The Labour Market Implications of Changes in the Public Sector: Inequality and Work Quality

Research Team

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Major Objectives

- To examine the on going consequences of the deficit reduction programme on measures of labour market inequality.
- To explore the nature of regional variation in public-private sector pay.
- To consider the intrinsic quality of work in the public sector and private sectors of the economy.

The study is based on the secondary analysis of:

- The Quarterly Labour Force Survey.
- The Annual Population Survey.
- Understanding Society.
- The Skills and Employment Survey (2012) and its predecessors.

Research Themes

- An analysis of the effect that employment contraction and pay restraint in the public sector has had on the relative wages of different groups of workers at both the national level and across different spatial geographies in the UK.
- An analysis of job losses in the public sector and the subsequent labour market experience of workers that have exited public sector employment.
- An analysis of labour transitions and ‘steady state’ labour market stocks to determine the extent to which changes in inflows and outflows during the recession and the deficit reduction programme have contributed to the determination of the labour market aggregates.
- An analysis of national, and inter and intra-regional differences in public/private sector pay across the earnings distribution and across different parts of the public sector overtime.
- An analysis of the intrinsic quality of jobs in the public and private sectors and the extent to which the recession and the deficit reduction programme has narrowed or widened these differences.

Early Findings

Table 1 Public-Private Sector Wage Differential by Gender and Full-Time Part-Time Employees (Pooled 2009Q2 – 2011Q1)

	Actual hours		Usual hours	
	Men	**Women**	**Men**	**Women**
Full time employees				
1. Controlling for age, age squared, age left full time education and interactions (base specification)	0.0795***	0.1563***	0.0606***	0.1472***
	(0.0107)	(0.0112)	(0.0095)	(0.0098)
Sample size	*13172*	*8504*	*13172*	*8504*
2. All variables (full specification)	-0.0263***	0.0534***	-0.0485***	0.0411***
	(0.0101)	(0.0104)	(0.0084)	(0.0087)
Sample size	*13172*	*8504*	*13172*	*8504*
Part time employees				
1. Controlling for age, age squared, age left full time education and interactions (base specification)	0.2401***	0.1742***	0.2377***	0.1791***
	(0.0432)	(0.0147)	(0.0403)	(0.0130)
Sample size	*1036*	*5496*	*1036*	*5496*
2. All variables (full specification)	0.0832*	0.0698***	0.0865**	0.0728***
	(0.0443)	(0.0138)	(0.0387)	(0.0114)
Sample size	*1036*	*5496*	*1036*	*5496*

Notes: Standard errors in parentheses * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; The data are weighted; The first row reproduces Emmerson and Jin (2012) base specification.The second row includes all controls (full specification) - age and age squared, age left full time education, interactions between age and age squared with age left full-time education, married, divorced, qualification, job tenure, managerial responsibilities, white ethnicity, plant size and NSSEC occupational controls; *Source:* Authors' calculations using data from the quarterly LFS (2009Q2-2011Q1).

Figure 1 Estimated Public-Private Sector Wage Differential Over-Time for Men

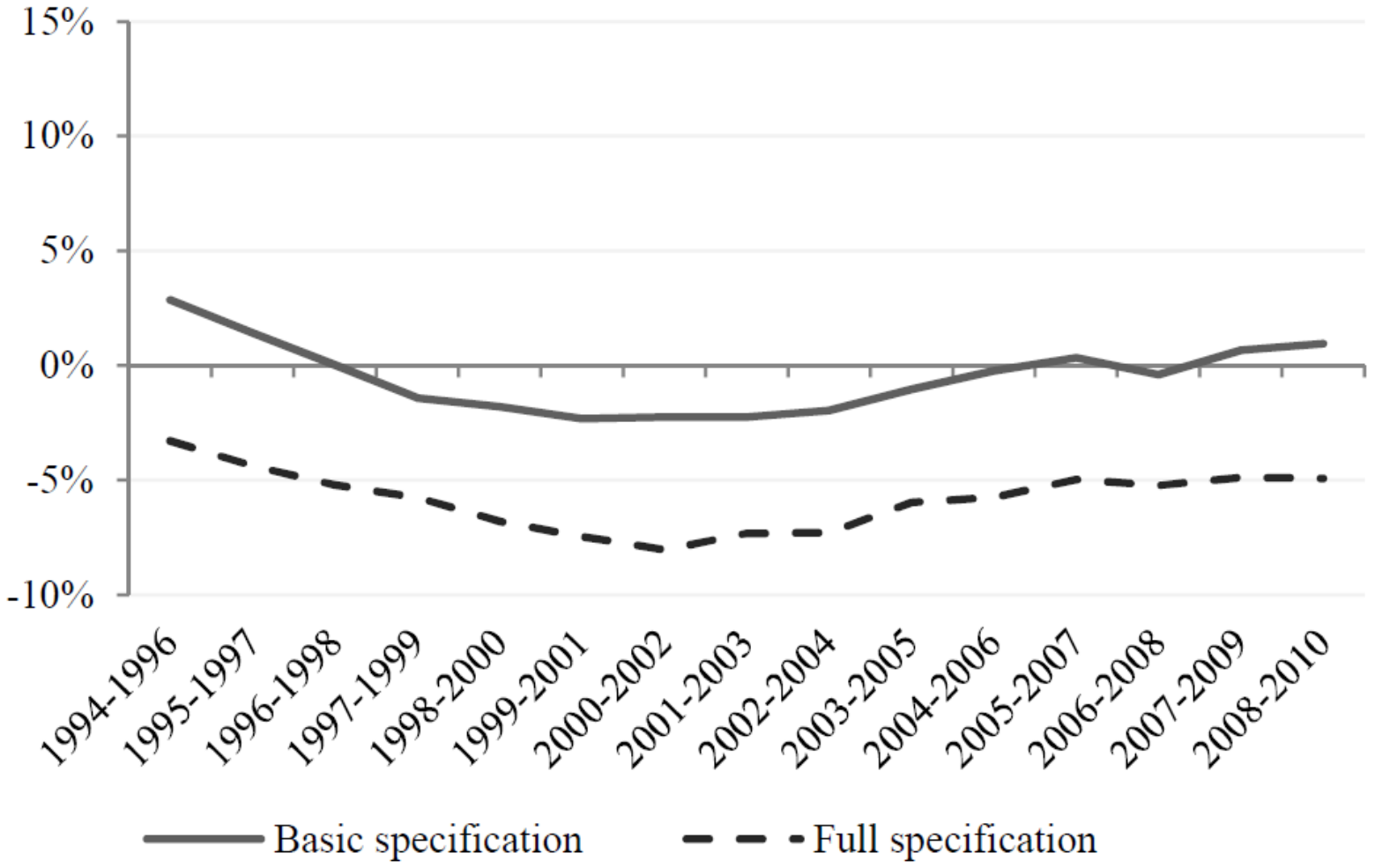

Table 2 Public Sector Differential by Standard Region for Men (Pooled 2009Q1-2011Q1)

	Usual hours worked		Actual hours worked	
	Basic	Full	Basic	Full
Northern	0.0485	-0.0078	0.0468	-0.0271
	(0.0399)	(0.0339)	(0.0444)	(0.0385)
Sample size	751	751	751	751
Yorkshire	0.1271***	0.0603**	0.1258***	0.0549**
	(0.0285)	(0.0247)	(0.0290)	(0.0266)
Sample size	1306	1306	1306	1306
East Midlands	0.0727**	0.0004	0.0810**	0.0175
	(0.0312)	(0.0291)	(0.0352)	(0.0362)
Sample size	1123	1123	1123	1123
East Anglia	0.0018	-0.0469	0.0849*	0.0229
	(0.0412)	(0.0372)	(0.0501)	(0.0450)
Sample size	687	687	687	687
London	-0.0271	-0.1212***	0.0130	-0.0893***
	(0.0271)	(0.0248)	(0.0313)	(0.0318)
Sample size	1639	1639	1639	1639
South East	-0.0402*	-0.0825***	-0.0237	-0.0647***
	(0.0228)	(0.0198)	(0.0265)	(0.0246)
Sample size	2628	2628	2628	2628
South West	0.0367	-0.0381	0.0698**	-0.0144
	(0.0277)	(0.0238)	(0.0324)	(0.0303)
Sample size	1302	1302	1302	1302
West Midlands	0.0685**	0.0233	0.0746**	0.0281
	(0.0295)	(0.0269)	(0.0309)	(0.0288)
Sample size	1240	1240	1240	1240
North West	0.0222	-0.0457*	0.0348	-0.0187
	(0.0262)	(0.0244)	(0.0279)	(0.0276)
Sample size	1489	1489	1489	1489
Wales	0.1298***	0.0890**	0.1875***	0.1463***
	(0.0407)	(0.0367)	(0.0522)	(0.0512)
Sample size	564	564	564	564
Scotland	0.0385	-0.0268	0.0567*	-0.0107
	(0.0263)	(0.0241)	(0.0290)	(0.0272)
Sample size	1291	1291	1291	1291
North Ireland	0.1621***	0.1475*	0.1226**	0.0679
	(0.0582)	(0.0767)	(0.0609)	(0.0739)
Sample size	188	188	188	188