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Submission of abstract

Topic 5 *Pay inequalities and pay differentials*

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THE PUBLIC-PRIVATE SECTOR WAGE GAP IN THE NETHERLANDS

In the early 1980s Dutch public sector wage formation was drastically altered, away from following the trend of private sector wage formation. First public sector wages were lowered and subsequently frozen in nominal terms. Later a system of free negotiations between government and unions was introduced, which gradually split up the public sector into divergent parts.

This paper aims to do two things. First it describes the evolution of public pay policy in recent decades and second it compares public and private sector pay and discusses their measurement.

Comparing the two sectors is complicated because of the gender aspect, which in the Netherlands is strongly linked to the full-time / part-time distinction. Consequently, the paper argues that a simple comparison juxtaposing the two sectors as a whole without taking these aspects into account can be quite misleading. Regressing data from the Structure of Earnings Surveys, it is shown, with Oaxaca-Blindner decomposition, that a more precise comparison indicates that public sector wages have lost their edge and are now severely lagging behind the private sector, particularly for the high skilled. It is also found that the position of managers in the private sector contributes significantly to these differences.

Interestingly, the special treatment of public sector wages may have contributed to the fairly stable level of wage inequality in the Netherlands.