Public Sector Pay Premium Not Surprising – Researchers

June 20, 2000 – While public sector wages average 9% higher than wages in the private sector, the difference is not surprising in light of the public sector's egalitarian pay practices.

That's one of the conclusions of a discussion paper on pay differences between the public and private sectors, published by the Canadian Policy Research Networks (CPRN).

Pay Differences between the Government and Private Sectors: Labour Force Survey and Census Estimates, by Morley Gunderson, Douglas Hyatt and Craig Riddell (Discussion Paper No. W|10), analyses public/private sector pay differences drawing on three large-scale micro data sources: (1) The 1997 Labour Force Survey, (2) the 1996 Census, and (3) trends from the 1971, 1981, and 1991 Census files. (The public sector here includes local, provincial and federal governments; health and education sectors; and those parts of the transportation, communications and utilities sector where government is the employer.)

The report fills a gap by providing important detail on the recent situation, along with a look at historical trends.

Among its key findings:

- Government wage premiums average 9.0%, with the premium being slightly lower at the federal level (8.5%) than at the provincial (10.0%) and local (9.4%) levels.
- The overall pay gap masks considerable variation by gender and between specific occupational groups. The premiums relative to the private sector are highest for women and less-skilled workers, and lowest for managers, especially male managers (negative at the federal level).
- The male-female wage gap is considerably smaller in the government sector (13.8%) than in the private sector (17.6%), with the federal male-female wage gap being 9.3%.
- The public sector wage premium is very high for service occupations. This is the result of a large premium for women in service jobs as compared to the private sector, possibly reflecting the impact of pay equity in low-status jobs, like hospitality and food services and cleaning.
- The pay premium for the managerial/administrative/professional occupations is much smaller in the government sector than in the private sector. This means that the spread between the top and the bottom of the pay scale is smaller in the public than in the private sector.

"It is important to recognize that the composition of the workforce in the public sector is different in key respects from that in the private sector," says Doug Hyatt, an author of the report and a professor at the Centre for Industrial Relations at the University of Toronto. "For example, a greater proportion of the workers in the public sector are university graduates. There is also a higher percentage of older workers. You have to take differences like these into account statistically before you can say one sector systematically pays its workers more than the other. We have done that here."

…/2

e-network e-network work e-network e-net

The President of CPRN, Judith Maxwell, says the research provides valuable data to public employers wishing to remain competitive in today's labour market.

"Obviously, the public sector has an advantage over the private sector in attracting certain classes of employees because of its progressive employment policies. Looking forward, however, the question is how governments will compete for the high-skill people needed for a modern public service."

The research paper focuses on pay comparisons, and the information is important to the public sector's ability to recruit and retain skilled workers. However, competitive wages are not the only consideration. Governments seeking to replace the "baby boomers" now approaching retirement age will have to employ other strategies as well.

The Director of CPRN's Work Network, Graham Lowe argues non-wage factors like benefits, training, opportunities for advancement, job security and job satisfaction will play a growing role in an increasingly competitive labour market.

According to Lowe, "The public sector needs people with the same specialized skills as the private sector, is recruiting from a much smaller pool of young people, and is unlikely, for political reasons, to be able to match private sector monetary rewards. All this means more attention must be given to quality of work concerns if governments are to attract and hold the skilled workforce they need in future."

The current discussion paper is part of CPRN's Human Resources in Government Series, which seeks to generate new applied knowledge to help federal and provincial governments and public service unions redefine the public service to meet the challenges ahead. The research sponsors include three federal agencies (Human Resources Development Canada, the Public Service Commission, and Treasury Board Secretariat), four provincial governments (Alberta, Manitoba, Nova Scotia, and Ontario) and the Public Service Alliance of Canada.

You can access or download a copy of this document by clicking here.

e-network e-network work e-network e-net