

Public-sector employment over the life cycle

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- Analyze how public sector compensation affects the unemployment rate and government budget.
 - Direct costs.
 - High public compensation leads to job-search queues.
- Different types of compensations:
 - Wage premia
 - Job-security premia
 - **Pensions premia**
- Quantify the fiscal and labor market effects of harmonizing the public with the private sector.

Public-sector compensation over the life cycle I

Pensions schemes:

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- Traditionally, public sector workers had separate retirement schemes (different retirement ages and benefits).
- Recent reforms in many countries to harmonize the two regimes.
- We draw institutional information from OECD Pensions Outlook 2016.

Public-sector compensation over the lifecycle II

Table: Retirement benefits

	United States	United Kingdom	France	Spain
Private	67.8	51.4	55.4	81.2
Public	86.8	106.0	63.4	100

Note:OECD Pensions Outlook 2016.

Public sector premia by age

What percentage of their wage would public-sector workers have to be compensated to equate pensions to the private sector?

	Spain	France	UK
20	1.3	0.6	3.9
30	3.4	1.1	6.0
40	5.6	2.2	11.1
50	10.0	4.3	19.4
60	29.5	19.1	56.2
Avg	15.9	6.6	27.5

Equalizing benefits

With equal retirement benefits, unemployment decreases, program costs and revenues decrease.

	Spain	France	UK
Δ U%	-0.69	-0.14	-1.36
Δ Costs	-68	-32	-213
Δ Revenues	-21	-7	-19