

Private Sector ‘Good’, Public Sector ‘Bad’? Transformation or Transition in the UK Public Sector?

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Abstract

The general transference of various modes of management and organisation from the private to the public sector of the UK economy is tending to blur the distinctions between sectors. This paper attempts to answer the question of whether today’s public sector can be seen as a ‘good employer’, as this term was used by the Priestley Committee, or whether public sector reform in the guise of New Public Management (NPM) has ruled this out. Using a wide range of secondary sources, together with the most recent Work Employment Research Survey (WERS98) data, we review developments in public service employment in the UK in three areas: public sector pay and equal opportunities (EEO), joint consultation and ‘public sector ethos’. Essentially the findings were that, while some degree of transformation in the public sector has occurred in two of the three areas considered and to a lesser extent in the third, convergence, if not yet quite complete, is still relatively advanced and seems likely to continue.

Key Words: *Public Sector Ethos; public sector pay; psychological contract; EEO*

Introduction

The Priestley Committee Report on the Civil Service (1955) argued that, in addition to providing job security for employees, 'good employers' encourage joint consultation between employers and employees and promote equal pay and employment opportunities. In listing these attributes Priestley believed that the public sector ought to serve as a role model for both public and private organisations to follow. However, starting with the Conservative Government reforms of the 1980s, the public sector's claim to this title has been seriously challenged and the 'good employer' rhetoric has been subjected to considerable academic scrutiny and revision. It is not suggested here that there was ever a 'golden age' of public services which embodied all of the Priestley criteria, but rather that the ideal that was set originally for the public sector might serve as an example that the private sector might wish to emulate. A half-century on and several public sector pay reforms since the Priestley Committee Report was published, now seems an appropriate juncture at which to review the role of the state as 'model' or 'good employer' in light of the Committee's recommendations.

It is incontestable that, under the general description of 'New Public Management' (NPM), there has been, since the reforms, a general transference of modes of management and organisation from the private to the public sector of the UK economy (Hood 1991). As a result, many commentators believe the public sector may be losing its right to be a 'good employer' exemplar. This article contributes to this debate by suggesting that a more market-driven public sector economy may be seriously endangering its 'public sector ethos'.

Generally, two competing views coexist in the literature regarding the effects of reforms in the public sector. These views can loosely be characterised as representing either a transformational or transitional approach to the public sector (Corby 2000). Transformationists claim that there has been a gradual deterioration in public services and a contingent collapse in employment standards since the early 1980s (Fredman and Morris 1989; Greenaway 1995 and Steward and Walsh 1992). This group argues that commercial pres-

asures in the form of new management techniques represent a break with tradition and signal the emergence of a new pattern of management, sometimes described as New Public Management (NPM) or “neo-Taylorism” (Gray and Jenkins 1995; Pollitt 1993 and Rhodes 1994). Such changes, they argue, tend to reduce the peculiar commitment and motivation previously found among public sector workers.

Another group representing the transitionists, question the utility of the concept of NPM, since they believe that public sector managers have consistently maintained high standards of employment (Ironside and Seifer 1995; Lloyd and Seifert 1995). Despite changes in the structure and general philosophy of public sector institutions, they contend there has been little impact on workers’ actual behaviour and motivation. Consequently, these writers emphasise the degree of continuity in public service employment relations (Bach and Winchester 1994; Heery 1998; Kessler 1991 and Pratchett and Wingfield 1996). They argue that the distinctiveness of public sector employment remains and that convergence with the private sector has not occurred (Boyne et al. 1999).

Objectives and Aims of the Study

Using the Priestley Committee’s definition of the ‘good employer’ as a point of departure this study was initiated to examine the evidence for public sector organisations having retained their ‘good employer’ status. Previous research on the ‘good employer’ focused on the effects of public sector restructuring and job insecurity (see Morgan, et al. 2000; Morgan & Allington 2002). Here, comparisons are made between sectors in terms of public sector pay and equal opportunities, joint consultation in collective bargaining and ‘public sector ethos’ (PSE). Where appropriate, comparisons are made with private sector practices to determine how closely the ‘good employer’ rhetoric approximates the public sector reality. Our main focus is on the changes occurring in the core and traditional non-traded areas of public sector employment funded directly through either central or local taxation.

There has always been a tension between the public and private sectors. Before recent public sector reforms it was generally imagined that, while the private sector was concerned mainly with the profit motive, the public sector, although it might be less efficient, did offer more humane treatment to its employees. Recent public sector reforms have led many to question these assumptions. The reason for studying the UK public sector is because Britain has been in the vanguard of the public services reform movement, therefore it seemed logical to study the change process in this country to determine what lessons can be learnt by other countries contemplating similar future reforms.

The Priestley Committee rejected the earlier concept of the ‘model employer’ discussed by the Tomlin Commission Report (1929-31) as being too open to “varied and contradictory interpretations” and as offering little “practical guidance for fixing wages or for indicating the responsibilities of the State towards employees”. Instead, they proposed that the concept of the ‘good employer’ be used since it offered a more precise approach to understanding the role of the state towards its employees. According to the Commission, the ‘good employer’ is not necessarily the one who offers the highest rates of pay, but “rather provides stability and continuity of employment, consults with employee representatives on changes that affect their remuneration and conditions of work”. The ‘good employer’ “provides adequate training and opportunities for advancement and carries out a range of practices that today would constitute good management, whether they be in the form of joint consultation along civil service lines, fairness and equal opportunities. Good employers are also among the most progressive in all aspects of management policy”, they concluded.

Regarding employee pay, the Priestley Committee stated that the ‘good employer’ should not necessarily be among those offering the highest rates of remuneration (paragraph 172) but should offer “somewhat above the average” and the rate should be “representative of the community as a whole”. For example, “civil service pay should not be lower than the median but not above the upper quartile”. The ‘good employer’, they continued, believes in equality and in equal justice for all employees, provides facilities and opportunities for training

and advancement in addition to a range of practices constituting “good management”. These include joint consultation on pay and conditions of work and is “progressive in all aspects of management policy” (paragraph 172). The three key areas investigated in this study, therefore, are pay (also incorporating equal opportunities), joint consultation in the form of collective bargaining and ‘public service ethos’.

Methodology

In making our assessment both objective measures (quantitative data on public sector pay, equal opportunities and union representation) and subjective measures (qualitative data on perceptions and attitudes of public sector employees towards their work) are examined from both primary and secondary sources. First, we examine the changing nature of the UK public sector, in terms of public sector expenditure and reductions in the workforce. Second, appropriate comparisons are made between public and private sector pay differentials. Third, equal employment opportunities (EEO) are examined in terms of gender pay differences and minority employment. Finally, we explore the effects of these changes on public sector employees’ attitudes and values in terms of what is referred to as the ‘public service ethos’. Where possible empirical research including Workplace Employee Relations Survey (WERS 1998) is used to substantiate trends among the major variables considered. In doing so, we hope to begin to assess whether the public sector has been transformed or is in a transition stage with the private sector.

Changes in Public Sector Employment

In the 1960s employment in the public sector expanded by 13.1 per cent while the private sector contracted slightly by 0.3 per cent. Against a background of lower economic growth, rising unemployment and deflationary monetary and fiscal policy in the 1970s, the public sector workforce grew only 8.4 per cent and the private sector shrank by 3.3 per cent. During the decade the public sector shifted from its role model for the co-ordination of pay and economic performance to being described as a constraint on the nation’s perform-

ance because of both its size and its restrictive labour practices. The 1979 Thatcher Conservative Government sought to reverse this situation with its Medium Term Financial Strategy and reductions in the extent and the costs of the previous public sector. Consequently, having grown during both decades, public sector employment fell in the 1980s and 1990s by 18.6 per cent and 11.7 per cent while the total workforce increased by nearly 8.5 percent (see Table 1). Private sector employment grew 17.7 per cent and 9.6 per cent. Privatisation explains the major part of the reduction in public sector employment and the concomitant increase in the private sector over the last two decades (*Economic Trends 2002*).

Privatisation substantially reduced the size of the public sector, but there have been gains in the NHS Trusts, the civil service and in local government including the police and education since 1999. Public sector employment in education fell 14 per cent between 1981 and 1999 but the transfer of the polytechnics and Higher Education Colleges to the private sector inflated this figure from April 1989 as does the transfer of Sixth Form Colleges in 1993.

There remained a degree of fluidity in public sector employment, however, that registered a modest increase of 1.1 per cent in 2000 and 1.7 per cent in 2001. The increases are concentrated in the NHS and education that New Labour has identified as priority areas for recruitment. Irrespective of whether or not public service employment has risen more recently, what cannot be disguised is the possibility that transformation may have occurred (see Table 1).

Literature Review

Public Sector Pay

Public sector pay has always been a contentious issue and the Priestley Committee devoted a large part of their deliberations to this subject. Distributive justice advocates would argue that, regardless of sector, employees with the same qualifications and experience should be paid the same. But in a tighter and more competitive labour market, the important issue in the public sector has become recruitment and as the 1960s and 1970s cohort of public sector workers reach retirement,

recruitment and hence relative pay assumes much greater importance than they might otherwise have done.

Periodically, various government committees have attempted to determine just how public sector employees should be paid. For example, from 1916 onwards, through the Whitley system of collective bargaining, the principle of comparing pay with appropriate private sector comparators referred to as 'good employers' was established. The Priestley Committee of 1955 went much further and argued that "the State is under a categorical obligation to remunerate its employees fairly and that any statement which does not explicitly recognise this is inadequate". In keeping with these principles, the Burnham Committee determined pay for teachers through comparability after the Second World War and the Pilkington Committee of 1963 established pay review bodies for the military and senior civil servants and also for doctors and dentists.

Comparability all but disappeared during the adverse macro-economic conditions of the 1960s with the introduction of incomes policies and other restraints on pay. This meant that pay could increase only if productivity increased or, for example, the total pay bill of a firm was redistributed for the benefit of the lowest paid. Although comparability had a short reprieve in 1978 when the police and firemen had their pay linked to median private sector non-manual earnings, the election of the Thatcher government the following year saw renewed opposition to the concept. Reflecting the new climate, the 'good employer' model of public sector pay determination was condemned by the Megaw Committee (1982) on civil service pay for being anti-competitive, and as neglecting job security and generous pensions. Thereafter pay was to be set according to market forces and productivity levels, but more particularly with reference to any public expenditure constraints. But comparability had not disappeared. Despite considerable government pressure to decentralise public sector pay determination, the existing pay review bodies remained and in 1991 a new body was established for teachers, bringing 20 per cent of public sector workers within their review process. Prison officers were also given a pay review body in 2002.

Comparative Pay in the Public and Private Sectors

A number of studies have investigated the relative trajectories of public and private sector pay and the extent of any gender pay differences. Some researchers take an aggregate longitudinal approach (Elliott et al. 1996, 1999) while others examine the pay of specific occupational groups over time (Nickell and Quintini 2002). Disney and Gosling (1998), on the other hand, considered the pay penalty or pay premium from working in the public sector. Our review considers these contributions and whether public sector workers, differentiated by educational qualifications, would be better off transferring to the private sector. Based on this review, the relative pay of public sector workers does appear to have deteriorated and many groups of public sector workers would gain from leaving the sector.

Elliott and Duffus (1996) examined earnings growth for full-time workers aged over 21 in twenty-five public sector occupational groups between 1975 and 1992 and found a mixed picture. The pay for most men in the non-manual public sector had declined compared with their private sector counterparts. The exceptions were doctors, teachers and local authority clerks. But even these exceptions disappear if the study period shifts forward to 1981 and later pay reviews are incorporated. In comparison male manual workers in the public sector had done much better than those in the private sector. Women in non-manual occupations in the public sector did better than men, but they still did less well than women in the private sector. Those women in manual occupations within the NHS and local authorities did as well or better than their private sector equivalents.

In a further study, Bender and Elliott (1999) considered whether the gradual decentralisation of public sector pay awards had created a more dispersed pay structure like that in the private sector. They also examined whether pay ceilings introduced in the early 1990s had produced more uniform pay awards in the public sector that would indicate no convergence. Over the total period of the study the dispersion of earnings had been greater for males than females and greater in the private than in the public sector (although at the lower end of the earnings distribution the dispersion is similar in the two sectors).

However, over the shorter period of 1991 to 1995, when pay ceilings and other restrictions were in force, the dispersion of earnings in the public sector was less than in the private sector. And when hours worked rather than those contracted for are taken into account, the difference between the sectors is even greater, with the pay of private sector workers even more dispersed. From this the authors conclude that occupation is far more important in determining the dispersion of pay than any pay reforms and convergence had not yet occurred.

In a recent article, Nickell and Quintini (2002) confirmed that relative pay in the public sector had declined. They examined the period 1975 to 1999 and calculated the average percentile position of three public sector employment categories in the overall earnings distribution differentiated by gender and age. Manual and non-manual groups were then compared with the non-manual split into two groups on the basis of different outcomes alone. The two groups are: civil servants, doctors, teachers, and nurses and second judges, customs and excise, the police and the fire service, designated as group one and group two respectively in Table 2.

Women in the first non-manual group in both age categories saw their pay fall by over 8 per cent, as did older men in the same group. Younger men, however, regained some of their earlier losses in the 1990s. Female manual workers experienced reductions in pay of between 13 and 15 per cent, but men, although registering falls in both age groups, did better with once again younger men making up for earlier losses in the 1990s. The exception to relatively larger falls is the second non-manual group of judges, customs and excise, police and fire service personnel. While women in both age groups experienced lower relative pay after 1985, younger men (31-40) registered gains of over 8 per cent in the 1980s even although their position worsened in the 1990s. Older men had gains of nearly 4 per cent although these were lost in the 1990s.

Public versus Private Sector Pay

Ignoring comparisons of the level and trends in pay at the aggregate level, Disney and Gosling (1998) considered what public

sector workers might gain from switching to private sector employment. They found that most groups would gain. Their study covered the period 1983-95 and compared percentile pay for differently educated groups of male and female workers in the public and private sectors. Thus male graduates in the public sector earned a pay premium until the twenty-fifth percentile, after which they paid a penalty and would have been much better off switching to private sector employment. Men with A levels incurred a pay penalty in the 1990s and a pay premium for those with O levels in 1983 gradually dissipated over time. Those men with no qualifications saw a pay premium in 1983 turn into a pay penalty by the early 1990s. Women in the public sector earned a pay premium from the tenth percentile upwards, although this turned into a pay penalty by the seventy-fifth percentile so that middle-income women seemed to do better. Finally women with A and O levels still earned a pay premium in the 1990s, but the unqualified paid a penalty.

Thus, a fairly clear picture of generally worse pay conditions for public sector workers emerges from this review, regardless of their occupation or educational qualifications. However, there was some measure of relief for those groups protected by pay review bodies that still accept private sector norms for setting public sector pay. But even here, these awards are subject to competing political pressures so that even the Members of Parliament's own pay awards have to be staggered or else scaled back.

The implications of these studies have serious consequences for the recruitment and motivation of current public sector employees that the previous government seems unwilling or unable to address. Professional and skilled public sector workers have received meagre pay settlements more recently against a background of efficiency gains and the semi and unskilled have seen their pay driven downwards to the levels of the worst paid in the private sector. Where appropriate comparisons are not made with the private sector through pay review bodies or similar mechanisms the state will not be able to find the qualified personnel it needs to run public services and the issue of pay clearly shows that the state is not a 'good employer'. Nickell and

Quintini (2002) also show that this has further serious implications for the quality of public sector recruitment from 1970 to the late 1980s using the 1958 and 1970 birth cohort data that tests for intelligence. While the results do not show a clear pattern for women, with falls in female pay rankings not associated with declines in the quality of recruits, the results for men are interesting. Male non-manual workers, excluding the police and specifically teachers, slipped down the pay ranking while police officers moved up the pay ranking. The quality of recruits into the police showed a small increase in quality, but for non-manual jobs (excluding the police) and teachers specifically, there were substantial and significant reductions in quality.

Equal Employment Opportunities

Equality and fair pay is also related to Equal Employment Opportunities (EEO) and the Priestley Committee noted that this was another area where the state as 'good employer' might feasibly be expected to take a lead. The Committee might be dismayed, however, to find that today, despite heavy governmental promotion of public sector equal employment opportunities (EEO), women and ethnic minorities are generally treated unequally compared to white male employees. The Workplace Employment Research Survey (1998) (WERS98) showed that women were over-represented in the public sector (61% of workplaces) compared to the private sector (42%). And despite their dominance in such traditional professions as nursing (68%) and teaching (82%), women are still under-represented in higher management and as university professors (Association of University Teachers [AUT] 2001).

In the early 1980s public sector employers were at the forefront of introducing EEO policies, but this became less feasible as personnel management or HRM became more decentralised. Changes since the 1990s have on the whole been detrimental to EEO (Corby 1997). The result of these changes can be seen in the devolvement of responsibility for equal opportunities policy too. Flexible working arrangements were thought to be of considerable benefit to female employees. However, an alternative view records that with devolution the central

thrust to greater equality has gone. As cost considerations have become paramount, employment and working times have been changed – resulting in jobs losses and the creation of part-time work and the progressive use of fixed-term contracts. In some services the burden has fallen disproportionately on women because they represent the majority of employees. The chances of changing the gender and racial profiles of these organisations are seriously reduced. Hard evidence for any adverse impact on equality is mixed (Coussey 1997 and Oswick and Grant 1996) but in the civil service, equal opportunity audits have been shelved and promotions have failed to monitor equal opportunity issues. Similar evidence emerged from local authorities (Escott and Whitfield 1995) and from the NHS (Corby 1995).

Evidence points again to discrimination against women regarding flexible contracts of employment. For example, in local authorities, CCT tended to lower significantly the number of hours worked by women compared to men (Escott and Whitfield 1995). A considerable increase in the employment of temporary workers also occurred with CCT, the majority of who were women. Tendering in the NHS also resulted in female job losses and a marginal gain in male jobs (EOC 1996). However, Elliott and Duffus (1996) found evidence to the contrary using the New Earnings Survey for the period 1985-92 with CCT leading to employment losses (which given the gender imbalance must have affected women most). But the authors considered only full-time employment, and this may have changed the equation. In the civil service, teaching and local government, women's employment has been casualised and a higher proportion of them are in non-permanent jobs. (This might not be wholly unmitigated however since some women would undoubtedly welcome flexibility in employment to accommodate family responsibilities.) At issue here is whether these changes are voluntary or not. However, while part-time women civil servants can be found in higher grades, similarly employed women in the NHS are concentrated in lower grades.

The Gender & Ethnic Minority Pay Gap

While the gender pay gap narrowed in Britain in the 1970s and 1980s it virtually came to a standstill in the 1990s. The most recent data for 1998/9 showed a marginal improvement, but this can partly be explained by the introduction of the minimum wage. The NES data for 1999 reveals a pay gap of 18 per cent for full-time workers and 40 per cent for part-time. This can be explained by horizontal segregation – women working in a limited range of occupations – and vertical segregation – women restricted to lower status jobs. In 1998 the OECD reported that women's occupations in Britain were restricted to ten out of seventy-seven categories and they were over-represented in the various professions (e.g. 61 per cent were teachers and 93 per cent were secretaries, personal assistants and typists). This concentration, almost exclusively in the private sector, also carries a pay penalty. It is only in limited areas of the public sector that women have gained access to higher status, higher pay and professional jobs (e.g. police, customs and exercise and social workers). All too often wages are now set by the hours worked either full-time or part-time, rather than actual productivity. The 1998 Labour Force Survey shows that 44 per cent of females work part-time compared to 8 per cent of men. Another issue here is that pay determination is based on competencies that reinforce gender stereotypes (leadership rather than communication) and this is expected to erode further women's pay. Also manual and part-time workers are less likely to receive performance and merit awards, which further discriminates against women.

Research by Grimshaw and Rubery (2001) for the Equal Opportunities Commission (EOC) revealed that women earn 82 per cent of the average full-time hourly pay of men and part-time women only 60 per cent. Economists ascribe the difference to economic factors associated with human capital theory including education and training, occupation choice and employment status. Hence, sex discrimination only explains a small part of the difference. The EOC argues that women's employment opportunities are restricted and that the narrow ranges of employment opportunities and part-time work are major issues that need to be addressed in this context. For example,

female sales assistants earn 45 per cent of average male full-time pay, but as more men are employed in this area there may in fact be a levelling down of pay. The concentration of women in the public sector also explains their relatively low pay (for example, nurses are paid 6 per cent less than average male earnings, whereas nurses in Australia earn 18 per cent more). The substitution of lower skilled workers in the public sector and sub-contracting out services to the private sector and more individualised pay systems will also accentuate this trend. As few part-time jobs are high status, low pay can be expected to continue here.

Ethnic minorities of both sexes fare little better in terms of pay and equal treatment in the public sector. The Campaign for Racial Equality (CRE) (1996) investigating the promotion of ethnic minority doctors found considerable differences between agreed policy and devolved practice. The Report also found that only one inner London authority had completed a racial equality audit, while a borough council in the northwest with a larger ethnic minority had only just got around to considering an audit. Only fifty-four authorities out of the eighty-nine contacted responded with only 57 percent stating they had accepted the EEO standard. Although 70 per cent of these had equal opportunities policies, with London and metropolitan boroughs scoring higher than the other, few authorities had any actual monitoring procedures in place. Another finding was that the management culture was insufficiently developed to allow effective application of the standard. Only social and youth services, education, personnel management and housing had the most developed systems. A number of authorities replied that while the standard had been applied to employment, it had not yet been applied to service delivery.

Given that the public services have generally been obliged to concern themselves with EEO, this has meant that more women have traditionally been managed more centrally than in the private sector. The findings outlined above, on balance, are therefore, to be deprecated. Equal opportunities and flexibility do not appear to be entirely compatible in the public sector.

Joint Consultation

Joint consultation was another principle established by the Priestley Committee as being characteristic of the 'good employer'. While trade unions have traditionally regulated pay and terms of conditions of employment through collective bargaining agreements, there is now real evidence of a general decline in trade union membership and hence trade union protection in both the public and private sectors. For example, although Waddington (1994) reported a negligible decline overall in trade union density between 1979 – 89 of 79.6 per cent to 78.9 per cent respectively, he found a reduction of 15 per cent in union membership in national government levels and 5 per cent in local government and education between 1979 – 1987. Later Cully and Woodland (1998) reported that public sector TU density fell from 64 per cent to 61 per cent between 1993 and 1997. Also, Labour Market Trends (vol. 107, 7, 1999) reported the position as unchanged a year or so later.

There was therefore a fundamental change between the 1980s and 1990s in the way joint consultation was conducted. In the 1980s pay and conditions of work were largely set by national collective agreements in the public sector and in some cases by government on the advice of review bodies. Thus, public sector managers were less involved in the process than their private sector counterparts. In the 1990s collective bargaining changed from being dominated by joint national regulation to one determined unilaterally by employers and managers. This was especially true of local budget holding in schools and general practitioners and in local government and the National Health Service (NHS). As a result, public workers bargained more directly with public service managers and their contracts became more individualised with greater reliance being placed on individual employees' own marketing power in negotiating favourable pay and conditions. WERS98, for example noted, between 1990 and 1998 the number of public service managers who said that pay and conditions of employment were among their major duties almost doubled, going from 36 per cent in 1990 to 60 per cent in 1998.

The Workplace and Industrial Relations Survey (1992) (WIRS92) reported that in 1984 91 per cent of public sector manual workers used collective bargaining as their main means of negotiating, but this figure fell to 78 per cent in the 1990s. Millward et al. (1992) reported a fall in collective bargaining from 98 per cent to 84 per cent during the same period. Also, WERS98 recorded that collective bargaining coverage fell even further from 80 per cent in 1990 to 63 per cent in 1998 for all major public sector occupational groups. (It has been argued that compulsory competitive tendering [CCT] and new arrangement for pay review bodies have been largely responsible for this situation.) Additionally, decentralisation of collective bargaining agreements has tended to have an adverse effect on public employees, because local agreements are generally less favourable than those negotiated at national level as comparability and transparency is lost. However some evidence appears contradictory. Heery (1997), for example, found ineffective workplace Trade Union (TU) organisations in case studies of local government, whereas studies of civil service and the NHS show regeneration both locally and nationally in terms of membership and activity (Corby 1997; Thornley 1998). A Trades Union Congress (TUC) survey conducted in 2000 also found collective bargaining regeneration and that 46 per cent of unions were optimistic about gaining union recognition in the near future. However, it found that while trades union protection may be growing in the private sector, this was not the case in the public sector. Public sector managers appear to remain content to evade effective joint regulation under new government rules. This is a further indication that the public sector may be losing its claim to being a good employer.

Public Service Ethos and the New Psychological Contract

The increased critical interest in the reform of the public sector has coincided with a renewed interest in a ‘public service ethos’ (PSE) alluded to in the Priestley Report.

In accordance with the Priestley Committee’s Report, Farnham and Horton (1996), for example, noted that public sector organisations

aspire to be 'good employers' whereby "those in authority accepted the softer norms and conventions of public employment, which differed from the more thrusting market and sometimes anti-union values of the private sector". This being the case, it might be expected that being forced into adopting a 'hard' human resource management approach would have a deleterious effect on 'public service ethos'.

In this regard, several writers have contended that recent public sector reforms that emphasis commercial values, far from improving services, have actually diminished quality improvements and exaggerated any efficiency gains (Escott and Whitfield 1995; Ironside and Seifert 1995; Marsden and Richardson 1994). These writers contend that the reforms have eroded the traditional 'public service ethos' values of commitment and loyalty, causing public service workers to adopt a more calculated approach to the organisation and its goals. While surprisingly little research has been undertaken in this important area, work by Guest and Conway (2000), Gallie, et al. (1998) and Pratchett and Wingfield (1996) is relevant and allows a preliminary assessment to be made. These findings are discussed and then compared with our own analysis of the latest WERS98 data to ascertain trends in the variables under consideration.

In this section, therefore, we examine evidence for the 'distinctiveness' of the public sector in terms of its management practices, attitudes and values. An indication of this distinctiveness would be the persistence of what has been termed a 'public service ethos'. Accordingly, an attempt is made to ascertain whether this has changed since reforms were introduced and if change can be determined, then a case can be made for convergence with the private sector.

Public Service Ethos

PSE is a somewhat nebulous term given to a set of values and beliefs generally associated (at least among politicians and the general public) with public sector workers. Although many working in the public sector question its existence, many researchers still tacitly acknowledge that it is a useful benchmark against which to gauge the degree of change in the public sector. Previous studies of PSE in the

civil service (Plowden 1994; Whitmore 1994) and in local government (Malde 1994) all generally concluded it had been seriously eroded. But Corby (2000) has noted that opinion is divided on whether there has been transformation or transition in terms of a PSE. Chapman (1994) and Fairbrother (1994) argue that traditional public service values of due process, risk aversion, impartial administration and political accountability are being replaced by private sector values of risk-taking and entrepreneurship. In contrast to this is Steele's (1994) finding that public sector managers' values are mainly focused outside the organisation on service users and the wider community, whereas private sector managers' values are mainly focused on the organisation itself in terms of achieving prosperity and performance targets.

Prachett and Wingfield (1996) did find significant differences when they investigated whether changes in the perceptions and values of local government employees had affected their sense of PSE. They operationally defined PSE in terms of five constructs: 'acceptance of accountability through the political process', 'adherence to the public interest through the bureaucratic norms of honesty, integrity and impartiality', an 'objective commitment to the public good', 'intrinsic and altruistic motivation' and 'loyalty to an occupation, profession or service'. They found that although 77 per cent of local government officers believed a PSE still existed among employees, 55 per cent viewed it positively, 26 per cent regarded it negatively and as likely to encourage "inefficiency", "obstructive bureaucratic behaviour" and as likely to "stifle initiative". The negative perceptions were found to be associated with some of the features of the "old" traditional local government ethos. Age and length of service and salary level were also found to be critical variables. Seventy-nine per cent of those aged over 40 believed in a PSE, but belief deteriorated especially among younger employees. Over 80 per cent of those with 20 years or more service in local government still professed a belief in a PSE, whereas only 30 per cent felt this way if they had less than 5 years service. Loyalty/allegiance to the public sector was strongest among the highest paid categories of employee and decreased with lower income. Also, those in the lowest paid category demonstrated least allegiance to the public sector and had little preference for employment in either sector.

The authors concluded that the negative impact of reforms on PSE was not as great as had been imagined and was not uniform across all local authorities. However, local authority employees who were most exposed to market-led reforms were generally least likely to believe in or support traditional PSE values. Also, in local authorities where CCT had been extensively adopted, the authors believe that generational and gender differences, together with legal changes imposed on the sector, do not augur well for the survival of a PSE. They found these factors to be decisive in determining whether a PSE was likely to be eroded.

PSE Values of Commitment and Loyalty

Gallie et al. (1998), investigating the differences in PSE values and commitment between 'public benefit' (social sector) and 'commercial' (private sector) organisations, claimed to have found considerable differences between 'social' and 'commercial' workers. This hinged on how they felt about whether their respective organisations did something useful for society (73 per cent in the social sector compared with only 26 per cent in the commercial sector). These same employees reported they were considerably "more satisfied" with their "chance to do something worthwhile" (67 per cent of the 'social sector' compared to only 48 per cent in the commercial sector).

Gallie et al. noted further that pressuring the social sector into adopting commercial or market values was a "one-sided and ill-considered process" since policies and practices which effectively foster commitment and prove successful in the commercial sector may not be as effective in the social sector. Moreover, they found that only 'efficiency' values prompted commitment in the commercial sector, whereas 'employee well-being' and 'benefits to society' all exerted stronger influences on commitment in the social sector. This implies they believed that the social sector has much to teach the commercial sector in terms of gaining commitment, rather than vice versa. They found, for example, that managers were less likely to be stimulated to high levels of employee commitment unless they were willing to commit to the social values of participation, concern for employee well-being and useful service to society.

In contrast, however, Cully et al. (WERS98) found little distinction between public and private sector managers in terms of their loyalty and commitment to the organisation. Fifty-five per cent in the public sector said they shared the values of their organisations, compared to 48 per cent in the private sector; only 12 per cent and 14 respectively said they did not. Figures for loyalty were even closer: 66 per cent compared to 64 per cent. Relations between managers and employees were also very close in both sectors, with around 54 per cent reporting they were 'good' and only 17 per cent reporting they were 'poor'. Thus, despite the considerable changes in the public sector, these do not appear to have significantly affected the attitudes and values of public employees.

PSE and the Psychological Contract

Discussion of PSE attitudes and values is inextricably tied to the idea of the 'psychological contract' as this is the point at which organisational and individual values may be thrown into sharp relief and is also where sector distinction may be most evident. First used by Argyris (1960) and later by Schein (1980), the term 'psychological contract' refers to "... an unwritten set of expectations operating between every member of an organisation and the various managers and others in that organisation". Since then it has undergone a revival with the work of Rousseau (1995), Undy (1995) and Kessler and Undy (1996). These writers emphasise the reciprocal promises and obligations in the relationship between employers and employees rather than expectations. Rousseau (1995) defined it as "the understandings people have, whether written or unwritten, regarding the commitments made between themselves and their organisations". Functionally, psychological contracts serve to enable predictions to be made about employers' expectations of employees' outputs and also the kinds of rewards employees may expect from the organisation in return for investing their time and effort.

As noted above the psychological contract is not a new concept, however, renewed interest has been generated since it provides a framework for understanding the changing nature of employment rela-

tionships. Scholars have noted that the form and content of the psychological contract has changed considerably over the past two decades or so with the increasing emphasis now being placed on the 'transactional' as opposed to the 'relational' work contract. This debate has generated an interesting, if perhaps too simplistic, set of contrasting expectations labelled "traditional" and "new psychological" contracts. The traditional psychological contract is characterised by "a fair day's work for a fair day's pay" and in the past has been backed up by job security, a job for life and what was often nostalgically associated with reciprocal loyalty between staff and employers. Contrasted with this is the 'new psychological contract'. This focused on the individual employee (as opposed to the collective), loyalty to one's personal competence and profession, self-development, an increased emphasis on transactional as opposed to relational contracts, with portfolio workers and an emphasis on marketability and employability (Woodbridge 2001).

Whether the 'new psychological contract' will win out over the 'traditional contract' is still to be determined. What is certain is that there has been an increased emphasis on transactional relationships due to CCT and on other forms of commercialisation and managerialism in the public sector. These, together with an increased incidence of redundancies in both the private and public sectors, along with the neglected problem of the "survivor syndrome", has prompted observers to question the whole concept of reciprocity inherent in the psychological contract (Handy 1991; Hutton 1996; Herriot and Pemberton 1995). It has also caused them to question whether career development in the context of the NPM working environment can be meaningfully discussed.

Discussion

In attempting to assess the above evidence provided by these studies, it can be seen that although Pratchett and Wingfield concluded that a public service ethos remained fairly distinct, they conceded the situation might change as aspects of New Public Management (NPM) gathered apace. Pratchett and Wingfield found evidence of a

strong PSE in at least one part of the local government, although they believed erosion seems likely given current trends. Also, although 3 per cent claimed 'serving the community' was important, 25 per cent said 'business acumen' and 29 per cent claimed 'enterprise' was important. This implies that the PSE is perhaps undergoing transition and that it is 'amenable to gradual, purposeful change'.

The WERS98 study reveals little differences in public and private sector attitudes and perceptions. However, in terms of changing the 'public sector ethos' many employees increasingly perceive that their organisation has broken the traditional psychological contract since lifetime employment in return for hard work and loyalty no longer apply (Herriot and Pemberton 1995; Sherman 1993). As a result, they often experience a sense of betrayal and alienation when confronted with increasing emphasis on commercialism in the form of NPM.

The question remains of just how representative these studies are of the public sector as a whole. Pratchett and Wingfield's study is perhaps the least generalisable of the three since it focused on only four local authorities, and their sample was much smaller than either Gallie et al.'s Employment in Britain survey or Culley et al.'s WERS98 sample. For this reason, perhaps more credence can be placed in these latter studies. What this does indicate is the need for much more longitudinal studies to be conducted with larger samples and with diverse public sector groups.

Conclusion

The purpose of this paper was to examine the changing nature of the public sector in the UK since the reforms of the 1980s in an attempt to determine whether public service organisations could be classified as 'good employers', using the criteria established by the Priestley Committee as a benchmark. Clearly, some form of transformation appears to have taken place in two of the areas examined, namely equal opportunities and public sector pay. This is also true, but to lesser extent, in the terms of a PSE, although some might challenge this latter point also.

The main findings were as follows. Firstly, despite many EEO initiatives, women and ethnic minorities have not achieved parity or anything approaching it. Perhaps an adjustment in the minimum wage, together with a more transparent system of pay determination and further training opportunities would help to address these matters. However, the further fragmentation of the public sector and the lower coverage of collective bargaining agreements can be expected to make matters worse. Ironically, the introduction of the Working Families Tax Credit by undermining the link between pay to work, could further prevent progress towards pay equality. There remains the possibility that by not paying men and women equally for the same work productivity is reduced and a vicious circle of under-investment in skills is perpetual that will further undermine the performance of women and the economy. Employer discretion in matters of pay has also been demonstrated to discriminate against women. The government seems to have paid little attention to the impact of the Public Finance Initiative or Best Value on gender pay. Protection of pay under TUPE is at best only short-term and cannot be expected to have much impact.

Secondly, according to Disney and Gosling's research there is no pay advantage to working in the public sector, and Nickell and Quintini record lower relative earnings over a twenty-five period down to 1999 with few exceptions. If this continues it may become even more difficult to recruit in the public sector (e.g. police, nurses, teachers, academic appointments and professionals allied to medicine all expect pay increases). And in some areas the quality of recruits has fallen. With increasing numbers of women being hired in the public sector (but not as managers) and ethnic minorities failing to find public sector employment, increased job dissatisfaction seems likely if career advancement and pay scales do not keep pace with the private sector.

Finally, a secondary objective was to relate the concept of the 'good employer' to the wider debate over the degree and significance of change in public sector employment to attitudes and values (or public service ethos) as a result of the adoption of a more commercial orientation in the public sector. By inference, this would be deemed to be

an indication that convergence has occurred. In terms of whether there has been a paradigm shift in the PSE, opinion is divided. Chapman (1994) and Fairbrother (1994) contend that the private sector values of risk-taking and entrepreneurship have replaced the more traditional values of due process, risk aversion, impartial administration and political accountability. Gallie et al., on the other hand, maintain that public sector managers still hold quite different values from private sector managers. However, although Gallie et al, Pratchett and Wingfield and Boyne et al. indicate a fairly high degree of consensus as to the distinctiveness of the public sector, even they concede that some erosion of the PSE has taken place and that convergence may be underway. The most recent WERS98 data seems to confirm this finding. All this serves to bolster the impression that transformation or convergence, if not yet complete, is at least likely.

Obviously, further longitudinal research is needed to determine whether the PSE is being further eroded and to determine whether convergence with the private sector is gathering apace with regard to commercial values. Experience seems to suggest that PSE is now under even greater attack under men labour than by previous Conservative administrations. Also, while PSE still seems to be a positif factor at least among older public sector workers, as this cohort of workers retires, their younger replacements may be less committed to a PSE. This could have a further deleterious effect on the delivery services. The public is already concerned about the standard and quality of services at present whether it is the NHS, the police or social services. Also, due to possible lack of intrinsic job satisfaction and any clear distinction between the public and private psychological contracts, pay has assumed an increasing importance in the public sector. Obviously, if most of the perceived benefits of working in the public sector are being eroded then public service work will become even less attractive and recruitment will present increasing problems.

Although this investigation focused on the UK public sector, it should not be assumed that the findings are necessarily restricted to the UK alone. The implications are much more far reaching and generalisable. The UK was the first to industrialise, the first to nationalise and

then privatise many of its industries. It might therefore be considered as a model for what might follow on a more global scale. Many developed, transitional and developing countries are now following Britain's lead and are privatising many of their nationalised industries. As a result, they are adopting more commercial practices in their public services. It is hoped that this study will add to the public services reform debate and perhaps provide some salutary lessons for other countries that may already have embarked on the road to privatisation.

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Table 1: THE UK WORKFORCE BY SECTOR 1961 TO 2001

Thousands (%)	1961	1971	1981	1991	1999	2000	2001	1961/71	1971/81	1981/91	1991/01
Total Workforce	26,008	26,084	26,001	27,992	28,890	29,218	29,424	0.3	-0.3	7.7	0.51
Private Sector	20,149 (77)	19,457 (75)	18,816 (72)	22,144 (79)	23,872 (83)	24,146 (83)	24,261 (82)	-0.3	-3.3	17.7	9.6
Public Sector	5,859 (23)	6,627 (25)	7,185 (28)	5,848 (21)	5,018 (17)	5,072 (17)	5,163 (18)	13.1	8.4	-18.6	-11.7
Public Non-Financial Corporations	2,200	2,009	1,867	723	1,508	1,530	1,557	-8.7	-7.1	-61.3	115.4
NHS Trusts	-	-	-	124	1,131	1,145	1,194	-	-	-	862.9
Other	2,200	2,009	1,867	599	377	385	363	-8.7	-7.1	-146.3	-39.4
General Government	3,659	4,618	5,318	5,125	3,510	3,542	3,606	26.2	15.2	-3.6	-29.6
Central Gov.	1,790	1,966	2,419	2,178	869	860	874	9.8	23.0	-10.0	-469.1
HM Forces	474	368	334	297	208	207	204	-22.4	-9.2	-11.1	-31.1
NHS	575	785	1,207	1,098	76	79	75	36.5	53.8	-9.0	-93.2
Other	741	813	878	783	585	574	595	1.0	8.0	-10.8	-24.0
Local Government	1,869	2,652	2,899	2,947	2,641	2,682	2,732	41.9	9.3	1.7	-7.3
Education	785	1,297	1,454	1,416	1,257	1,301	1,349	65.2	12.1	-2.6	-4.7
Social Services	170	276	350	414	388	386	376	62.4	26.8	18.3	-9.2
Police	108	152	186	202	202	204	214	40.9	22.4	8.6	5.9
Construction	103	124	143	106	59	59	57	60.4	15.3	-25.9	-46.2
Other	703	803	766	809	735	732	736	14.2	-4.6	5.6	-9.0

Source: 'Jobs in the Public and Private Sector', Economic Trends, 583, June 2002.

Table 2: Percentage Increase or Decrease in Mean Percentile Position of Public Sector Workers 1975 to 1999

	Group 1		Group 2		Group 3	
	31-40	41-50	31-40	41-50	31-40	41-50
Women						
75/9-85/9	-5.9	-4.5	2.7	-1.1	-11.6	-5.9
85/9-95/9	-2.9	-3.8	-4.4	-3.4	-4.0	-7.5
Total	-8.8	-8.3	-1.7	-4.5	-15.6	-13.2
Men						
75/9-85/9	-5.6	-6.9	8.9	3.9	-3	-4.9
85/9-95/9	0.6	-1.9	-3.3	-5.1	1.1	-1.8
Total	-5.0	-8.8	5.6	-1.2	-1.9	-6.7

Source: Adapted from Nickell and Quintini (2002).