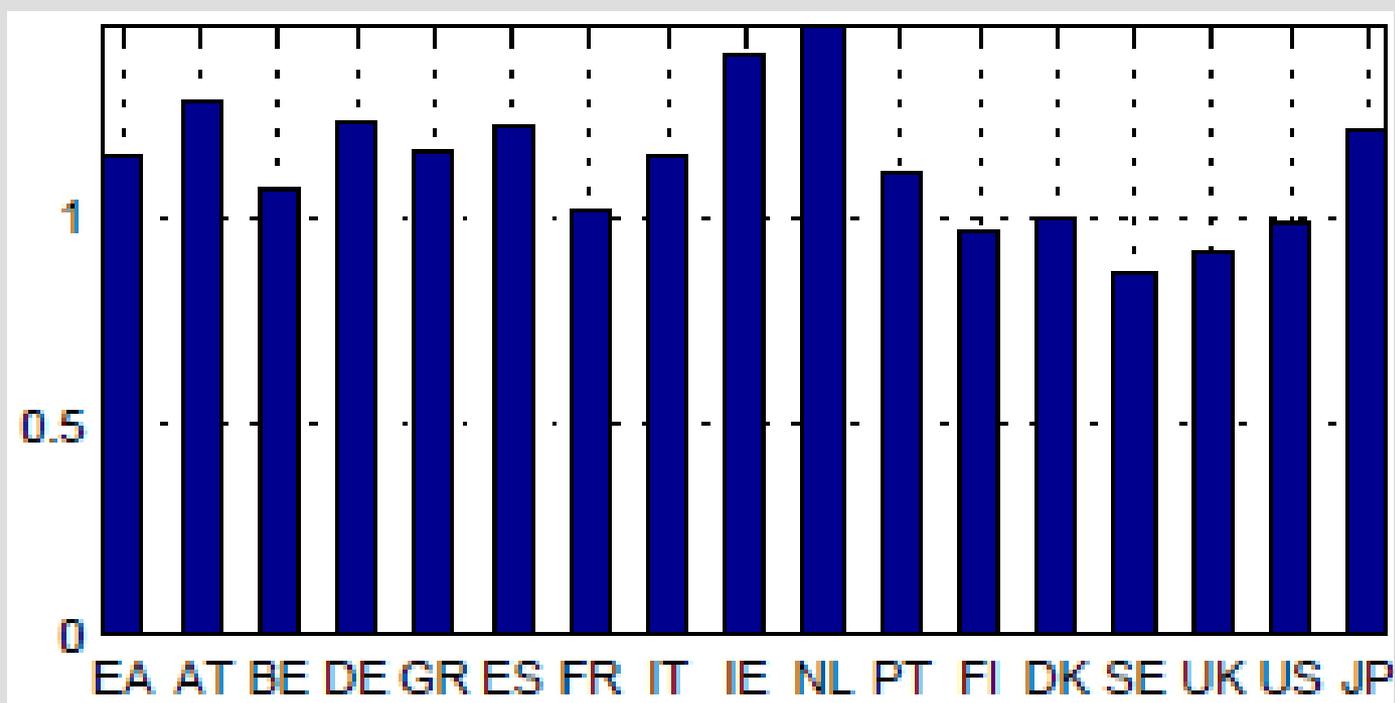
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The aggregate perspective

It was not a discussion about the level...

Ratio of public/private sector wages per employee



Source: OECD. Averages over 2000-2005

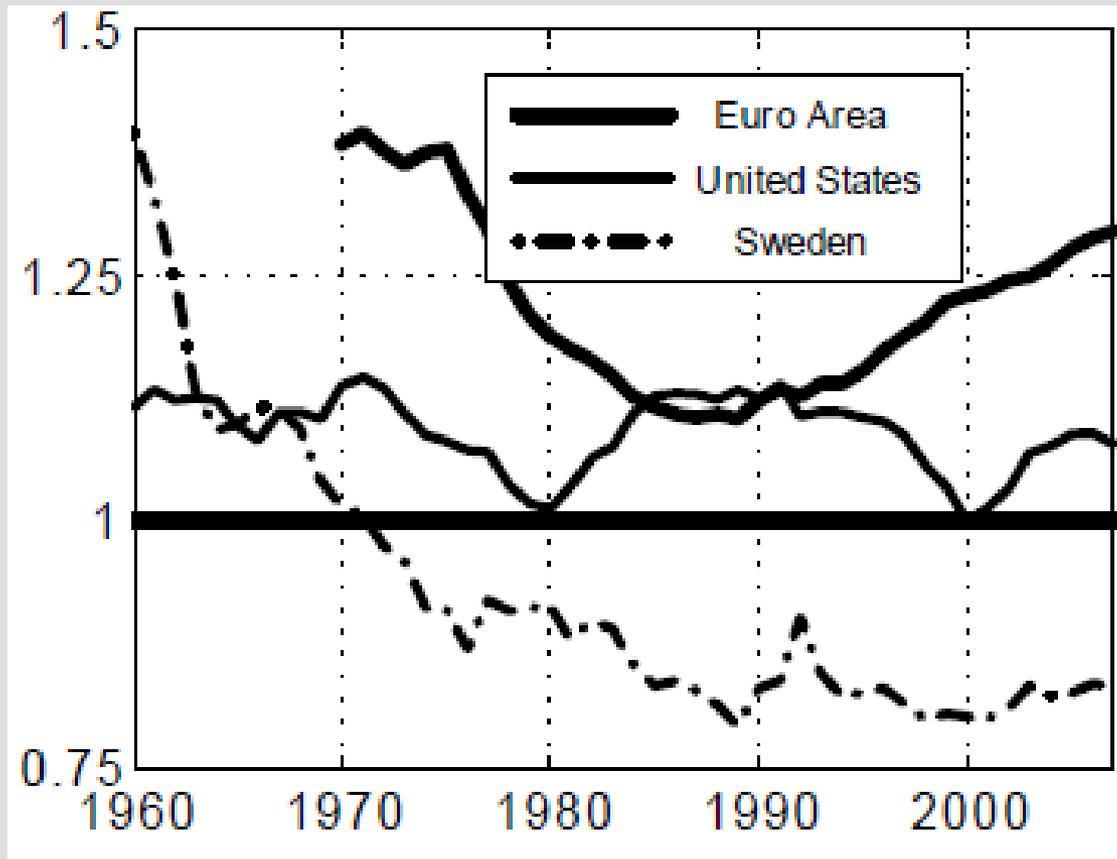
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The aggregate perspective

... but rather about the dynamics

Ratio of public/private sector wages per employee





Are public sector employees better paid than private sector ones?

The macro analysis cannot answer this question

Individual characteristics are key to understanding the determinants of the observed wage differential

This is an old question that has been dealt with in the literature typically in individual country studies

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The micro perspective

We use a common data set of micro data to look at EU countries (*European Union Statistics on Income and Living Conditions, EUSILC*)

Countries: AT, BE, FR, DE, GR, IE, IT, PT, SI, ES

Years: 2004 to 2007 (pool of more than 220,000 observations)

Data: “Public Administration and defence”, “Health and social work” and “Education”

Limitations: mixture of public/private in “Health” and “Education”

Focus on these sector vis-à-vis the rest of sectors in the economy

Focus on cross-country lessons

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The micro perspective

Public employees: more likely to have higher level of education, be women, (work part-time), hold a managerial position, be older, work less hours

	Public sector	Share in employees (15-64) in %												Average across employees (15-64)					
		Tertiary education			Male			Part-time work			Managerial position			Age			Working hours		
		Pr.	Pu.	Diff	Pr.	Pu.	Diff	Pr.	Pu.	Diff	Pr.	Pu.	Diff	Pr.	Pu.	Diff	Pr.	Pu.	Diff
AT	21	15	41	27	60	38	-22	15	24	9	28	36	8	37	41	4	38	36	-2
BE	38	35	58	23	65	37	-28	13	26	12	30	24	-5	39	41	2	38	34	-4
DE	19	24	49	25	55	48	-7	26	25	-1	23	26	3	40	43	3	35	36	1
ES	23	28	61	34	64	42	-22	10	11	1	23	23	0	37	41	4	40	36	-4
FR	31	23	41	18	60	34	-26	12	19	7	29	34	6	38	41	2	37	35	-2
GR	29	19	56	36	63	48	-15	7	23	16	14	18	4	37	41	4	41	35	-5
IE	29	28	51	23	59	34	-25	23	35	12	27	33	7	36	43	7	36	32	-4
IT	27	9	33	24	63	43	-21	12	23	11	22	26	4	38	44	6	39	34	-5
PT	25	9	39	30	59	34	-25	5	4	-1	18	21	4	37	41	4	41	37	-4
SI	23	13	43	30	60	30	-30	2	3	1	29	26	-3	39	40	1	41	40	-1

Pr. = private sector, Pu. = public sector, Diff = Pu. - Pr.

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The micro perspective

Conditional on these characteristics, there is a wage gap (measured by hourly/monthly/yearly, net/gross salaries)

Controlling for these characteristics, wage gaps persist, and present heterogeneity across countries and gender

Hourly gross earnings	TOTAL	WOMEN	MEN
AT	10%	14%	4%
BE	5%	7%	3%
DE	11%	19%	3%
ES	25%	26%	23%
FR	5%	7%	4%
GR	21%	26%	17%
IE	19%	20%	16%
IT	19%	22%	16%
PT	21%	22%	19%
SI	11%	12%	8%

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The micro perspective

By income levels the picture shows again some heterogeneity, and in some cases the wage gap changes sign

Hourly gross earnings	Lower 10% income	Higher 10% income
AT	12%	3%
BE	8%	-3%
DE	30%	-12%
ES	23%	21%
FR	13%	-4%
GR	25%	9%
IE	16%	12%
IT	21%	13%
PT	17%	16%
SI	20%	-3%

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The micro perspective

By income levels the picture shows again some heterogeneity, and in some cases the wage gap changes sign, and also by firm size

Hourly gross earnings	Lower 10% income	Higher 10% income	Small firms (<50)	Large firms (>50)
AT	12%	3%	16%	0%
BE	8%	-3%	15%	-3%
DE	30%	-12%	27%	-3%
ES	23%	21%	31%	14%
FR	13%	-4%	14%	-6%
GR	25%	9%	26%	9%
IE	16%	12%	26%	10%
IT	21%	13%	24%	10%
PT	17%	16%	27%	12%
SI	20%	-3%	22%	3%



The results point to a conditional pay differential in favour of the public sector that is generally higher...

... for women, for workers at the low end of the wage distribution, in the Public Admin (and Education) sector, for higher education levels

and decreases or even changes sign...

... when compared to large firms, when considering monthly wages

Caveats (beyond problems of definition)

Other characteristics: fringe benefits (priv.), pensions rights (pub.), and unobservable ones (family, vocation, risk aversion)

Policy lessons: complex issue...

... relevant “competitor” (large firms);

... retention problems at the upper end of the distribution

... cross-country lessons?



THANKS FOR YOUR ATTENTION

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