



Public-Private Pay 'Gap'

PayNet UK Salary Tracker Sheds New Light On Public-Private Pay 'Gap'

- Operative¹ staff in public sector close pay gap on private sector
- Contrary to common belief, public sector senior managers' salaries are rising in line with their private sector counterparts
- Divide set to widen over next two years as public sector cuts hit

The public-private pay gap has been reversed at operative¹ levels, with salaries in the public sector rising by 13 per cent more than their private sector counterparts over the last decade, according to Hay Group's latest *PayNet UK Salary Tracker*.

However, Hay Group's data reveals disproportionate senior salary rises in the public sector to be a myth, with senior managers in private firms still earning significantly more than their public sector counterparts. And as Government spending cuts and calls for pay restraint begin to hit, public sector pay will plateau, whilst private salaries are set to climb.

Hay Group's *PayNet UK Salary Tracker* analyses pay and salary movements in over 600 organisations, representing over one million employees. Incumbents cover three main employee groups – Operative¹, Professional² and Senior Manager³.

Tipping the scale

Public pay at operative level has increased by 50 per cent over ten years, with staff now earning £695 more per year on average than those in private firms. In the private sector, the equivalent rise has been a 37 per cent increase, with operative salaries holding firm or decreasing since 2009, as the recession hit.

Operative staff in the public sector now earn £18,027 on average, compared to £12,035 in 2000. Private sector equivalent wages average £17,332, from £12,652 in 2000.

David Smith, reward information consultant at Hay Group, comments: "The public sector was not directly affected by the global economic downturn, unlike the private sector. But with government austerity taking hold, many employees are beginning to feel the impact of cost cutting in their wallets."

Mind the gap

Higher up the pay scale, the public-private pay gap holds true. When including bonuses, senior management in the private sector earn £57k more annually on average than their public sector counterparts – a consistent difference of over 60 per cent since 2000.

The average pay (including bonuses) for a senior manager in the public sector is £118,673, compared to £176,498 in the private sector. In terms of base salary, private sector senior managers still earn almost £24k more per year on average than the equivalent role in the public sector.

State of pay

Contrary to popular belief, for senior management in both public and private sectors, total percentage increases over the last ten years have been identical – challenging the view that public sector managers have enjoyed disproportionate wage boosts. In 2000, public sector senior managers earned £73,773 on average, compared to £108,835 in private organisations.

By 2005, this had risen by 33 per cent in both sectors, followed by a further 21 per cent increase in the last 6 years. Senior public sector managers now earn £118,673, compared to £176,498 for the equivalent role in the private sector.

David Smith comments: “Our data shows that the media furore over public pay is unfounded, with percentage rises at senior management level identical to those in the private sector.

Public sector managers should arm themselves with reliable and robust figures, particularly around the value of the total package, to help support their decisions about pay in the public domain.”

What's next?

Hay Group predicts that the public-private pay gap will widen across all employee levels over the next two years.

Hay Group forecasts that pay in the private sector will rise by approximately 6 per cent. In the public sector, the equivalent role will see an increase of just 3 per cent – considerably below the current rate of inflation.

David Smith comments: “The Government’s austerity programme, stuttering economic recovery and calls for restraint will all have a tangible impact on the pay divide.

“With pay restraint taking hold in the public sector and pensions set to become a less valuable benefit, we predict that the salary gap will start to widen at all levels in the next couple of years.

“In these tough times, the challenge for the public sector will be to contain costs yet still be able to attract and retain key talent.”

Ends

For further information

View [PayNet UK Salary Tracker](#) for graphs showing public vs private sector pay gap, as well as key economic indicators such as CPI, RPI and Bank of England interest rates.

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Notes to Editors

The PayNet UK Salary Tracker provides salary movements across five employee levels.

For the purposes of this release the main three are mentioned only:

1-Representative employees from the Operative / Clerk level include, but are not limited to, receptionist, accounting clerk, data entry operative roles.

2-Representative employees from the Professional level include, but are not limited to, social care coordinator, accountant, engineer and highways officer.

3-The Senior Manager level represents Director level positions.

Please note the PayNet UK Salary Tracker does **not include** senior executive roles at large private and public sector organisations such as chief executive and chief financial officers.

Unless otherwise indicated, all salaries quoted represent 'Total Cash' amounts. These figures include basic salaries, regional allowances, fixed payments and short term variable payments such as bonuses that are contingent on discretion, performance or results achieved.