

# Public Sector employment in Scotland

Protest action against government cutbacks took place in October, and this, together with action over pay claims and changes to terms and conditions of employment, may well herald more action over the winter months. The UK Government has announced proposals, to be detailed in the forthcoming Public Services Pensions Bill to increase the retirement age and to effectively reduce pensions for the majority of public sector staff, although ring fencing those within 10 years of retirement.

**Table 1: Number of people employed in Scotland (headcount)**

		Total employment		Private sector		Public sector		Public sector Excluding public sector financial institutions	
		Level		Level	Percentage	Level	Percentage	Level	Percentage
Q2	1999	2,245,000		1,699,600	75.70%	545,100	24.30%	545,100	24.30%
Q2	2000	2,306,000		1,756,400	76.20%	549,400	23.80%	549,400	23.80%
Q2	2001	2,335,000		1,782,800	76.30%	552,400	23.70%	552,400	23.70%
Q2	2002	2,332,000		1,771,400	75.90%	561,000	24.10%	561,000	24.10%
Q2	2003	2,396,000		1,822,000	76.10%	573,700	23.90%	573,700	23.90%
Q2	2004	2,441,000		1,853,900	76.00%	587,000	24.00%	587,000	24.00%
Q2	2005	2,429,000		1,831,500	75.40%	597,500	24.60%	597,500	24.60%
Q2	2006	2,467,000		1,865,600	75.60%	601,300	24.40%	601,300	24.40%
Q2	2007	2,553,000		1,957,000	76.70%	595,600	23.30%	595,600	23.30%
Q2	2008	2,536,000		1,941,000	76.50%	595,100	23.50%	595,100	23.50%
Q2	2009	2,480,000		1,849,500	74.60%	630,900	25.40%	591,400	23.80%
Q2	2010	2,448,000		1,825,900	74.60%	621,700	25.40%	585,000	23.90%
Q2	2011	2,489,000		1,891,700	76.00%	596,900	24.00%	563,100	22.60%
Q2	2012	2,465,000		1,884,700	76.50%	580,100	23.50%	548,100	22.20%

Source: Quarterly Public Sector Employment series, Scottish Government, Office for National Statistics

Notes

- 1 Figures have been rounded to the nearest hundred. Total employment has been rounded to the nearest thousand.
- 2 Public sector financial institutions include Northern Rock (classified to the public sector from Q4 2007), Royal Bank of Scotland Group plc and Lloyds Banking Group plc (both classified to the public sector from Q4 2008).
- 3 Between Q3 2010 and Q2 2011 estimates for the civil service include temporary field staff recruited to carry out the 2011 census.

As table 1 indicates public sector employment (excluding public sector financial institutions) rose between 1999 and 2006, but since 2006 has declined by 53,500. Although the movement of local authority staff both in and out of arm's length organizations, typically charities, makes comparisons slightly harder.

Public sector employment in Scotland continues to decline, although at a slower rate than previously. The latest data at the time of writing this section (Q2 2012) indicates that there were 580,100 (548,100

excluding public sector financial institutions) employed in the public sector in Scotland, a decrease of 16,700 (2.8%) over the year. Employment in the devolved public sector declined by 11,400 (2.3%) to 487,600, due mainly to declines in health (1,900), further education (1,900) and local government employment (7,000) (see table 2).

**Table 2: Public Sector employment by National Accounts classification (headcount) all Q2 figures**

	Total Public Sector	National Accounts Central Government Category					Total Central Gov.	Local Gov.	Public Corp	Public Sector Financial Inst.
		Civil Service	Other Public Bodies	NHS	Armed Forces	Further Education Colleges				
1999	545,100	48,500	13,600	129,100	14,900	15,700	221,800	293,500	29,900	
2000	549,400	48,100	14,500	129,900	15,100	15,700	223,200	296,400	29,800	
2001	552,400	48,500	14,700	131,400	14,500	15,700	224,700	296,400	31,200	
2002	561,000	51,200	14,300	134,200	13,500	16,000	229,000	301,800	30,200	
2003	573,700	51,400	15,900	139,100	13,800	16,000	236,200	308,100	29,500	
2004	587,000	52,300	17,000	142,100	14,200	16,000	241,600	315,900	29,400	
2005	597,500	52,000	18,700	144,900	13,200	16,700	245,500	321,700	30,300	
2006	601,300	52,800	18,600	148,300	12,900	16,600	249,200	323,700	28,400	
2007	595,600	50,600	19,800	152,700	12,400	16,700	252,300	318,100	25,200	
2008	595,100	49,600	21,800	155,200	12,100	16,900	255,600	313,700	25,800	
2009	630,900	51,100	21,600	159,300	12,000	16,900	260,800	306,300	24,400	39,500
2010	621,700	50,100	20,800	160,100	12,200	16,000	259,300	301,900	23,800	36,700
2011	596,900	48,700	19,500	155,300	11,900	15,900	251,300	289,000	22,700	33,800
2012	580,100	46,000	19,000	153,400	11,000	14,600	244,100	282,000	22,000	32,000

Source: Quarterly Public Sector Employment series. ONS.

Notes

- 1 Figures have been rounded to the nearest hundred. Total employment has been rounded to the nearest thousand.
- 2 Public sector financial institutions include Northern Rock (classified to the public sector from Q4 2007), Royal Bank of Scotland Group plc. and Lloyds Banking Group plc. (both classified to the public sector from Q4 2008).
- 3 Local Government category revised to include SPT.
- 4 A number of local government staff have transferred to arm's length organisations which are part of the private sector. This largely explains the decrease in local government employment between 2008 and 2009.
- 5 Information for further education colleges is based on actual information from Q4 2010.

Table 3 indicates the changes in headcount by local authority and indicates both a decline in Local Authority employment of 7,000 (2.4%) over the year. As we have noted in previous Commentaries pressures on spending levels will lead to reductions in employment levels, increased charges for services and reductions in the range and depth of services. In September a number of councils announced proposals for further reductions in staffing levels and services together with proposals for increased charges. Glasgow Council was reported as seeking a further 1000 voluntary redundancies and North Lanarkshire some £74 million in cuts.

**Table 3: Local Government employment by local authority (headcount) Q4 2006 – Q2 2012 (Not seasonally adjusted)**

Year Quarter	2006 Q2	2007 Q2	2008 Q2	2009 Q2	2010 Q2	2011 Q2	2012 Q2	Annual Change	Annual Change %
<b>Local Authority / Joint Board</b>									
Aberdeen City	11,700	11,700	11,600	9,500	9,400	8,900	8,700	-200	-2.3%
Aberdeenshire	13,900	14,000	14,000	14,700	14,900	14,400	13,900	-500	-3.4%
Angus	5,600	5,600	5,700	5,700	5,600	5,600	5,500	-100	-1.5%
Argyll & Bute	5,700	5,600	5,400	5,500	5,200	5,100	4,800	-300	-5.3%
Clackmannanshire	2,700	2,800	2,900	2,900	2,800	2,600	2,600	0	-1.8%
Dumfries & Galloway	8,400	8,300	7,700	8,000	8,300	7,900	7,700	-100	-1.6%
Dundee City	8,500	8,400	8,400	8,200	8,100	7,800	7,300	-400	-5.6%
East Ayrshire	6,900	6,800	6,800	6,800	6,600	6,500	6,300	-200	-3.3%
East Dunbartonshire	4,900	4,800	4,900	5,000	5,000	4,400	4,500	100	1.9%
East Lothian	4,800	5,000	4,900	4,900	4,800	4,700	4,700	0	-0.8%
East Renfrewshire	4,600	4,600	4,700	4,800	4,500	4,500	4,400	0	-1.0%
Edinburgh, City of	21,000	20,800	20,200	19,300	18,800	18,100	17,700	-300	-1.8%
Eilean Siar	2,500	2,500	2,600	2,500	2,500	2,500	2,500	0	-1.7%
Falkirk	7,600	7,900	8,000	8,200	7,800	7,900	7,400	-500	-5.9%
Fife	24,400	23,900	23,000	23,300	23,100	21,900	21,400	-600	-2.6%
Glasgow City	37,800	32,700	32,200	23,800	23,100	21,700	21,300	-300	-1.6%
Highland	12,700	12,800	12,700	13,000	13,000	12,400	10,100	-2,300	-18.8%
Inverclyde	5,200	5,200	4,900	4,900	4,700	4,500	4,400	-100	-2.8%
Midlothian	4,400	4,500	4,800	4,700	4,800	4,600	4,800	100	2.7%
Moray	5,100	5,100	5,100	5,300	5,100	5,000	5,000	0	-0.3%
North Ayrshire	7,400	7,400	7,400	7,300	7,200	6,700	6,700	-100	-0.8%
North Lanarkshire	18,400	18,300	18,000	17,900	17,500	16,700	16,300	-400	-2.5%
Orkney Islands	2,200	2,200	2,100	2,400	2,400	2,400	2,400	0	-0.2%
Perth & Kinross	5,800	6,000	6,100	6,300	6,100	5,900	5,900	100	1.2%
Renfrewshire	9,400	9,200	8,900	8,900	8,400	7,600	7,600	0	0.6%
Scottish Borders	5,800	5,800	5,800	5,800	5,700	5,700	5,500	-200	-2.7%
Shetland Islands	3,600	3,700	3,800	4,000	4,200	4,100	3,900	-200	-6.0%
South Ayrshire	6,000	5,900	5,800	5,600	5,600	5,400	5,300	-100	-1.1%
South Lanarkshire	16,500	16,500	15,700	15,900	15,800	14,700	14,800	100	0.8%
Stirling	4,600	4,600	4,400	4,400	4,400	4,000	4,300	300	6.7%
West Dunbartonshire	5,900	6,000	6,300	6,500	6,300	6,200	5,700	-400	-7.2%
West Lothian	8,200	8,300	8,400	8,500	8,500	7,900	8,000	100	1.1%
Total Fire Joint Boards	5,800	5,800	5,800	5,800	5,700	5,600	5,500	-100	-2.0%
Total Police Joint Boards	24,400	24,100	23,300	24,700	24,800	24,000	5,500	-100	-0.5%
Total Valuation Joint Boards	600	700	700	700	600	600	23,900	0	-2.8%
Total Regional Transport Partnerships (SPT)	700	700	700	700	700	600	600	0	-6.7%
<b>SCOTLAND</b>	<b>323,700</b>	<b>318,100</b>	<b>313,700</b>	<b>306,300</b>	<b>301,900</b>	<b>289,000</b>	<b>282,000</b>	<b>-7,000</b>	<b>-2.4%</b>

**Source:** Joint Staffing Watch Survey, Scottish Government

**Notes:** 1. Figures are rounded to the nearest hundred.

2. Totals may not add up to the sum of the parts due to rounding

3. Figures for fire service staff exclude volunteer and retained fire-fighters

4. There are minor adjustments to police numbers for Dumfries and Galloway and Fife

5. Figures for Dundee City and Falkirk reflect some transfer of staff to charitable trusts

## Education

In secondary education proposals to increasing working hours have been announced, essentially eliminating 'protected time' the time allowed for marking and for preparation. Although data from the OECD suggests that Scottish teachers work above average hours compared to counterparts in other countries.

Within the education sector the numbers employed in Scottish Further education colleges had declined by 1,300 over the year to Q2 2012 to 14,600, and by 2,300 since Q2 2009) and further reductions are inevitable. As noted in the previous Commentary the publication of the Scottish Government's Reform of Post 16 Education and subsequent consultation paper outlined the Government's proposals for a very rapid restructuring of 35 colleges into 12 regions with a programme of mergers, collaboration, sharing services and courses. Of concern has been the rapid introduction of the changes, with a series of mergers, new structures and revised delivery of courses. There is much to suggest that rapid changes can be less effective.

Reform continued in the Higher education sector with a number of universities continuing to restructure, reduce costs and continuing with voluntary severance schemes. In September there were calls for industrial action to be considered by university staffs over the pay offer of 1% for 2012/2013. A further problem for universities has been the reduction in the numbers of overseas students and hence income, due in part to the UK Government seeking to reduce numbers of migrants seeking to enter the UK and to delays progressing applications by the UK Border Agency.

## Health

The numbers (headcount) employed in the NHS fell by 1,900 to 153,400 Q2 2011 – Q2 2012 (see table 2). Notwithstanding political claims a significant proportion of recent job losses are nursing staffs. Pressures on the NHS appear to be increasing, in September there were concerns that hospitals were discharging patients earlier and this was leading to increased pressures on GPs who already were experiencing increased pressures and targets. Proposals to introduce performance appraisal of doctors was announced in October. At the UK level there are concerns that cutbacks to the NHS are leading to increased migration of doctors leaving the UK.

A study of the funding of the NHS to 2021/22 (IFS and Nuffield Trust published July 2012) highlights concerns as to the sustainability of free care and hospital services in Scotland in the medium term. Their analysis of the situation in England suggests:

*"Combining the Dilnot Commission recommendations with keeping English NHS spending constant as a share of national income, public spending on the NHS and social care would increase by 2.8% a year in real terms. All other areas of public service spending, however, would grow at just 0.3% a year over the seven years from April 2015, in the absence of any tax increases, borrowing increases or further cuts to welfare spending."*

*"Public funding for health is set to be tight until at least the end of the decade. If NHS productivity does not increase sufficiently fast to bridge the gap between funding and demand pressures, then access to and quality of care is likely to deteriorate. Serious thought must be given to options for the NHS. These include reconsidering the range of services available free of charge to the whole population or the level of taxation needed to finance those services in the future." (IFS 2012:5).*

Currently NHS spending in Scotland is roughly a third of the annual Scottish budget. As the Audit Scotland's report noted the NHS budget rose by £232m in 2011-12 in cash terms. "The Scottish government's 2011 spending review outlined a 4.2% real-terms decrease in NHS funding in the five years to 2014-15." There are clearly pressures building in the system from increasing costs, rising expectations and increasing demand, and changes to policies are increasingly inevitable. Concerns as to the rising pressures and spending constraints confronting the Scottish NHS were more evident in the latest Audit Report who noted 'it will be difficult to reduce costs while maintaining high-quality services' and it was uncertain as to whether the current cost cutting measures would be successful.

## Welfare

In September proposals to close the Remploy factories in Edinburgh and Aberdeen were announced, this is part of national policy of closing, over time, all 54 Remploy factories across the UK. In the year to September 2011 there were some 45,400 disabled workers in Scotland who are economically active but unemployed (GMB analysis, Brighton Conference). The unemployment rate at September 2011 amongst economically active disabled was 11.2%, compared to 7.5% for non-disabled unemployed.

## Emergency Services

As noted in the previous Commentaries the background to the Police and Fire Reform (Scotland) Bill and the current concerns are well summarised in A SPICe Briefing published 20<sup>th</sup> February 2012. Financial

issues of the proposed reforms have been discussed in the Police Reform Programme, Outline Business Case September 2011 and more recently the issues have been summarised in a SPICe Briefing (20<sup>th</sup> February 2012).

In Scotland the appointment of the new chief constable for the national police force led to some clarification as to the scale of initial job losses, with up to 3,000 mainly support jobs (in HR, finance and procurement etc.) to be lost, mainly by voluntary redundancies and early retirement, and to proposals to reduce police estates by 20%, implying some reductions to the number of police stations. It is likely that some of the civilian job losses will lead to police officers taking back some of this work, and the trend towards a more porous divide between police officers and civilian staffs, a feature of future years, reduced in the period to 2015. The protection of police officer numbers may well be by standardising terms and conditions and at the expense of reductions in hours, overtime and conditions.

The plans by West Midlands and Surrey police forces to contract out up to £1.5 billion worth of services (see the June 2012 issue of the Commentary) are under some reconsideration following problems experienced by G4S at the Olympics.

## **Transport**

Threats of industrial action had surfaced over possible changes to west coast ferries currently operated by Calmac, however, in September it was announced that the tender process was to be delayed by three years to 2016. Serco, awarded a six year contract in May 2012 to operate Northlink ferries, has announced reductions to services and up to 36 job losses, notwithstanding initial claims that there would be no redundancies and no changes to timetables.

## **Pay and Conditions**

Major possible changes to public sector terms and conditions of employment for staff below the level of senior civil servants emerged in a letter sent to all civil service HR directors, leaked to the Guardian (10<sup>th</sup> October 2012). This asks HR directors across the civil service to have outline plans ready by the end of the year to consider: cuts in holiday entitlements; lengthening working weeks and reduce flexible working. In addition the Guardian article suggests the document includes other areas that could be changed: including annual and occasional days' leave; hours of work; probationary periods and sick pay. Also the document requests a review of family friendly flexitime, travel and expenses, disciplinary procedures and performance management.

The broad objectives would appear to seek to reform terms and conditions of employment to make them. The Guardian article quotes the director of the civil service human resources and capability group as stating the "civil service reform plan states that each department will undertake a review of their terms and conditions. Your review should ensure that your department... Continues to be a good employer, offering terms and conditions comparable, but not beyond what a good employer would provide." The implication is that staff will become more 'flexible and collaborative' in a 'transformed civil service'.

Notwithstanding the apparent declining UK Government support for regionalising public sector pay a number of consultancy and interest groups have cited 'apparent' differences between public and private sector pay rates and the benefits to be derived by restraining public sector pay rates until they match comparable average private sector rates. We noted in the June Commentary a number of well-founded reservations to such proposals, and cited both the conclusions in the Incomes Data (2011) 'Location-based pay differentiation. We noted that in many respects national pay structures with orderly variation are the least bad option from all perspectives, they are simple and less time consuming to manage, minimize claims of unfairness, limit competitive bidding for scarce skills, can recognize labour market segmentation, that some occupations have national and even international labour markets, whilst others operate in local labour markets. The Office for National Statistics noted several reasons why differences between the public and private sector employment would contribute to differences in average earnings:

1. 'The public sector has a higher proportion of skilled jobs – widening in recent years as lower skilled jobs have been outsourced;
2. 'The public sector has a higher proportion of older employees and earnings tend to increase with age and experience;
3. 'The public sector workforce contains more people with a degree or equivalent qualification;
4. 'The gap between the highest and lowest earners is higher in the private sector than the public sector;'

In addition:

1. There are certain aspects relating to earnings that are not collected by either ASHE or the LFS, including data on self-employed and on bonuses;
2. An appreciation of the segmented nature of labour markets would further indicate why relating pay of some occupations to only local labour markets would be inappropriate.

'After accounting for gender, age, occupation, the region the job is located in and factoring in qualifications, the public sector, on average, earned 8.2% more per hour (excluding overtime) than the private sector in 2011.... Despite using a detailed level of occupation classification in order to remove many of the differences in jobs between the public and the private sector, some differences remain meaning that the pay in the two sectors for certain occupations may not be directly comparable.'

### **Wider concerns**

In the years 2009/2010 and 2010/2011 it is estimated that spending on R & D in Government departments declined considerably, with spending on R & D in Transport down 47.8%, Education down 12.1% and in Environment and Rural Affairs down 15.5%. Whether reductions in research spending coupled with limits on pay increases will have an adverse effect on staff turnover is unclear, however, staff turnover rates of 28% in 2011 in the Treasury have been reported.

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