

THE IMPACT OF DECLINING RELATIVE PUBLIC SECTOR PAY ON STAFF QUALITY

Has the dramatic decline in relative pay across most of the public sector since the mid-1970s generated similar significant reductions in the relative quality of staff? A new research report by President of the Royal Economic Society Professor **Stephen Nickell** and **Glenda Quintini** reveals evidence from test scores of a notable fall in relative quality among male teachers, civil servants and local government officers. There have been no such falls among women in any public sector profession.

The research uses percentile positions based on scores in general and mathematics tests taken at age 10 or 11 as indicators of quality. (It might be thought that the results of tests taken at such a young age would bear little relationship to the quality of an individual as an adult worker, but in fact they have considerable predictive power.) These are used to compare individuals in the 1958 birth cohort studied by the National Child Development Survey and the 1970 Birth Cohort Survey. The results indicate that:

- Men who entered teaching or public sector general administration in the early 1990s had a significantly lower test score percentile rank - around 9 or 10 percentage points lower - than those who entered those professions in the late 1970s.
- In the same period, there has been a dramatic decline in the relative pay of most, though not all, public sector employees. Particular losers include the bulk of manual workers, nurses, teachers and general administrators (such as civil servants and local government officers). For example, the relative pay of male teachers fell by over 10 percentage points from the late 1970s to the late 1980s, considerably worsening the career prospects for entrants at the later date. It seems reasonable to infer that the decline in relative pay is responsible for the decline in relative quality.
- There were no falls in quality among men who entered the police and related groups over the same period, where relative pay has not fallen.
- For women, there were no significant changes in the test score percentile rank over the same period for any of the public sector groups investigated (general administrators, teachers or nurses), despite the large falls in their relative pay.
- Why has relative quality not declined along with relative pay for women in the public sector? One possibility is that for both men and women, there has been a significant increase in jobs in high paying occupations in the private sector - accountants, finance, etc. But for women, there has also been a corresponding increase in participation as a higher proportion of women entered the labour market. This may have attenuated the

consequences of the relative public-private pay shift for women.

- Furthermore, for women, teaching is relatively a much better career than for men. Even though entrants in the late 1980s would have seen somewhat worse relative prospects than those entering 12 years earlier, their salary outlook would still be well in the top quarter of all women of the relevant age group.

Back in the mid-1980s, Professor Nickell commented on the draconian public sector pay policy being enforced at that time and the more or less continuous reduction in the relative earnings of the sector since 1980. He wrote: 'Aside from the unrest this not unnaturally induces, the most important long run consequence will be an inevitable reduction in the quality of the public sector workforce.' His latest research provides a small piece of evidence that this has indeed come about.

Note for Editors: 'The Consequences of the Decline in Public Sector Pay in Britain: A Little Bit of Evidence' by Stephen Nickell and Glenda Quintini is a research report written for the Royal Economic Society's *Economic Journal*. It will be published formally in the February 2002 issue of the journal

The report will be published on the internet on Friday 19 October 2001 at the following website address: <http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=00130133>.

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