The Public Sector Wage Gap: New Evidence from Panel Administrative Data

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Abstract

With the increase in national debts, public sectors are under high pressure in many countries and the productivity and wage levels of civil servants are under scrutiny. The need for appropriate comparison with their private sector counterparts is stronger than ever. In this study, we suggest novel evidence for France by conducting a comprehensive assessment of the public sector wage gaps throughout the distribution and over a long period (1988-2010). We exploit a large panel of French salary workers drawn from administrative data. We estimate the premia/penalties of the public sector on the unconditional wage distribution while originally accounting for fixed effects and a jackknife correction for potential incidental parameter bias. Results point to a compressing effect of the public sector, i.e. larger public wage premia in the first half of the distribution, which partly reflects the efficient screening operated by public sector entry examinations. However, we find a gradual fall in the public wage gap since 1995, explained by a mix of political and business cycles. Critically, the positive selection into the public sector, particularly strong at lower quantiles, has faded away. A decline in the relative quality of the public workforce is possibly explained by the long-term degradation of the public wage gap itself and by the acceleration of job openings through less-selective recruitment schemes.

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