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Public Sector Pay

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Summary

Public sector employees will receive a pay increase of up to 6% in 2024/25. This follows lower pay increases and a number of pay freezes since 2010.

Recent developments

In July 2024, the Labour government accepted the recommendations of the Pay Review Bodies (PRBs), meaning that public sector employees will receive a pay increase of between 4.75% and 6% in the 2024/25 financial year, depending on occupation.

In the Autumn Budget 2024 policy paper, the government said it had started the PRB process three months earlier in the year than for 2024/25, and it expected the PRBs to deliver their recommendations for 2025/26 in spring 2025.

Pay awards were an average of 5% in 2022 and between 5% and 7% in 2023, in the context of high inflation.

In April 2025, the National Living Wage (NLW) for people over 21 will increase to £12.21. A different (lower) rate, the National Minimum Wage (NMW), applies for people under 21, with different rates for those aged 18 to 20 and those under 18. In July 2024, the government committed to removing the age 18 to 20 band for the NMW rates, meaning everyone over 18 would be eligible for the same NMW rate. The government has instructed the Low Pay Commission (LPC) to recommend a NMW rate that should apply to 18-to-20-year olds from April 2025, with the aim of incrementally increasing this rate year on year to eventually achieve a single adult rate.

How public sector pay is determined

The mechanism varies across the public sector:

- Pay awards for about 45% of the public sector – including the armed forces, the police, teachers, the Senior Civil Service and the NHS – are decided by government ministers and based on the recommendation of eight Pay Review Bodies (PRBs).

- Pay awards for the Civil Service are decided by individual departments based on guidance issued by the Cabinet Office.

- Pay awards for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services.
- For devolved public sector bodies, pay policy is set by the devolved administrations.

Trends in public sector pay

In April 2024, median weekly earnings for full-time employees in the public sector were 7% higher than those in the private sector. The gap had been narrowing before the pandemic but increased again in 2020, partly because of the private sector's greater use of furlough (when employees were paid 80% of their usual salary while they were unable to work during lockdowns). The gap has been narrowing again since 2021.

1 Public sector pay policy

According to the Office of National Statistics, around 5.9 million people are employed in the public sector in the UK, which represents approximately 17.4% of the workforce.[1] The Institute for Fiscal Studies think tank estimates the public sector pay bill represents over 20% of total government spending.[2]

For around half of the public sector (excluding civil servants), pay awards are decided each year by ministers based on the recommendations of eight Pay Review Bodies (PRBs). PRBs are issued remits by ministers (which set out what the government would like the PRBs to focus on when setting pay awards) and publish annual reports.

Almost 10% of public sector workers are civil servants. This includes those employed by central and local government, education, the NHS and other roles.[3] Civil Service pay awards are decided by individual government departments based on remit guidance issued by the Cabinet Office.[4] An exception is the Senior Civil Service, the highest grade of the civil service (which includes directors and permanent secretaries). Senior Civil Service pay awards are based on the recommendations of the Senior Salaries Review Body, one of the eight PRBs.

Pay for local government employees (such as school support staff, cleaners, and town planners is set by a national framework: the Single Status Agreement. Changes to the agreement are decided by the National Joint Council for Local Government Services (NJC), which is made up of representatives from different trade unions and employers.[5] Firefighters' pay is set by the National Joint Council for Local Authority Fire and Rescue Services.[6]

Public sector pay policy is announced by the Treasury in Budgets and Spending Reviews. This pay policy is then reflected in the remit guidance that the Cabinet Office issues to the PRBs and departments. The NJC is not formally bound by government pay policy but has tended to follow it in the past.

1 Public sector employment, UK: June 2024, 10 September 2024; Commons Library research briefing CBP-9366, UK labour market statistics, p15
2 Institute for Fiscal Studies, Green Budget 2024: Full report, 10 October 2024, p179
3 ONS, Public sector employment, 17 December 2024
4 See Oliver Davies, Civil service pay, Institute for Government, 17 July 2020
5 Local Government Association, Local government services, [accessed 26 February 2025]
6 Local Government Association, National Joint Council for Local Authority Fire and Rescue Services [accessed 26 February 2025]

The Scottish Government, Welsh Government and the Northern Ireland Executive determine pay policy for devolved public sector bodies.[7]

1.1 Labour government pay policy

At the end of July 2024, Chancellor Rachel Reeves accepted the recommendations of the PRBs meaning that public sector employees will receive a pay increase of between 4.75% and 6% in the 2024/25 financial year, depending on occupation.[8] In the Autumn Budget 2024 policy paper, the government said it had started the PRB process three months earlier in the year than for 2024/25, and it expected the PRBs to deliver their recommendations for 2025/26 in spring 2025.[9]

1.2 End to the pay freeze and rising inflation (2022 to 2023)

On 27 October 2021, the Treasury published the Autumn Budget and Spending Review 2021. The Spending Review 2021 (SR21) sets departmental budgets for the three years from 2022/23 to 2024/25. The Chancellor announced that public sector workers would receive "fair and affordable" pay rises across the whole Spending Review period, which runs to 31 March 2025.[10] This means that the one-year public sector pay freeze, that had been put in place in the 2020/21 Spending Review, would come to an end:

> SR21 announces that public sector workers will see pay rises over the next three years as the recovery in the economy and labour market allows a return to a normal pay setting process. The Government will be seeking recommendations from Pay Review Bodies where applicable. To ensure fairness and the sustainability of the public finances, public sector pay growth over the next three years should retain broad parity with the private sector and continue to be affordable. [11]

Rachel Reeves, then Shadow Chancellor, welcomed the end to the pay freeze, although she questioned whether public sector workers would see a real-terms pay rise.[12]

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7 Scottish Government, Public sector pay policy 2020-2021, February 2020; Wales Government, Welsh Government pay policy statement 2019, November 2019; Northern Ireland Executive, Public Sector Pay Policy set for 2020/21, September 2020

8 Institute for Fiscal Studies, Pressures on public sector pay, 27 September 2024

9 HM Treasury, Autumn Budget 2024, 30 October 2024

10 HM Treasury, Autumn Budget and Spending Review 2021 Speech, 28 October 2021; HM Treasury, Fixing the foundations: public spending audit 2024-25, 2 August 2024

11 HM Treasury, Autumn Budget and Spending Review 2021, 28 October 2021, p44

12 HC Deb Budget Resolutions, 27 October 2021

The public sector is, in 2025 entering the final year of this three-year spending review period. Section 2 of this briefing describes in detail the mechanisms for implementing changes in public sector pay.

1 Pay awards were higher than expected in 2022 to reflect high inflation

Pay awards were predicted to be around 3% in 2022, but in the context of high inflation the pay awards were around 5% on average.[13] In 2023, pay awards were between 5% and 7%.

In July 2023 the Chancellor said ministers would have to find "an additional £2bn this year and £3bn next year from department budgets" to fund 2023 pay awards.[14]

1.3 Public sector pay freeze (2021/22)

As part of the November 2020 Spending Review 2020 (SR20), the then Chancellor, Rishi Sunak, announced that public sector pay would be "paused" for 2021/22, with exceptions for NHS staff and low paid workers:

> In order to protect jobs and ensure fairness, pay rises in the public sector will be restrained and targeted in 2021-22. Given the unique impact of Covid-19 on the health service, and despite the challenging economic context, the Government will continue to provide for pay rises for over 1 million NHS workers. In setting the level for these rises the Government will need to take into account the challenging fiscal and economic context. The NHS Pay Review Body and Doctor and Dentist's Review Body will report as usual next spring, and the Government will take their recommendations into account. The Government will also prioritise the lowest paid, with 2.1 million public sector workers earning less than £24,000 receiving a minimum £250 increase.
>
> For the rest of the public sector the Government will pause pay rises in 2021-22.[15]

Public sector workers earning below £24,000 had a pay rise of at least £250. However, the Resolution Foundation think tank noted that once inflation was taken into account, this was still a pay cut in real terms for many workers.[16]

13 Institute for Fiscal Studies, Green Budget 2022 - Chapter 4, Public spending, pay and pensions, 8 October 2022

14 "Sunak unveils 'final' offer on pay for public sector workers", Financial Times, 13 July 2023

15 HM Treasury, Spending Review 2020, CP 330, 25 November 2020, paras. 1.31-1.32

16 Torsten Bell and others, Here today, gone tomorrow: Putting Spending Review 2020 into context, Resolution Foundation, 26 November 2020, p12

The then Chancellor Rishi Sunak explained that a public sector pay rise could not be justified at a time when private sector pay was falling:

> Coronavirus has deepened the disparity between public and private sector wages. In the six months to September, private sector wages fell by nearly 1% compared with last year. Over the same period, public sector wages rose by nearly 4%. Unlike workers in the private sector, who have lost jobs, been furloughed, and seen wages cut and hours reduced, the public sector has not. In such a difficult context for the private sector, especially for those people working in sectors such as retail, hospitality and leisure, I cannot justify a significant across-the-board pay increase for all public sector workers.[17]

On 21 January 2021, the Treasury published evidence to the PRBs setting out in more detail the economic context and the government's rationale for pausing public sector pay.[18]

Reaction to the pay freeze

Trade unions criticised the decision to freeze pay. The Trades Union Congress (TUC) said that the freeze would "drain further demand from the economy", and that instead "the answer is to raise wages across the board to increase spending power in the economy".[19]

The Institute for Fiscal Studies noted that while public sector workers had fared better during the covid-19 pandemic, the pay freeze was set against a backdrop of real-terms cuts to public sector pay over the last decade.[20]

The Resolution Foundation similarly reported that the earnings gap between the public and private sector had significantly narrowed, and noted that the Institute for Fiscal Studies estimated that it fell to zero in 2019/20. The Resolution Foundation also found that women, and workers in Wales, Scotland, Northern Ireland and the north of England, were more likely to be affected by a pay freeze.[21]

The Treasury noted that the government believed a temporary pause in public sector pay growth was needed until the full impact of the pandemic on the wider economy was clearer.[22]

Impact of the pay freeze

During the freeze, average (mean) weekly earnings for the public sector stayed at around the same level – before this they had been mostly growing. Public sector pay (not adjusted for inflation) increased by 4.9% in the three

17 HC Deb 25 November 2020 c828
18 HM Treasury, HMT Economic Evidence to Review Bodies 2020, 21 January 2021
19 Geoff Tily, A spending review to level down Britain, TUC, 25 November 2020
20 Paul Johnson and others, Initial reaction from IFS researchers on Spending Review 2020 and OBR forecasts, IFS, 25 November 2020
21 Resolution Foundation, Here today, gone tomorrow: Putting Spending Review 2020 into context, 26 November 2020, p12
22 HM Treasury, HMT Economic Evidence to Review Bodies 2020, 21 January 2021

months to April 2021 (before the pay freeze) and had slowed to 1.5% by the three months to April 2022.

1.4 Previous pay policy (2010 to 2020)

In the aftermath of the financial crisis in 2007 to 2008, significant limits were placed on public sector pay. In 2010, the coalition government announced a two-year public sector pay freeze.[23] This was followed by a 1% average pay cap on public sector pay awards. This cap was lifted in 2017 and from 2018 to 2020 most parts of the public sector received annual pay awards above 2%.

Public Sector Pay Freeze (2011 to 2013)

In the 2010 Budget, the coalition government announced a new two-year public sector pay freeze:

The Government announces a two-year pay freeze for public sector workforces, except for workers earning less than £21,000 a year who will receive an increase of at least £250 per year in these years. This will save £3.3 billion a year by 2014-15.[24]

George Osborne, then Chancellor, explained in the House of Commons the rationale for a pay freeze at a time when private sector pay was flat or falling, saying it was necessary for the government to reduce spending:

> Many millions of people in the private sector have in the past couple of years seen their pay frozen, their hours reduced and their pension benefits restricted. They have accepted that, because they knew that the alternative in many cases was further job losses. The public sector was insulated from those pressures but now faces a similar trade-off. I know that there are many dedicated public sector workers who work very hard and did not cause this recession, but they must share the burden as we pay to clean it up. The truth is that the country was living beyond its means when the recession came, and if we do not tackle pay and pensions, more jobs will be lost.[25]

Workers earning below £21,000 were guaranteed a pay rise of at least £250 each year during this period. The government doubled the operational allowance for the armed forces in recognition of the continuing conflict in Afghanistan.

23 The Guardian, Budget 2010: George Osborne 'declaring war on public sector', 22 June 2010
24 HM Treasury, Budget 2010, HC 61, June 2010, para. 1.42
25 HC Deb 22 June 2010 c171

1% pay cap (2013 to 2017)

In the 2011 Autumn Statement, the coalition government announced that once the pay freeze ended in 2013, it would be replaced by a 1% cap on average public sector pay awards for two years.[26]

The 1% cap applied as an average across workforces rather than to each individual's salary. Therefore, pay awards could be distributed differently as long as the average increase in the pay bill across each government department and each PRB was limited to 1%.

As with pay freezes, the 1% cap was set out in the remit letters to the eight PRBs. For example, the letter to the School Teachers' Review Body for 2013/14 said:

> As I signalled in my remit letter in February 2012 I would now like to request your recommendations on how to apply the 2013 pay award. You will be aware that public sector workers have been subject to a two year pay freeze, which for teachers began in September 2011. As first announced by the Chancellor of the Exchequer in his Autumn Statement in November 2011, the Government's policy is for public sector pay awards to average 1% in each of the two years following the pay freeze. I would therefore like your recommendations on how the average 1% pay uplift should be applied in 2013. I will ask for recommendations on how the 2014 pay award should be applied in a later remit.[27]

In many parts of the public sector, especially the Civil Service, individual awards were informed by contractual (and therefore automatic) pay progression. Any pay progression had to be included when calculating the 1% cap.[28] The Civil Service has removed automatic pay progression based on time-served.[29]

In the 2015 Summer Budget, the government announced that the 1% pay cap would remain in place for a further four years:

> the Government will … fund public sector workforces for a pay award of 1% for 4 years from 2016-17 onwards. This will save approximately £5 billion by 2019-20. The Government expects pay awards to be applied in a targeted manner within workforces to support the delivery of public services.[30]

The was restated in the 2015 Spending Review and Autumn Statement:

> As announced at Summer Budget, to help protect jobs and the quality of public services the Spending Review funds public sector workforces for an average

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26 HM Treasury, Autumn Statement 2011, Cm 8231, November 2011, p23

27 Department for Education, STRB Remit: Matters for Report, 17 January 2013 (archived 20 March 2013)

28 See, for example, HM Treasury, Civil Service Pay Guidance 2013/14, March 2013, para. 1.12.3

29 Cabinet Office, Civil Service Pay Remit Guidance 2024 to 2025, 29 July 2024

30 HM Treasury, Summer Budget 2015, HC 264, July 2015, para. 1.87

> pay award of 1% for 4 years from 2016-17. This will protect approximately 200,000 public sector jobs.[31]

There was some flexibility under the 1% pay cap policy. For example, in 2016/17, in the context of prison reforms, the government agreed an exceptional average 1.36% rise for prison officers.[32]

Lifting the 1% pay cap (2018 to 2020)

In a written statement in September 2017, Liz Truss, then Chief Secretary to the Treasury, indicated that the government would be relaxing the 1% public sector pay cap:

> The last Spending Review budgeted for one per cent average basic pay awards, in addition to progression pay for specific workforces, and there will still be a need for pay discipline over the coming years, to ensure the affordability of the public services and the sustainability of public sector employment.
>
> However, the Government recognises that in some parts of the public sector, particularly in areas of skill shortage, more flexibility may be required to deliver world class public services including in return for improvements to public sector productivity.[33]

In the 2017 Autumn Budget, the government made it clear that the 1% pay policy had been lifted:

> In September 2017 the Government announced its intention to move away from the 1% basic public sector pay award policy, which is paid to public servants in addition to any incremental pay progression and allowances.
>
> [...] In 2018-19, for those workforces covered by an independent Pay Review Body (PRB), the relevant Secretary of State will shortly write to the PRB Chair to initiate the 2018-19 pay round... Each PRB will then make its recommendations in the spring or summer, based on the submitted evidence. Secretaries of State will make final decisions on pay awards, taking into account their affordability, once the independent PRBs report.[34]

This position was reflected in the Civil Service pay guidance and in the remit letters that were sent to the eight PRBs.

In 2018, 2019 and 2020, the average pay awards for each of the bodies covered by the eight PRBs were 2% or higher.[35]

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31 HM Treasury, Spending Review and Autumn Statement 2015, Cm 9162, November 2015, para. 1.295

32 HM Treasury, Pay awards for over a million public sector workers, 8 March 2016

33 Public services: Written statement - HCWS127

34 HM Treasury, Autumn Budget 2017, HC 587, 22 November 2017, para. 6.27;
HM Treasury, Public sector pay: Autumn Budget 2017 brief, 22 November 2017

35 HM Treasury, Around one million public sector workers to get pay rise, 24 July 2018; HM Treasury, Almost a million public sector workers handed a second year of inflation-busting pay rises, 22 July 2019; HM Treasury, Pay rises for doctors, police and more in the public sector, 21 July 2020.

Impact of pay policies from 2010 to 2020

In 2019, the Institute for Fiscal Studies published a report assessing the impact of public sector pay constraints from 2010 onwards, combined with stronger earnings growth in the private sector compared to the decade before. Average public sector pay is higher than in the private sector, so these trends combined to significantly narrow the gap between average public and private sector pay. [36]

In a 2020 report the TUC criticised previous public sector pay policy as a "decade of lost pay".[37] It noted that recent pay rises did not capture many parts of the public sector.[38] This included those not covered by the PRBs, such as social care workers and local government workers, as well as many NHS staff who were on a three-year pay deal under the Agenda for Change (the NHS's terms and conditions of service for non-medical staff).[39] The report estimated that public sector workers made up 52% of key workers during the covid-19 pandemic and called for fair pay rises for all public sector employees.[40]

A more detailed overview of trends in public sector pay can be found in section 2 of this briefing.

1.5 History of public sector pay policy

The table below shows the public sector pay policies since 1979.

History of public sector pay policy from 1979-2025	
Labour government	
2024	Pay award of up to 6%
Conservative government	
2022-24	No explicit pay policy

36 Jonathan Cribb, Alex Davenport and Ben Zaranko, Public sector pay and employment: where are we now?, Institute for Fiscal Studies, 19 November 2019

37 TUC, Key workers: Decent pay and secure work for key workers through coronavirus and beyond, [PDF] 14 September 2020

38 TUC, Key workers: Decent pay and secure work for key workers through coronavirus and beyond, [PDF] 14 September 2020, p9

39 NHS Employers, NHS terms and conditions of service (Agenda for Change), accessed 28 January 2025

40 TUC, Key workers: Decent pay and secure work for key workers through coronavirus and beyond, [PDF] 14 September 2020, p8

2021	One-year pay freeze, excluding NHS staff and workers earning below £24,000
2018-2020	No explicit pay policy
2015-2017	Pay awards limited to an average of 1% per year
Coalition government	
2013-2015	Pay awards limited to an average of 1% per year
2010-2012	Two-year pay freeze, excluding those below £21,000
Labour governments	
2009	Awards up to 1%, excluding 3-year agreements. No rise for senior staff. No limit for armed forces.
1998-2008	No explicit pay policy
1997	"pay settlements need to be fair, affordable [...] and responsible"[41]
Conservative governments	
1993-1996	Public sector pay increases intended to be self-financing through productivity or efficiency gains
1992-1993	1.5% pay cap
1986-1992	No cap
1984-1985	3% cap for central government
1983-1984	3.5% cap for central government
1982-1983	4% cap
1980-1982	6% cap for central government
Nov. 1980	6% cap for local government
Jan. 1980	14% cap for public services

[41] HC Deb 11 June 1998 c703

2 How changes to public sector pay are implemented

Strictly speaking, UK Government pay policy is only directly binding on the Civil Service and public sector bodies that are covered by the PRBs.

By contrast, the pay awards for 2 million local government workers are agreed in negotiations between the Local Government Association (LGA) and trade unions through the National Joint Council.

However, if there is a public sector pay freeze at the same time as cuts to local government funding, this can lead to pay freezes in local government. In fact, from 2011 to 2012 local government workers were subject to a three-year pay freeze, compared with two years in the rest of the public sector.[42]

2.1 Pay Review Bodies

There are currently eight PRBs that cover approximately 45% of the public sector. The eight PRBs are:

- Armed Forces' Pay Review Body
- Review Body on Doctors' and Dentists' Remuneration
- NHS Pay Review Body
- Prison Service Pay Review Body
- School Teachers' Review Body
- Senior Salaries Review Body
- Police Remuneration Review Body
- National Crime Agency Remuneration Review Body

The PRBs are supported by a secretariat – the Office of Manpower Economics (OME) – a non-departmental body sponsored by the Department for Business and Trade (DBT).

[42] "Council workers face third year of pay freezes," BBC [online], 23 February 2012 (accessed 30 December 2024)

As noted in section 1 of this briefing, ministers ask the PRBs for recommendations on pay awards, and issue them remit guidance, setting out what the PRBs should focus on and whether there are any limits on what the PRB can recommend. The PRBs commission research and receive evidence and make their recommendations in annual reports. The final decisions on pay awards are made by the relevant ministers.

The timetable for this process can vary. In recent years, remit letters have been sent to PRBs around November and pay awards have been announced in July and implemented in September. For some parts of the public sector, including the armed forces, prisons officers and NHS staff, pay awards are supposed to come into effect in April. In such cases, pay has had to be backdated.[43]

In the 2024 Autumn Budget policy paper, the government said it had started the PRB process three months earlier in the year than for 2024/25, and it expected the PRBs to deliver their recommendations for 2025/26 in spring 2025.[44]

When a pay freeze is in place, the remit letters sent to the PRBs will reflect this. For example, the letter to the School Teachers' Review Body for 2011/12 said:

> I am setting this new remit in a considerably different economic context. As you will know the emergency Budget imposed a two-year public sector pay freeze, apart from those earning £21,000 or less. The Chief Secretary to the Treasury (CST)'s 26 July letter to Review Body Chairs set out further details, including that there should be a minimum uplift of £250 for those earning below this threshold. I am now seeking your recommendations on this matter, which will affect a proportion of unqualified teachers.[45]

All of the remit letters for the 2025/26 pay review round have been sent:

- NHS Pay Review Body
- Review Body on Doctors' and Dentists' Remuneration
- Senior Salaries Review Body
- Police Remuneration Review Body
- Armed Forces Pay Review Body
- Prison Service Pay Review Body
- School Teachers' Review Body
- National Crime Agency Remuneration Review Body

43 See e.g. Armed Forces Pay: Written Statement – HCWS410, 21 July 2020
44 HM Treasury, Autumn Budget 2024, 30 October 2024
45 Department for Education, STRB Remit: Matters for report, 27 October 2020 (archived 5 May 2011)

All the reports of the PRBs for the 2024/25 pay round have also been published:

- NHS Pay Review Body
- Review Body on Doctors' and Dentists' Remuneration
- Senior Salaries Review Body
- Police Remuneration Review Body
- Armed Forces Pay Review Body
- Prison Service Pay Review Body
- School Teachers' Review Body
- National Crime Agency Remuneration Review Body

2.2 Civil Service

Civil Service pay awards are decided by individual government departments based on remit guidance issued by the Cabinet Office. For example, the guidance for 2024/5 said average awards should be up to 5%.[46] Ultimately awards can vary significantly from the initial remit guidance – for example, the 2022/23 awards were significantly higher than the guidance figure of 2%, because of rising inflation.

As with the PRBs, if there is a public sector pay freeze this is reflected in the remit guidance. For example, the guidance for 2021/22 said:

> In November 2020, the Chancellor announced as part of the Spending Review 2020 that there will be a temporary pause on pay rises for most public sector workforces in 2021/22, including the Civil Service.
>
> The exception to this policy are organisations in legally binding pay deals (including those in multi-year deals).
>
> To protect the lower paid staff those on full time equivalent base pay of under £24,000pa, excluding overtime and allowances will receive a consolidated increase of £250. For those who will be receiving an increase to the new National Living Wage rate of £8.91 an hour, they will receive the National Living Wage increase or £250, whichever is greater.[47]

Civil Service pay remit guidance for 2024/25 was issued on 29 July 2024.[48]

46 Cabinet Office, Civil Service Pay Remit Guidance 2024 to 2025, 29 July 2024
47 Cabinet Office, Civil Service Pay Remit Guidance 2021/22, 25 March 2021, section 2.1
48 Cabinet Office, Civil Service Pay Remit Guidance 2024 to 2025, 29 July 2024

2.3 Local government

As noted in section 1, local government is not directly bound by public sector pay policy. Instead, pay for local government workers is negotiated through the National Joint Council for Local Government Services (NJC). The NJC is made up of 70 representatives from different trade unions and employers, 12 on the employers' side and 58 on the trade union side.[49] However, local government pay policy is affected by the funding settlements funding that local authorities receive from central government.[50]

1.4 million local government employees have their pay and conditions set out in the Single Status Agreement determined by the NJC, otherwise known as the 'Green Book'. The Local Government Association (LGA) notes that "these agreements are also used to determine the pay and conditions of non-local authority staff".[51]

On 22 October 2024 agreement was reached at the NJC for the 2024-25 Green Book pay awards.[52] The agreement represented an increase of £1,290 on NJC pay points 2-43.[53]

49 Local Government Association, Local government services, [accessed 26 February 2025]
50 See Commons Library research briefing CBP-8431, Local government finance
51 Local Government Association, Local government terms and conditions (Green book), 8 May 2024
52 National Joint Council for Local Government Services, Local government services pay agreement 2024, [PDF] 22 October 2024
53 National Association of Local Councils, NALC publishes local government services pay agreement 2024/25, 23 October 2024

3 Trends in public sector pay

Average pay is higher in the public sector than in the private sector. Although the gap between the public and private sector was narrowing before the pandemic, it increased in 2020 due to factors such as a greater use of the covid-19 furlough scheme in the private sector (where the government gave grants to businesses to pay their employees 80% of their usual wages during lockdowns).[54] The gap fell to 7% in 2024.

Workers in the public and private sectors have different characteristics, such as age, skills and working patterns. When we take these differences into account, the pay gap reduces significantly.

3.1 Average pay in the public sector

In April 2024, median weekly earnings for full-time employees were £765 in the public sector compared to £714 in the private sector, making earnings 7% higher in the public sector.[55]

The chart below shows the trend in median pay in both sectors since 1997, adjusted for inflation. The median is the point at which half of people earn more and half earn less.

Between 2016 and the covid-19 pandemic, pay growth was faster in the private sector than the public sector, and the gap between public sector and private sector pay was decreasing, at least partly because of pay caps in the public sector.

The gap between public and private sector pay decreased from 15% in 2020 to 12% in 2022, partly because of the public sector pay freeze. The gap between public and private sector pay decreased further from 12% in 2022 to 8% in 2023 and 7% in 2024.

Earnings figures for 2020 and 2021 were affected by the covid-19 pandemic, and in 2020 the gap between pay in the public sector and the private sector increased. Many people were furloughed (so they were paid 80% of their usual salary while they were unable to work during lockdowns) or worked

[54] For more information, please see the Library briefing Coronavirus Job Retention Scheme: statistics

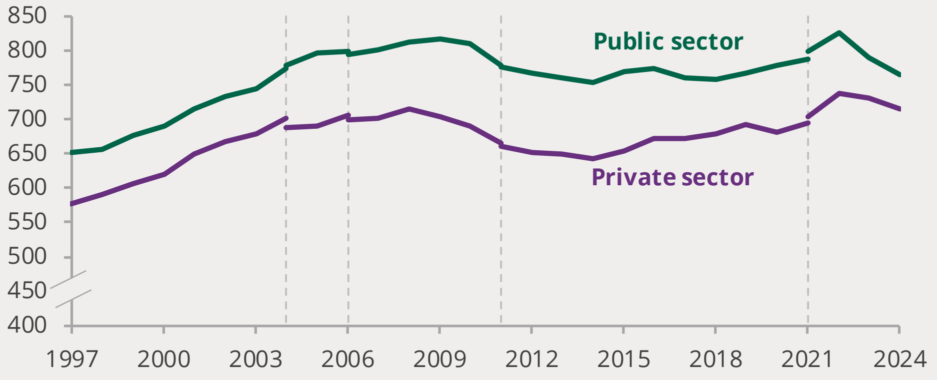
[55] Office for National Statistics, Annual Survey of Hours and Earnings, – see ONS, Employee earnings in the UK: 2024 and linked associated releases and data. Figures for trends in public and private sector pay can be found in ONS, Earnings and hours worked, public and private sector: ASHE Table 13, 29 October 2024. All the figures in this section refer to employees only. The primary sources of earnings statistics do not include self-employed workers.

fewer paid hours, especially in 2020, and pay was also affected by a fall in the number and proportion of lower-paid jobs. Industries that operate predominately in the private sector, such as construction, hospitality and retail, were more affected, as they had a higher proportion of furloughed workers.[56]

Real (inflation-adjusted) earnings have decreased in both the public and private sector since 2023 because of high inflation.

Real median weekly pay: public and private sector

Full-time employees, UK, 1997-2024, figures in April 2024 prices



Note: Dashed lines indicate breaks in series. Figures adjusted for CPI inflation.

Source: ONS Earnings and hours worked, public and private sector: ASHE Table 13a

Changes between years arise both from changes to individuals' pay packets, and from changes to the composition of the public and private sector workforces.

Within the public sector, there have been different trends in pay in different occupations. For example, pay for public sector occupations that are typically higher paid, such as doctors, teachers and police officers, has fallen more in real terms than pay for occupations that are typically lower paid, such as nurses and junior civil servants.[57]

In the private sector, annual pay growth for jobs in manufacturing, and finance and business services, has been larger since April 2023 than for other private sector jobs.

These changes within occupations can affect the overall real median weekly pay patterns for the public and private sector.[58]

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56 Office for National Statistics, Employee earnings in the UK: 2021, 26 October 2021

57 Institute for Fiscal Studies, Pressures on public sector pay, 27 September 2024, p10, p35

58 Office for National Statistics, Average weekly earnings in Great Britain: November 2024, 12 November 2024

3.2 Why are average earnings different in the public and private sector?

Comparing public and private sector pay is complicated because of structural differences between the sectors, and if we control for differences in workforce characteristics, then the gap in average earnings narrows considerably.

Age

Young workers tend to be paid less than older workers, and jobs in the private sector are skewed towards younger age groups.[59]

Skills/occupation

The public sector employs a higher proportion of more highly skilled employees than the private sector. Many of the lowest paid occupations (for example, elementary sales occupations, bar and restaurant staff and hairdressers) are largely found in the private sector. However, high earners in the private sector tend to be paid more than high earners in the public sector.[60]

Working patterns

Full-time employees tend to earn more per hour than part-time employees. A slightly higher proportion of private sector employees work full-time than public sector employees.[61]

Location

Most public sector pay scales are set nationally, while private sector pay varies substantially by region and nation within the UK. This means public sector pay is lower relative to private sector pay in London and the South East than in other parts of the UK.[62]

Pensions

Earnings data alone does not take into account more generous workplace pensions available to public sector employees. The Institute for Fiscal Studies (IFS) notes that public sector workers are much more likely than private sector workers to be enrolled in a pension, although automatic enrolment in pensions schemes (introduced for workers in phases between 2012 and 2018)

59 ONS, Public and private sector earnings: 2019, 23 September 2020

60 ONS, Public and private sector earnings: 2019, 23 September 2020

61 ONS, Public and private sector earnings: 2019, 23 September 2020

62 Jonathan Cribb, Alex Davenport and Ben Zaranko, Public sector pay and employment: where are we now?, Institute for Fiscal Studies, 19 November 2019

has narrowed this gap considerably. Public sector workers are also likely to receive more generous pensions.[63]

Other factors

The Office for National Statistics (ONS) notes that factors like job tenure, sex, organisation size and proportion of permanent staff also affect the average earnings of the public and private sector.[64]

Once these factors are taken into account and we control for differences in workforce characteristics, the gap in average earnings narrows significantly. Analysis by the ONS finds that after controlling for age, sex, region, occupation, pension and job tenure, the difference in public and private sector pay, including employer pension contributions, went from 12% to 7% in 2019.[65]

Analysis by the IFS compared public and private sector pay using the ONS's Labour Force Survey. Like the ONS, the IFS found the gap in average earnings between the public and private sector was smaller after controlling for workers' age, sex, region, education and experience. For example, in 2018 they found a gap of 1% in hourly pay, compared to a 10% gap before differences in workforce characteristics were taken into account. This was the smallest gap in public and private sector pay since the early 2000s. [66]

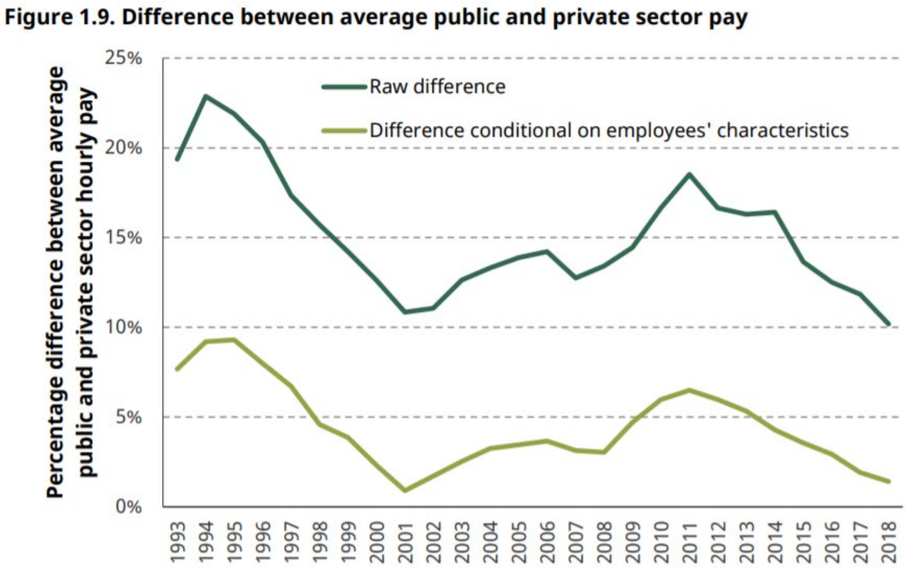
The chart below, taken from the IFS report Public sector pay and employment: where are we now?, November 2019, shows trends since 1993.

[63] Jonathan Cribb, Alex Davenport and Ben Zaranko, Public sector pay and employment: where are we now?, Institute for Fiscal Studies, 19 November 2019

[64] ONS, Public and private sector earnings: 2019, 23 September 2020

[65] ONS, Public and private sector earnings: 2019, 23 September 2020

[66] Institute for Fiscal Studies, Public sector pay and employment: where are we now?, 19 November 2019



Source: IFS, Public sector pay and employment: where are we now?, November 2019, p13

4 Related issues

4.1 Gender pay gap reporting

Read more about gender pay gap reporting in the Library briefing The gender pay gap.

Since 2017/18, public and private sector employers with 250 or more employees have been required to publish data on the gender pay gap within their organisations each year. The gender pay gap measures the difference between average (median) hourly earnings of men and women, usually shown by the percentage men earn more than women.

In April 2024, the gender pay gap for full-time employees was 10.0% in the public sector and 12.5% in the private sector.[67]

In October 2024, the government introduced the Employment Rights Bill to Parliament.[68] Clause 27 of the bill would amend existing legislation to extend gender pay gap reporting requirements to require employers to report the identity of any service providers they use for outsourcing. [69]

Further information is available in the Library briefing Employment Rights Bill 2024-25.[70]

4.2 Proposals for ethnicity pay gap reporting

In late 2018 the government also consulted on introducing mandatory ethnicity pay gap reporting.[71] The consultation closed in early 2019 and the government responded in July 2023, deciding against legislation in this area, saying it may not always be appropriate for all employers:

> while ethnicity pay gap reporting can be a valuable tool to assist employers, it may not always be the most appropriate mechanism for every type of employer. Therefore, as set out in the "Inclusive Britain" report, which was

67 Office for National Statistics, Annual Survey of Hours and Earnings – Gender pay gap data, Table 13.12

68 UK Parliament, Employment Rights Bill

70 Commons Library research briefing CBP-10109, Employment Rights Bill 2024-25

71 Department for Business and Trade, Race Disparity Unit and Department for Business, Energy & Industrial Strategy, Consultation outcome: Ethnicity pay reporting, updated 13 July 2023

> published in March 2022, the Government will not be legislating to make ethnicity pay reporting mandatory at this stage.[72]

The Lords Library In Focus article Mandatory ethnicity pay gap reporting (16 September 2021) looks at the ethnicity pay gap in the UK and current reporting obligations.[73]

In the 2024 King's Speech, the new Labour government announced the draft Equality (Race and Disability) Bill.[74] The bill would introduce new ethnicity and disability pay reporting requirements for larger employers (those with 250 or more employees) "to help close the ethnicity and disability pay gaps".[75]

4.3 National Minimum Wage

For further information see the Library briefing, National Minimum Wage statistics.

All workers are entitled to be paid the National Minimum Wage (NMW). The right is set out in the National Minimum Wage Act 1998 and the National Minimum Wage Regulations 2015.[76]

There are five rates of NMW.[77] The top rate, for those aged 21 and over, is called the National Living Wage (NLW). It is currently set at £11.44 per hour. In April 2025, the NLW will be £12.21.[78] In July 2024, the government committed to removing the separate band for people aged 18 to 20, meaning everyone over 18 would be eligible for the same NMW rate.[79] The government has instructed the Low Pay Commission to recommend a NMW rate that should apply to 18-to-20-year-olds from April 2025, with the aim of incrementally increasing this rate year on year to eventually achieve a single adult rate.[80]

The NMW is uprated in April each year through secondary legislation. The government makes uprating decisions based on recommendations from the Low Pay Commission, a non-departmental public body set up by the 1998 act to advise the government on relevant issues.

72 As above
73 Lords Library In Focus article, Mandatory ethnicity pay gap reporting, 16 September 2021
74 Prime Minister's Office, King's Speech 2024: background briefing notes, p77
75 Prime Minister's Office, King's Speech 2024: background briefing notes, p77
76 National Minimum Wage Act 1998; National Minimum Wage Regulations 2015
77 Gov.uk, National Minimum Wage and National Living Wage rates (accessed 26 February 2025)
78 Gov.uk, National Minimum Wage and National Living Wage rates (accessed 26 February 2025)
79 Department for Business and Trade, Government commits to a genuine living wage for working people, 30 July 2024
80 Department for Business and Trade, National Minimum Wage and National Living Wage: Low Pay Commission remit July 2024, 30 July 2024

In 2015, the government's remit to the Low Pay Commission stated its aim was to ensure that the rate of the NLW reached 60% of the median wage by 2020.[81] This was achieved in April 2020.[82]

In 2020, the government changed its aim, so that the NLW would be 67% of the median wage by 2024.[83] In October 2024, the Low Pay Commission stated that the new NLW rate of £11.44 was not high enough to meet the 67% target in 2024, and that a rate of £11.76 would have been necessary to achieve this.[84]

In July 2024, the Labour government set a new remit for the Low Pay Commission.[85] The commission will ensure the 2025 NLW increase takes account of the cost of living and expected inflation, and that it will not fall below fall below 67% of median hourly earnings.[86]

Until April 2024, the NLW was only payable to employees aged 23 and over. The Low Pay Commission estimated that in April 2022, only 1% of workers aged 23 and over in the public sector were paid at the NLW/NMW compared to 7% in the private sector.[87]

4.4 Public sector exit payment cap

For more detail see the Library briefing Public Sector Exit Payment Cap .

On 14 October 2020, the government made the Restriction of Public Sector Exit Payment Regulations 2020*.* The regulations came into force on 4 November 2020, but were revoked in February 2021.

The regulations prevented most public sector bodies from paying employees more than £95,000 when they left office or were fired. The cap could be waived in some circumstances, including in settlement agreements for discrimination or whistleblowing claims.

On 12 February 2021, the Treasury announced that the regulations would be revoked. It said that a review had shown that the exit payment cap has led to "unintended consequences".[88] The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 was made on 25 February 2021 and came into effect on 19 March 2021. These required authorities to make payments to any employee who was affected by the cap to cover the balance of what their exit payment would have been had the cap not been in place.

81 BEIS, National Minimum Wage: Low Pay Commission Remit 2016, [PDF] July 2015
82 Low Pay Commission, Low Pay Commission Report 2020, [PDF] CP 206, December 2020, para 4.1
83 BEIS, National Living Wage and National Minimum Wage: Low Pay Commission Remit 2020, [PDF] March 2020
84 LPC, Summary of Evidence, 30 October 2024
85 Department for Business and Trade, National Minimum Wage and National Living Wage: updated Low Pay Commission remit 2024, 30 July 2024
86 LPC, How we'll respond to our updated remit, 5 September 2024
87 LPC, Low Pay Commission Report 2022, 19 January 2023, Figure 3.3
88 HM Treasury, Restriction of Public Sector Exit Payments: Guidance on the 2020 Regulations, 12 February 2021

The government consulted on introducing an expanded approvals process for high exit payments in August 2022. However, it did not issue a response before the 2024 general election.[89] In October 2024, Sir Christopher Chope introduced a private member's bill which would limit exit payments made by some public sector organisations to employees.[90] It is scheduled for second reading on 13 June 2025.

89 PQ 24606 [on Public Sector: Redundancy Pay], 9 May 2024

90 UK Parliament, Public Sector Exit Payments (Limitation) Bill, updated 25 October 2024