



Institute for
Fiscal Studies

Mobility of public and private sector workers

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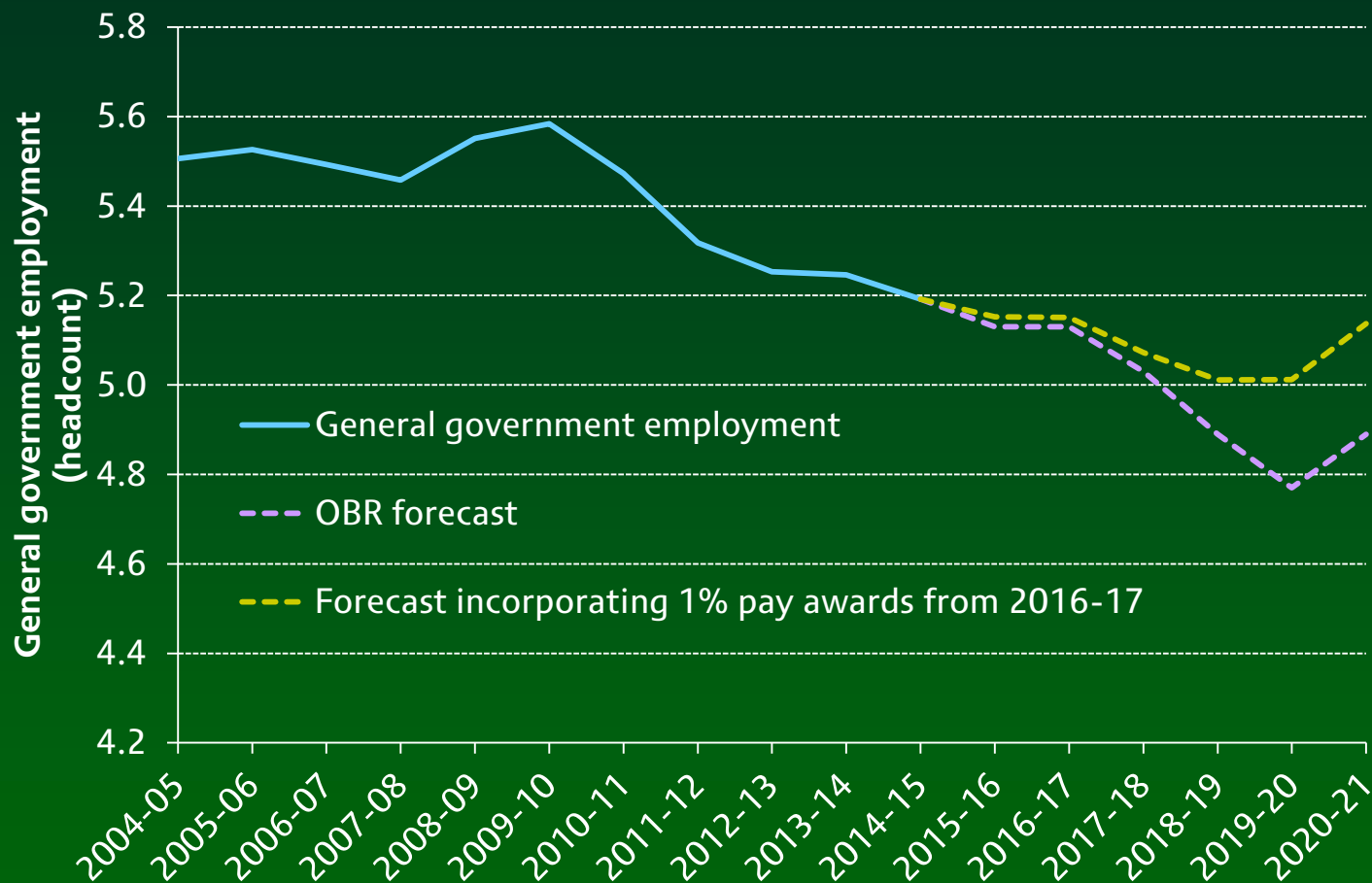
OME Reward in the Public Sector: Research Seminar

Friday 10th July 2015

For more details see:

Cribb and Sibieta (2015) 'Mobility of public and private sector workers'
(<http://www.ifs.org.uk/publications/7775>)

General government employment since 2004-05

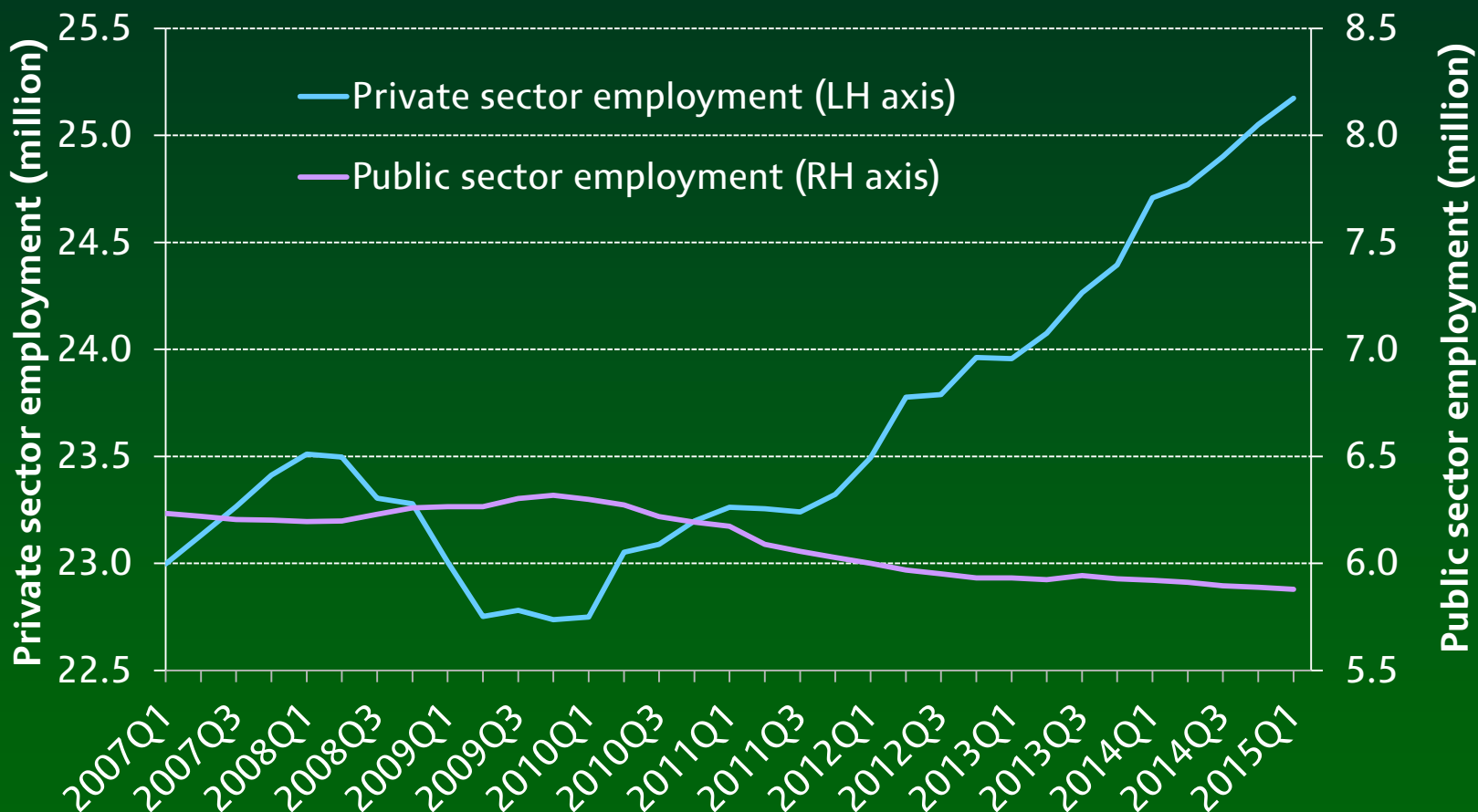


Source: IFS calculations using ONS Public Sector Employment Statistics

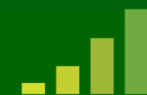
Notes: Each financial year refers to the final quarter of each year. Excludes reclassification of workers in English Further Education and Sixth Form Colleges. Projections are based on OBR forecasts from July 2015. The second projection adjusts OBR forecasts for the announcement of 1% pay awards from 2016-17 to 2019-20.



Private and public sector employment



Source: IFS calculations using ONS Public Sector Employment Statistics
 Notes: Excludes the effects of reclassification of workers in English Further Education and Sixth Form Colleges and of privatisations and nationalisations of financial corporations and Royal Mail



How have public workforce cuts been delivered?

- Two main ways a government can cut the public workforce
 1. Reduce inflows (e.g. recruitment freeze)
 - Reduced inflow of former private sector workers
 - Reduced inflow of workers from non-employment
 2. Increase outflows (e.g. redundancies)
 - Increase number of public sector workers moving to private sector
 - Movements of former public sector workers into non-employment
- Welfare consequences will in large part depend on importance of movements between sectors vs net movements into non-employment
- Movements between sectors easier if skills are transferable
 - Easier and more likely for younger workers
 - Mobility less likely for sector-specific occupations

Our contribution

- Show overall levels of mobility between sectors over time
- Decompose public workforce cuts into contribution from:
 - Reduced inflows from private sector
 - Increase outflows to private sector
 - Net outflows to non-employment
- Examine wider levels of mobility to provide context on level of fluidity and flexibility across public and private sector labour markets
 - Levels of mobility within sectors
 - Levels of geographical mobility

Calculating movements between sectors

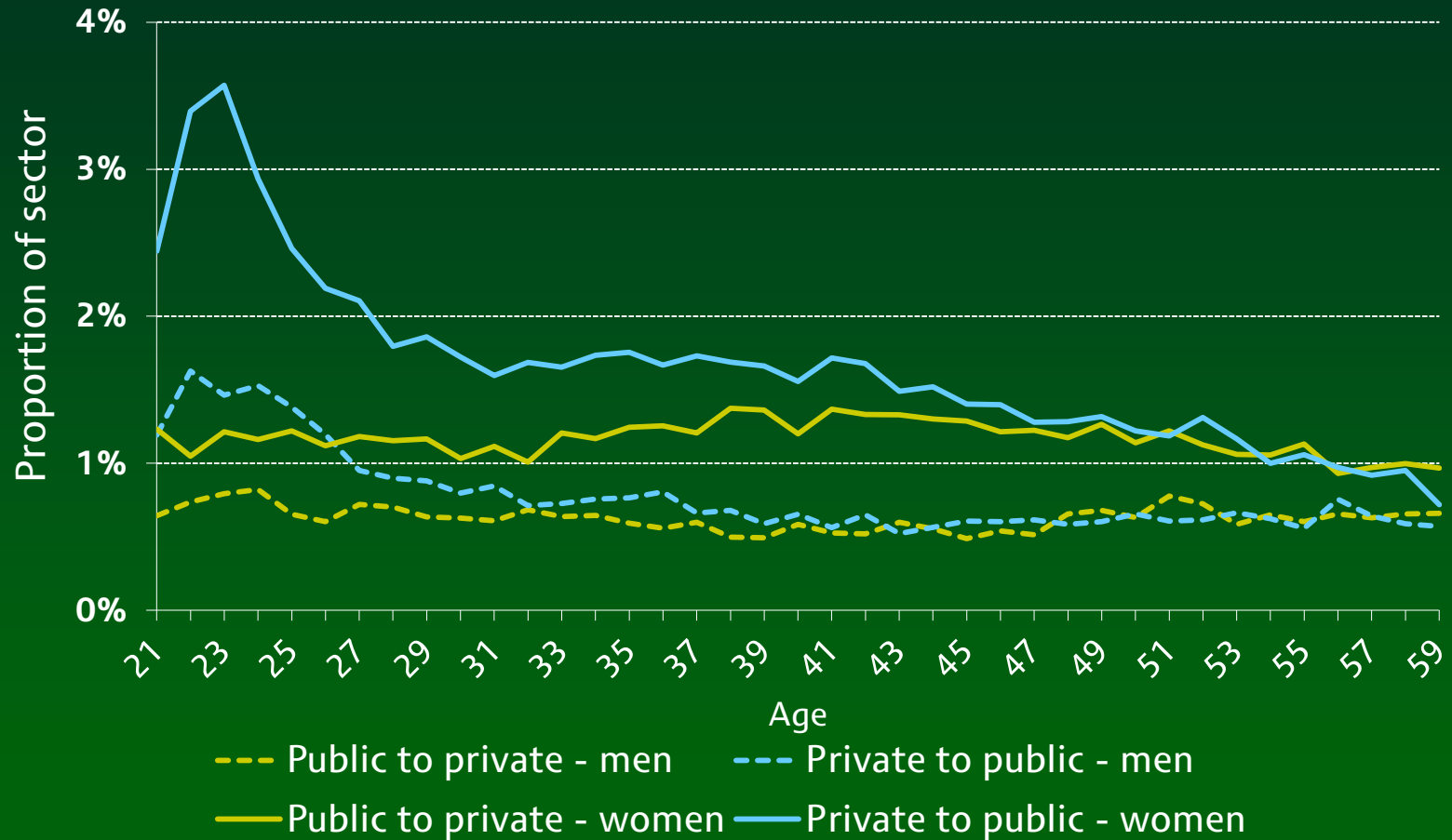
- Focus on Annual Survey of Hours and Earnings (Panel Dataset) as it allows us to follow a 1% sample of employees
- Take sector in a given year a base year
- Ideal approach would classify sector moves as those observed in a different sector as compared with previous year
- BUT...large number of individuals have missing data in some years
 - Could reflect unemployment, low hours, retirement or missing data
- We classify movements between sectors as those:
 - In a different sector as compared with the last year (if observed)
 - Or, in a different sector as compared with two years ago (if last year's observation is missing)

Increase in movement of public sector workers to private sector since 2010



Source: IFS calculations using ASHE Panel Dataset

Sectoral mobility at its highest for younger ages



Source: IFS calculations using ASHE Panel Dataset

Notes: Results are pooled across all years from 2000 onwards.

Decomposing public workforce cuts

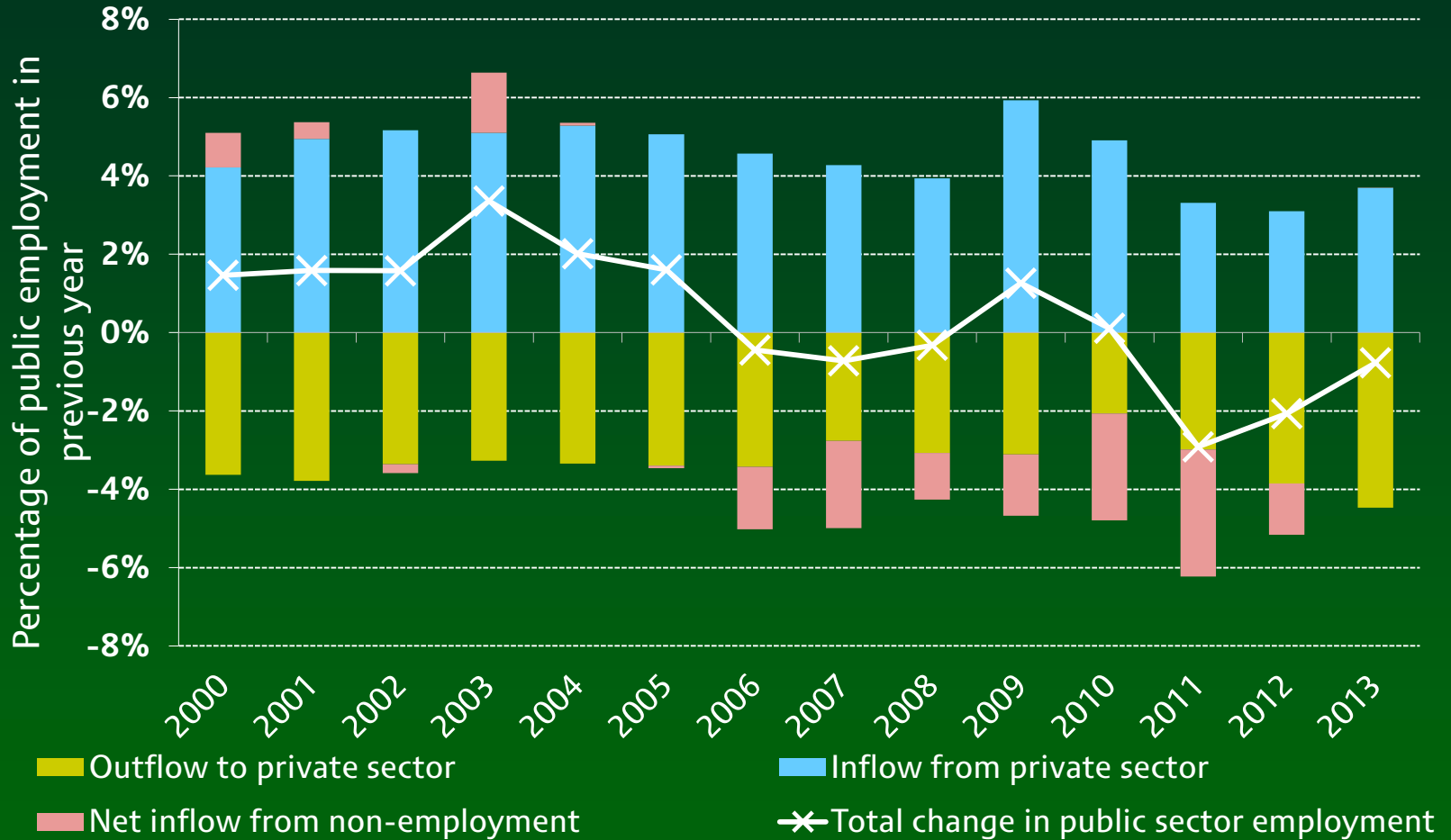
**Change in public sector workforce = Inflow from private sector +
Outflow to private sector + Net inflow from non-employment**

- Change in public sector workforce measured in public sector employment statistics
- Inflow and outflows to private sector measured in ASHE
- Net inflow from non-employment represents a residual

Caveats

- Net inflow from non-employment includes both effect of reduced inflows (e.g. Recruitment freezes) and outflows (e.g. Redundancies)
- Non-employment includes self-employment here
- Employment only measured in April; misses movements into non-employment between April each year

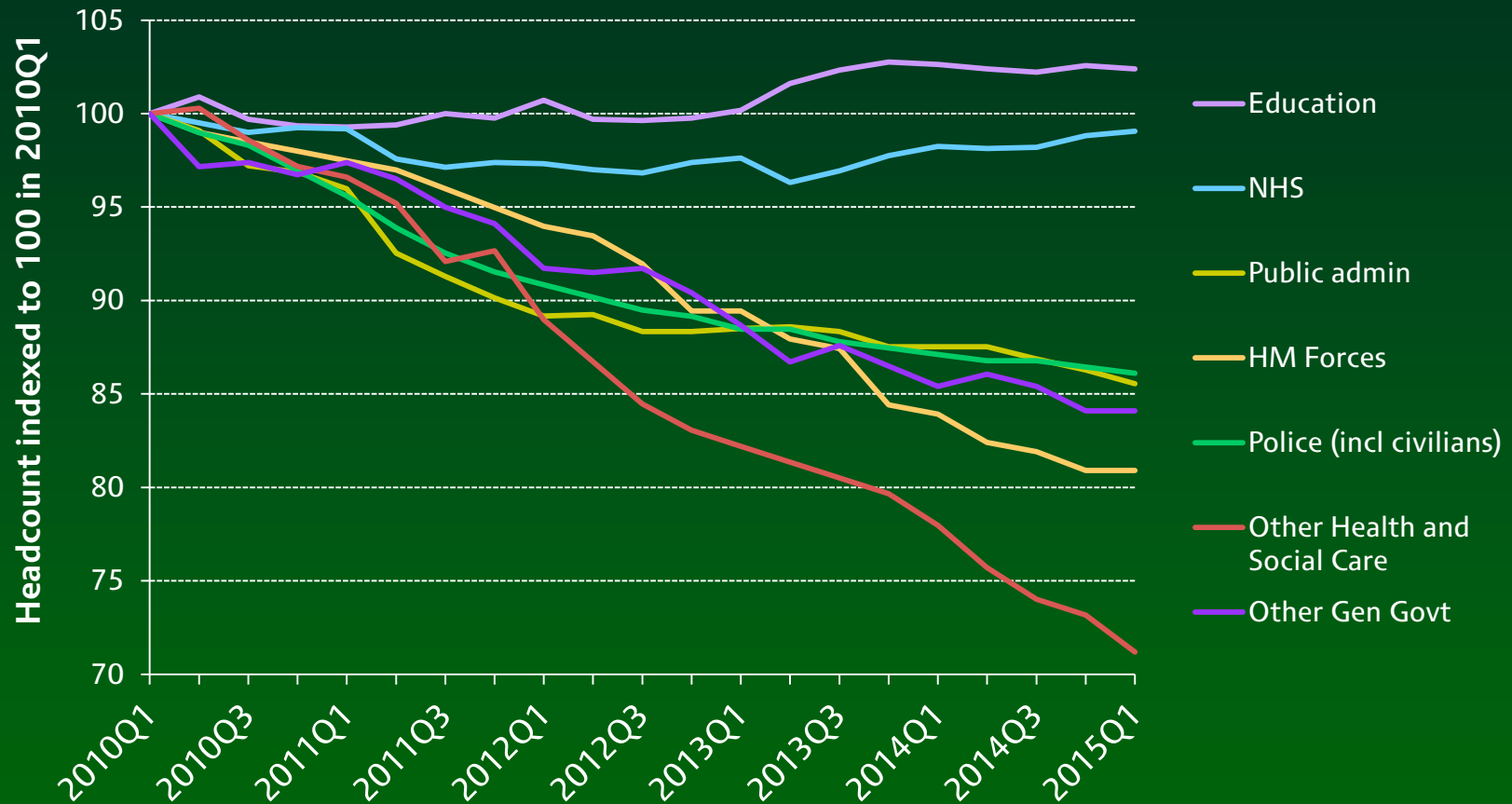
Decomposing changes in the public workforce



Note: Each year refers to the change in employment between Q2 of the named year and Q2 of the previous year. Public sector employment is adjusted for reclassifications

Source: Authors' calculations using the Annual Survey of Hours and Earnings and ONS Public Sector Employment Statistics.

Change in public employment since 2010Q1



Source: IFS calculations using ONS Public Sector Employment Statistics
 Notes: Excludes reclassification of workers in English Further Education and Sixth Form Colleges. Changes in employment in public corporations not shown

Decomposing changes by area of employment



Source: Authors' calculations using the Annual Survey of Hours and Earnings and ONS Public Sector Employment Statistics.

Summary of decomposition results

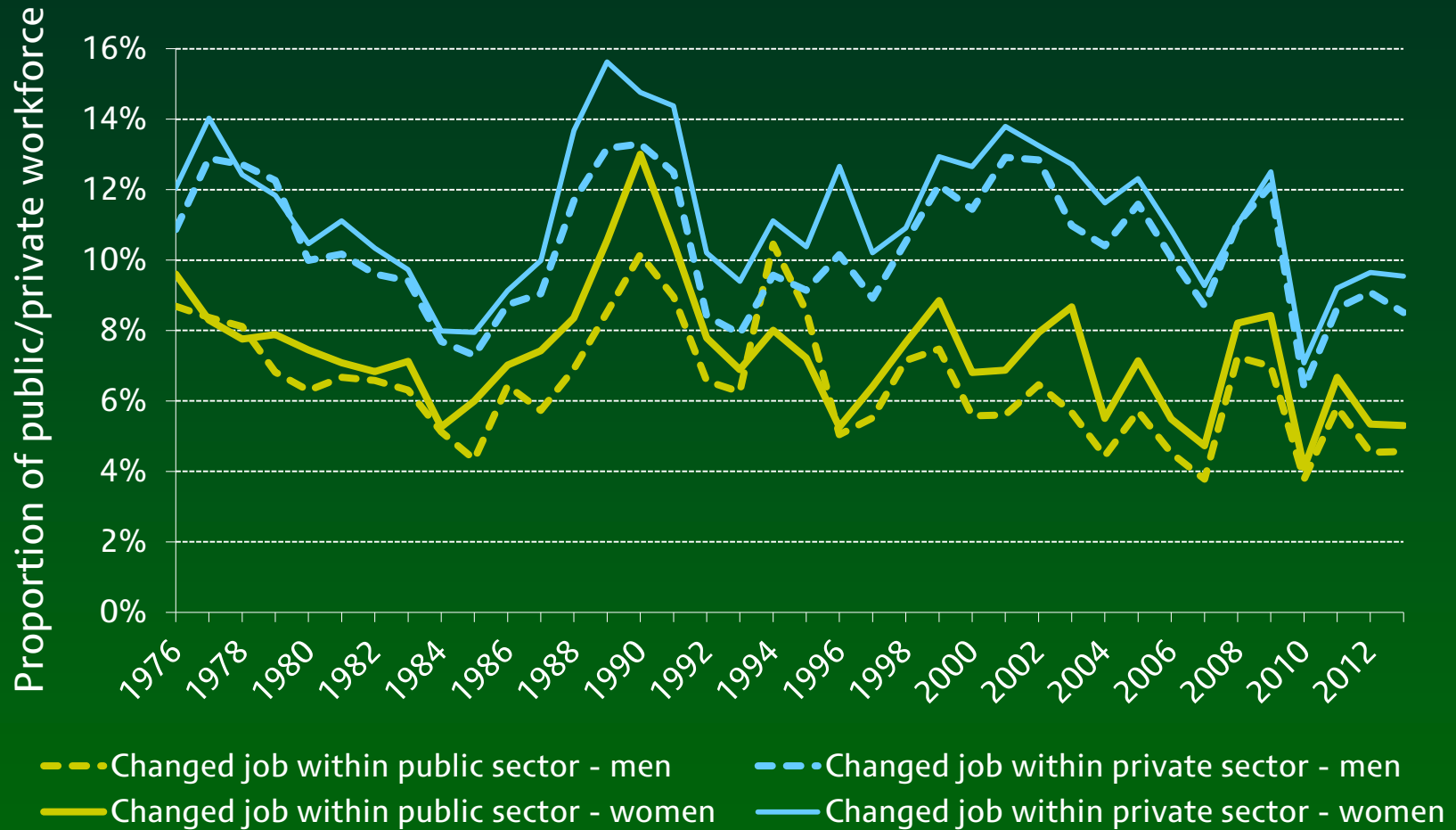
Overall changes

- Initial cuts to the public workforce quite sharp in 2011 and delivered by reductions in inflows from private sector and increase in net outflows to non-employment.
- After 2011, pace of cuts slowed, outflows to the private sector increased and were delivered with relatively few people moving out of employment

Changes by part of public sector

- Cuts to the public workforce smallest in the protected areas of NHS and education
- Largest cuts in public administration and other areas of public sector
- Unclear if workers in public admin and other parts of public sector will continue to find jobs in health and education

Declining levels of within sector mobility

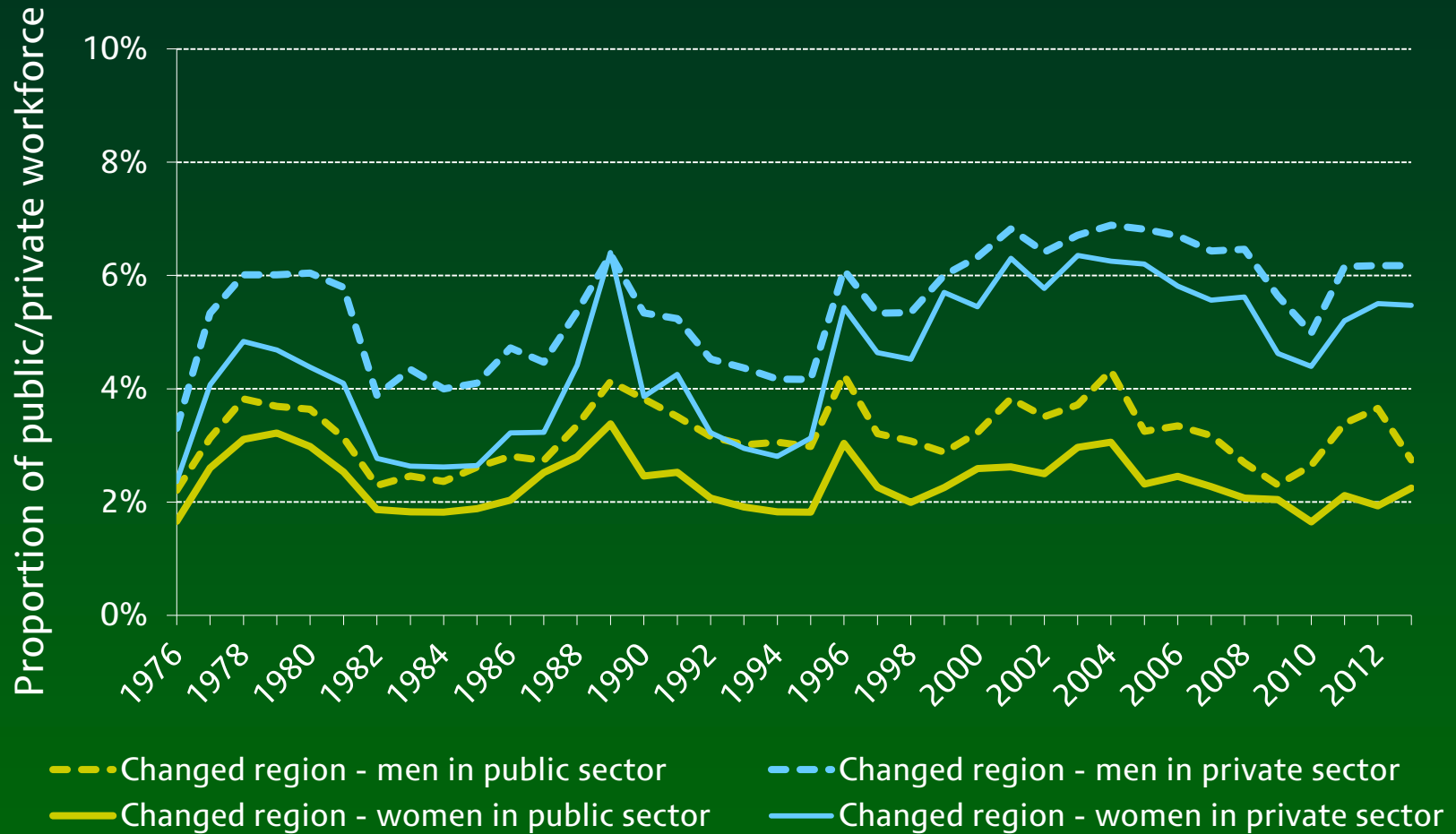


Source: Authors' calculations using NES and ASHE Panel Dataset

Explanations for declining levels of within sector mobility

- Mobility within public sector close to lowest level in last 30 years
 - Seems to reflect an ageing of the public workforce
- Mobility within private sector also close to lowest level in last 30 years
 - BUT...this is seen across all age levels
 - Reflects declining levels of movements across firm rather than within firm
 - Partially reflects declines in redundancies
 - But, also likely to reflect reduced voluntary movements
- More work needed to understand if declining levels of within sector mobility reflects barriers to moving from less to more productive jobs

Lower levels of geographical mobility in public sector



Source: Authors' calculations using New Earnings Survey Panel Dataset

Conclusions

- Government is expected to make further cuts to public sector employment, having already made large cuts
 - 1% average pay awards from 2016–17 reduces projected workforce cuts
- Although there was some net outflow to non-employment in 2011, more recent cuts have been delivered without a big increase in net outflows to non-employment
 - Increase outflows to private sector and reduced inflows from private sector
 - Will this continue?
- Decline in within sector mobility in the private sector
 - More work needed to understand if this has negative consequences
- Relatively low levels of geographical mobility in public sector
 - Former public sector workers looking for jobs within existing region

