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**Research Report**

## Scottish public sector employment and pay

IFS Report

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Institute for Fiscal Studies

IFS Report

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# Scottish public sector employment and pay



Economic  
and Social  
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## 5. Scottish public sector employment and pay

Jonathan Cribb, Magdalena Domínguez and Laurence O'Brien

Hospitals, schools, councils and other parts of the public sector are a major employer in Scotland. The public sector paybill is also a substantial part of government spending. Recent years have seen larger-than-expected increases in both public sector employment and pay, the latter driven by high rates of inflation following the COVID-19 pandemic and Russia's invasion of Ukraine. A rising paybill is particularly challenging in a Scottish context because while the increases in funding it receives from the UK government via the Barnett formula are population-based, its share of the increase in paybill costs is likely to be higher, due to higher current levels of pay in Scotland compared with the UK as a whole. The same is true of forthcoming increases in employers' National Insurance contributions.

This chapter of our Scottish Budget report sets out the facts and figures for Scottish public sector employment and pay, and considers the implications for Scottish Government policy.

### Key findings

1. **There are around 590,000 public sector workers in Scotland in 2024, representing 22% of the workforce.** This fraction is lower than in Wales (24%) and Northern Ireland (26%), but considerably higher than in England (17%), and indeed is higher than in any English region. The cost of remunerating those employed by the Scottish Government and councils – who make up 92% of all public sector workers in Scotland – is around £27 billion this year, more than half of all devolved day-to-day public spending.
2. **Public sector employment in Scotland has been growing significantly since 2017: it grew by 56,000 (11%) from 2017 to 2024.** As a share of the workforce, public sector employment in Scotland has grown by a larger fraction since 2017 (by 2.5 percentage points, from 19.6% to 22.1%) than in any other part of the UK with the exception of Wales (where it grew by 2.6 percentage points).

3. **Average pay for public sector workers is notably higher in Scotland than in the UK as a whole. Median hourly pay in the public sector in Scotland was almost 5% higher than that for the UK as a whole in 2024.** Back in 2019, median public sector pay was very similar in Scotland to that in the UK as a whole. Since then, median pay has risen by 5% in Scotland but is unchanged in the UK on average.
4. **Consistent with this, comparing the current pay scales of selected public sector occupations in Scotland and England, we find pay in Scotland is 4½–6½% higher than the main scales in England.** Pay for these newly qualified teachers and NHS ‘Agenda for Change’ workers in Bands 2, 5 and 7 in Scotland is similar to their pay in the ‘London fringe’ councils surrounding the UK capital. Staff in these ‘fringe areas’ have their pay boosted to reflect the considerably higher cost of living in areas close to London. Public sector pay scales in Scotland are lower than in London itself.
5. **The gaps in public sector pay between Scotland and the rest of the UK have opened up in particular since 2019 (when median public sector pay in Scotland was the same as in the UK as a whole).** This is consistent with the relative generosity of public sector pay deals in recent years in Scotland compared with England. The Scottish Fiscal Commission has also noted that the pay deals agreed in 2023 and 2024 were considerably higher than those implied by the Scottish Government’s public sector pay policy, which is the framework that guides the negotiations with trade unions. **The higher public sector pay in Scotland is problematic for the Scottish Government’s budget if it aims to (at least) match the increases in public sector pay in the rest of the UK, because of the higher baseline level and number of staff covered.**
6. **We do not find any evidence that larger increases in public sector pay in Scotland in recent years have boosted the retention of public sector workers.** There may well be other benefits to public service delivery or quality from the higher pay rises, such as improvements to recruitment and/or motivation. This is difficult for analysts external to government to observe, but should be evaluated by the Scottish Government. Nevertheless, given the cost of across-the-board increases in pay scales, **the Scottish Government (and councils) should consider targeting public sector pay rises at occupations and/or areas where those pay rises are likely to be most impactful for public service delivery**, such as roles where there are noted recruitment or retention issues.

## 5.1 Introduction

Public sector pay is one of the Scottish Government’s key items of expenditure and crucial in delivering public services in Scotland. Remunerating workers employed by the Scottish Government and councils (hereafter the ‘devolved public sector’) cost £25 billion in 2023–24 (Scottish Fiscal Commission, 2024). Given recent rates of public sector pay growth, this is likely to have risen to close to £27 billion this year (2024–25), accounting for over half of devolved day-to-day (resource) public spending.

Devolved public sector pay in Scotland is set following negotiations between the Scottish Government (or the Convention of Scottish Local Authorities – COSLA – for councils), employers of public sector workers (such as NHS Scotland), and trade unions which represent their members. These negotiations take place in light of the Scottish Government’s stated public sector pay policy, which sets a framework for negotiations but which does not actually determine the pay rises. Recent public sector pay policies have included sections that encourage employers to consider progressive approaches to public sector pay, i.e. prioritising lower earners. This implies public sector pay in Scotland plays a role in social policy (as it does elsewhere) – such as to undertake some redistribution towards lower-paid workers – though there are different perspectives on how appropriate this is relative to prioritising public service delivery and quality.<sup>1</sup>

The system in Scotland is in contrast to the system of Pay Review Bodies which cover workforces in England and Wales, in which independent review bodies present a recommendation to the UK or Welsh government, which can then choose whether or not to accept these recommendations when beginning negotiations with trade unions. In Scotland, there are no such independent recommendations.

In recent years, there has been considerable upward pressure on public sector pay, not least due to elevated rates of inflation, and this has in turn put pressure on Scottish Government spending. The Scottish Government in 2023–24 agreed increases in public sector pay that averaged cash-terms increases of 6.5%, 3 percentage points higher than the Scottish Government’s plans contained in its public sector pay policy published in March 2023 (Audit Scotland, 2023). The Scottish Fiscal Commission (2024) has highlighted how pay deals agreed for 2024–25 for the

<sup>1</sup> In recent years, different public sector pay deals in both England and Scotland have prioritised lower earners within the public sector to different extents. For example, in 2023, increases in NHS pay both in Scotland and in England were higher for people on lower bands (see [NHS pay rise delivered in April](#) and [NHS pay deal in England - frequently asked questions](#)). For teachers, the pattern is different, with pay deals in Scotland being the same in percentage terms across the board (except the very top; see [Pay Agreement April 2022 – July 2024](#)), whereas in England there were higher increases for less experienced teachers (Sibieta, 2023).

NHS (5.5%) and local government (4.27%) also exceeded the policy of 3% rises in 2024–25 set out in May 2024.

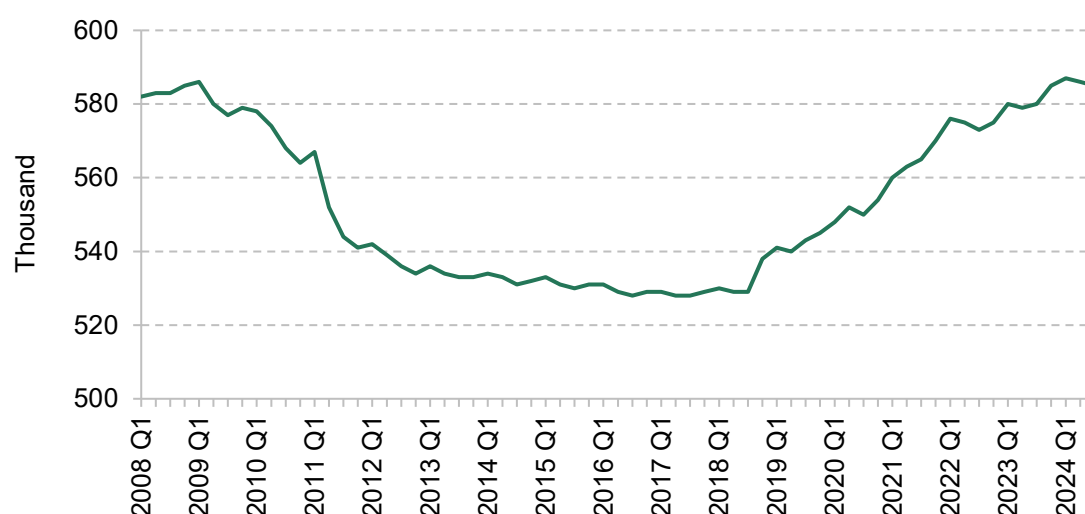
The Scottish Government’s current public sector pay policy, published in December 2024, highlights a planned 9% cash-terms rise in public sector pay over the three years up to 2027–28 (Scottish Government, 2024). The fact that – as we detail in this chapter – public sector workers are both relatively more numerous and higher paid in Scotland than in the rest of the UK has important consequences for the Scottish Government’s finances. Because of higher baseline employment and pay, the same percentage increase in public sector pay in Scotland leads to a higher increase in spending in Scotland than the equivalent increase in pay scales would generate in England. And, importantly, this is not reflected in the increases in funding the Scottish Government receives from the UK government via the Barnett formula, which are based on Scotland’s share of the UK population.

In this context, Section 5.2 presents key facts about public sector employment in Scotland compared with the rest of the UK. Using various metrics, Section 5.3 sets out how different Scottish public sector pay is, while Section 5.4 examines whether higher public sector pay is associated with higher rates of retention in the public sector in Scotland. Section 5.5 provides a brief conclusion.

## 5.2 Public sector employment in Scotland

The latest data, from September 2024, show that there were 585,000 public sector workers in Scotland. Most of these are employed by either the Scottish Government or councils, but there are around 50,000 employed directly by the UK government, most of whom work for HM Forces or the UK civil service.<sup>2</sup> Figure 5.1 shows the recent history of falls, and then subsequent rises, in public sector employment in Scotland. From a peak of 586,000 in early 2009, public sector employment fell rapidly between 2009 and 2013, reaching 536,000 in early 2013 (a fall of 9%). Since the end of 2017, public sector employment has grown significantly (including throughout the COVID-19 pandemic), by 56,000 (11%), to reach its current level, which is almost identical to the previous peak in 2009.

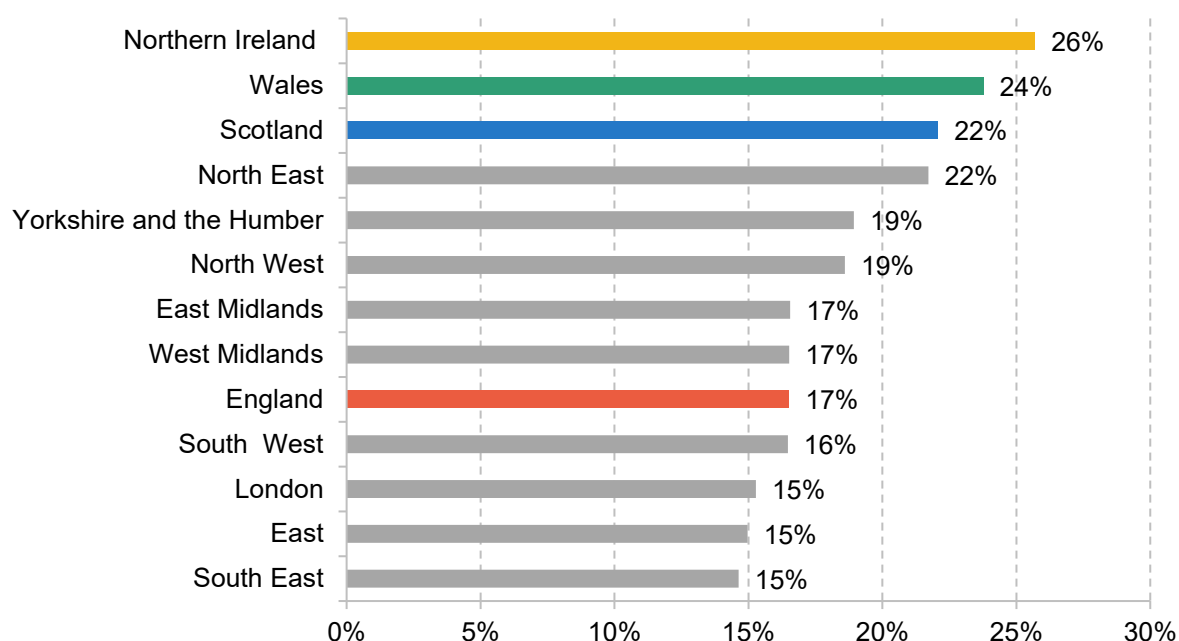
<sup>2</sup> See <https://www.gov.scot/publications/public-sector-employment-in-scotland-statistics-for-3rd-quarter-2024/>. There are various figures on the level of public sector employment in Scotland. To facilitate comparisons over time, we cite those published by the Office for National Statistics (ONS) ‘excluding effects of major reclassifications’. If we do not exclude the effects of these reclassifications, ONS statistics show public sector employment of 595,000 in September 2024. Notably, the consistent series cited in the text counts employees of the train operating companies in Scotland as private sector even though they have been reclassified into the public sector since June 2020.

**Figure 5.1. Public sector employment in Scotland (headcount)**

Note: Excludes the effects of major public sector reclassifications.

Source: ONS '[Public sector employment statistics](#)', table 6a.

Despite this lack of growth in total over a 15-year period, public sector employment makes up a larger fraction of employment in Scotland than in England. As shown in Figure 5.2, 22% of the workforce were employed in the public sector in Scotland in 2024, lower than the 24% in Wales and 26% in Northern Ireland, but higher than in England (17%) and indeed higher than in any English region.

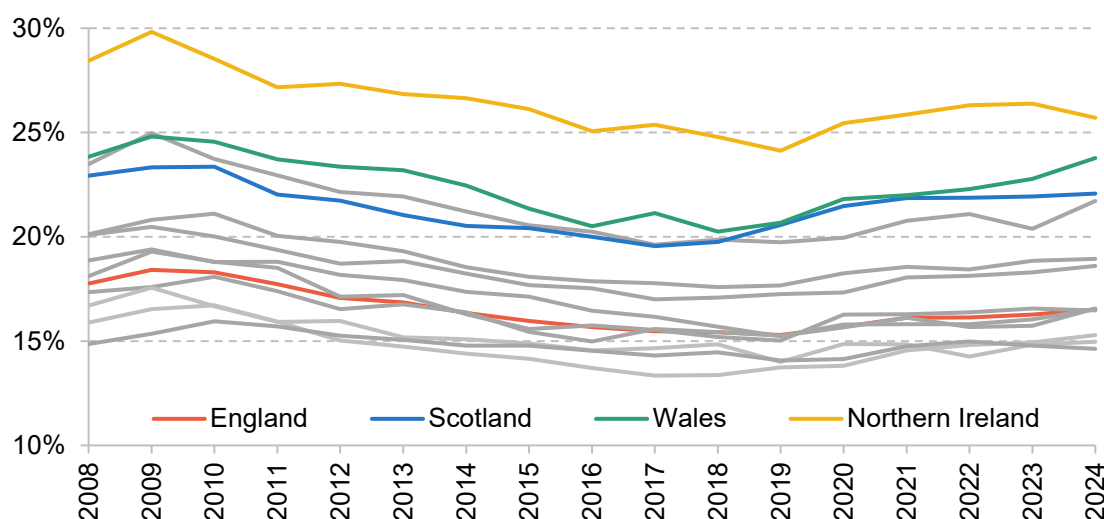
**Figure 5.2. Public sector employment as a fraction of overall employment, 2024**

Note: Excludes the effects of major public sector reclassifications.

Source: Authors' calculations using ONS '[Public sector employment statistics](#)', tables 6a and 7a.

Figure 5.3 shows how the fraction of the workforce employed in the public sector has changed in each nation and region of the UK, with the fractions for England, Scotland, Wales and Northern Ireland shown in red, blue, green and yellow respectively, and the English regions shown in grey. The graph shows that all parts of the UK have experienced the fall and then rise of public sector employment over the last 15 years. Scotland has remained – like Wales and Northern Ireland – near the top of this particular ranking. It is noticeable that the rise in the fraction of the workforce employed in the public sector between 2017 and 2024 (the period over which public sector employment has been rising) is larger in Scotland (+2.5 percentage points of the workforce) than in any part of the UK except for Wales (+2.6 percentage points over the same period).

**Figure 5.3. Public sector employment as fraction of overall employment, by nation and region of the UK (English regions shown in grey)**



Note: Excludes the effects of major public sector reclassifications.

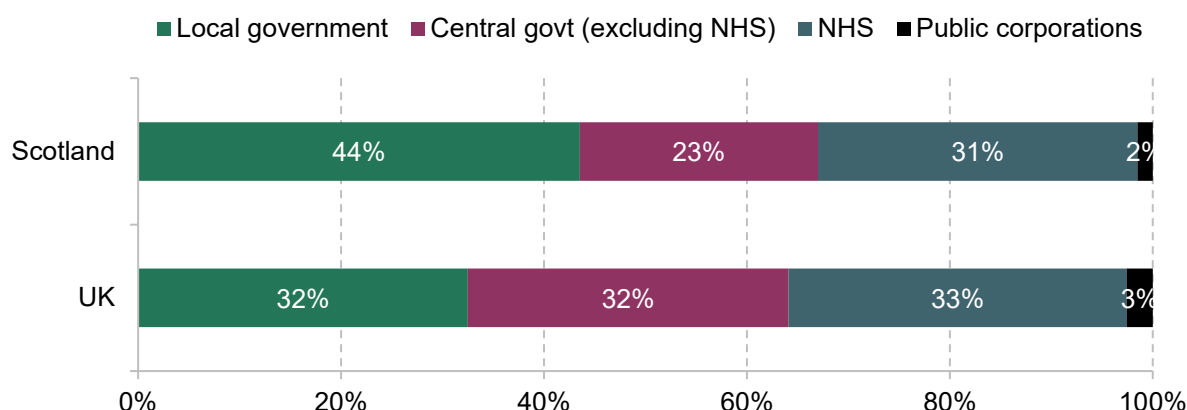
Source: Authors' calculations using ONS '[Public sector employment statistics](#)', tables 6a and 7a.

Finally, Figure 5.4 shows the composition of the public sector workforce in Scotland compared with the UK. The figures for Scotland include the almost 50,000 public sector workers who are employed by the UK government in Scotland, as well as those employed by the Scottish Government, councils and public corporations.<sup>3</sup> In both the UK as a whole and in Scotland, the NHS makes up around a third of public sector employment, though the fraction is slightly smaller in Scotland (31%) than in the UK (33%). The key difference in Scotland is that a much higher fraction of public sector workers are employed by local authorities (44%), compared with 32% in the UK as a whole. This is likely to reflect the fact that there are no academy schools or free schools in Scotland – and workers in academy schools and free schools in England are considered to be working for central government as they are not controlled by councils.

<sup>3</sup> 92% of the public sector in Scotland are employed by the Scottish Government or councils, rather than the UK government.



Figure 5.4. Composition of public sector employment, UK and Scotland, 2024Q3



Note: Excludes the effects of major public sector reclassifications.

Source: Authors' calculations using ONS '[Public sector employment statistics](#)' (tables 1 and 2) and Scottish Government '[Public sector employment in Scotland statistics](#)'.

## 5.3 Comparing public sector pay in Scotland and the rest of the UK

Comparing public sector pay in different parts of a country can be surprisingly difficult without registers of workers' earnings of the kind that exist in Scandinavia but not in the UK. This section compares public sector workers' earnings in Scotland with the rest of the UK in three ways. First, we compare pay scales for public sector workers in England and Scotland, though only for a small number of high-profile occupations. Second, we use statistics from an employer-reported survey to compare hourly pay for public sector workers in the UK and Scotland, though there is some variability due to relatively small sample sizes in Scotland. Finally, we use widely used Labour Force Survey data on public sector workers to estimate how different public and private sector pay are from each other in different parts of the country, including Scotland. This set of evidence allows us to draw a comprehensive picture of patterns and trends in public sector pay in Scotland.

Although pay scales can often be hard to compare across jurisdictions, NHS pay scales tend to be regimented and operate on a similar system (known as 'Agenda for Change') in England and Scotland. In addition, in teaching there is a clear 'bottom rung' in both nations – newly qualified teachers in England and probationers in Scotland. Table 5.1 therefore compares pay at the entry point to several NHS pay bands, and newly qualified teachers in England and Scotland, as well as showing the levels for the 'London fringe' – council areas surrounding London that are notable for having a relatively high cost of living.

**Table 5.1. Annual full-time salaries for specific points on public sector pay scales, 2024–25, in England, Scotland and the London fringe**

	England	London fringe	Scotland	Scotland as a share of England
	(£ per year)			
<b>NHS (Agenda for Change)</b>				
Band 2 (healthcare assistant)	23,615	24,873	24,647	104.4%
Band 5 (newly qualified nurse)	29,970	31,469	31,892	106.4%
Band 7 (ward manager)	46,148	48,270	48,788	105.7%
<b>School teachers</b>				
Newly qualified teacher	31,650	33,075	33,594	106.1%

Note: Pay scales for Agenda for Change staff show the entry point to each band. Newly qualified teacher salary compares probationer scale point in Scotland with M1 on the main teacher scale. 'England' refers to England outside London and its 'fringe'.

Source: Agenda for Change – <https://www.nhsemployers.org/articles/pay-scales-202425> and <https://www.msg.scot.nhs.uk/wp-content/uploads/PCSAFC2024-5-Pay-for-Agenda-for-Change-Staff.pdf>. School teachers – <https://www.nasuwt.org.uk/advice/pay-pensions/pay-scales/pay-scales-england.html>, <https://www.nasuwt.org.uk/advice/pay-pensions/pay-scales/pay-scales-scotland.html> and <https://www.nasuwt.org.uk/advice/pay-pensions/pay-scales/pay-scales-fringe-outer-london-and-inner-london.html>.

The table shows that entry points to NHS pay bands, and pay for newly qualified / probationer teachers, are around 4½–6½% higher in Scotland than the main scales in England. In the selected occupations at least, NHS pay in Scotland is very similar to that in the (high-cost-of-living) areas of the London fringe. Pay scales are, unsurprisingly, higher in London where the cost of living (in particular housing) is considerably higher, even compared with the 'London fringe'.

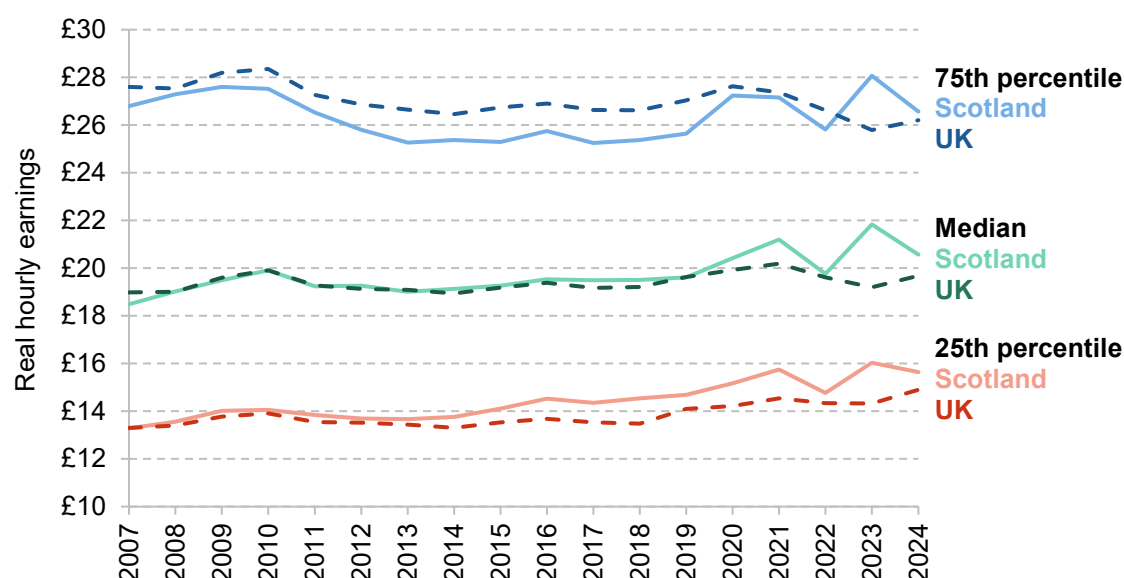
Figure 5.5 goes beyond a small number of occupations and shows changes in the distribution of hourly public sector pay in Scotland, and the UK as a whole, based on data from the Annual Survey of Hours and Earnings, an annual survey completed by employers.

The first takeaway from Figure 5.5 is that hourly public sector pay was higher in Scotland than in the UK at all three points of the distribution we analyse in 2024 (the 25<sup>th</sup> percentile – relatively low-paid employees; the median (middle); and the 75<sup>th</sup> percentile – relatively well-paid employees). For both low-paid workers (25<sup>th</sup> percentile) and at the median, public sector pay in Scotland was 4½–5% higher in Scotland than in the UK as a whole. The gap higher up the

distribution was smaller (1½% at the 75<sup>th</sup> percentile).<sup>4</sup> Looking at the trends over time, median hourly public sector pay was fairly similar in Scotland and the UK as a whole until around 2019, after which a gap emerged. At the 25<sup>th</sup> percentile, public sector pay in Scotland overtook that in the UK much earlier; in fact, it has been higher in all years since 2008, though the gap has widened in recent years. Hourly public sector pay at the 75<sup>th</sup> percentile was higher in the UK than in Scotland in all years until 2023. All these are consistent with the prioritisation of increases in public sector pay scales in Scotland in recent years compared with the rest of the UK.

Figure 5.6 shows growth in real median hourly earnings since 2007. In both Scotland and the UK as a whole, private sector pay fell sharply following the 2008 financial crisis, while public sector pay performed better (particularly in Scotland). From 2013, private sector pay started to recover, with this recovery somewhat stronger in Scotland.

**Figure 5.5. Median, 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of real hourly earnings for public sector employees in Scotland and the UK**

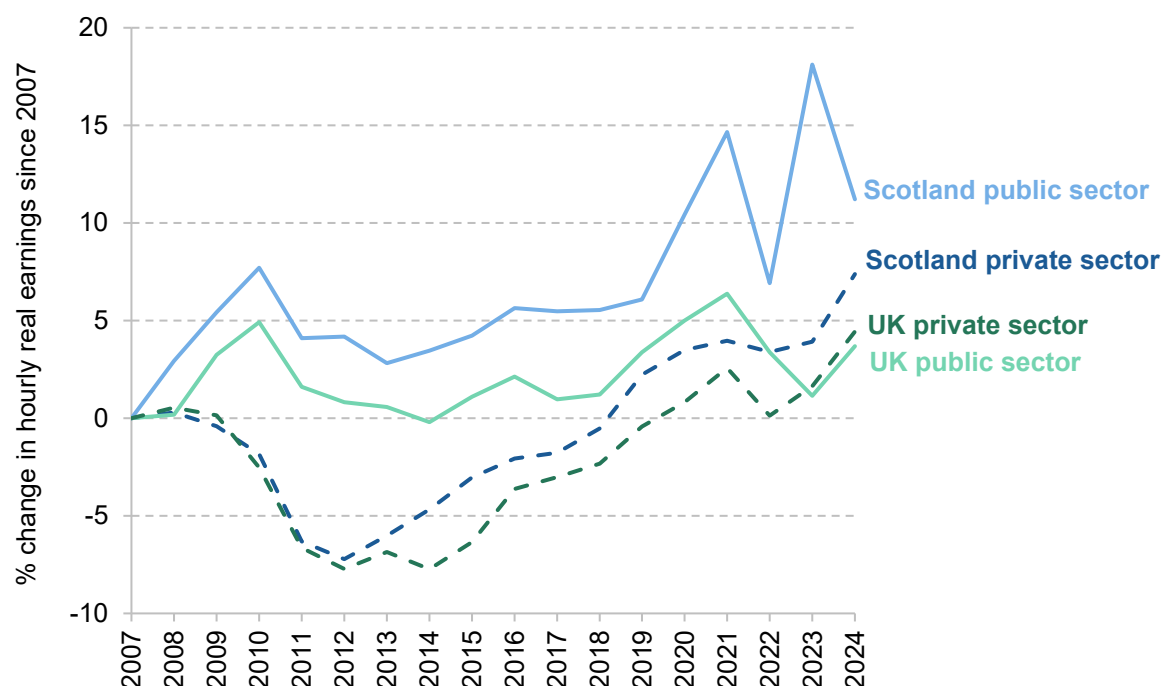


Note: Data measured in April of each year. The UK series include Scotland. All series are deflated using monthly CPIH and expressed in April 2024 prices.

Source: ONS dataset 'Earnings and hours worked, UK region by public and private sector: ASHE table 25'.

<sup>4</sup> These figures show that there is lower pay inequality in Scotland than in the UK as a whole. Figure 5A.1 in the appendix shows this by plotting the ratio of the 75<sup>th</sup> percentile of hourly earnings to the 25<sup>th</sup> percentile of hourly earnings over time, separately by sector for Scotland and the UK. By April 2024, the 75<sup>th</sup> percentile of hourly public sector pay was 70% higher than the 25<sup>th</sup> percentile in Scotland, while the difference was 76% in the UK as a whole. In both, pay inequality is also greater in the private sector than in the public sector, although both parts of the country have experienced reductions in private sector pay inequality.

**Figure 5.6. Changes in real median hourly earnings per worker for public and private sector employees in Scotland and the UK, relative to 2007**



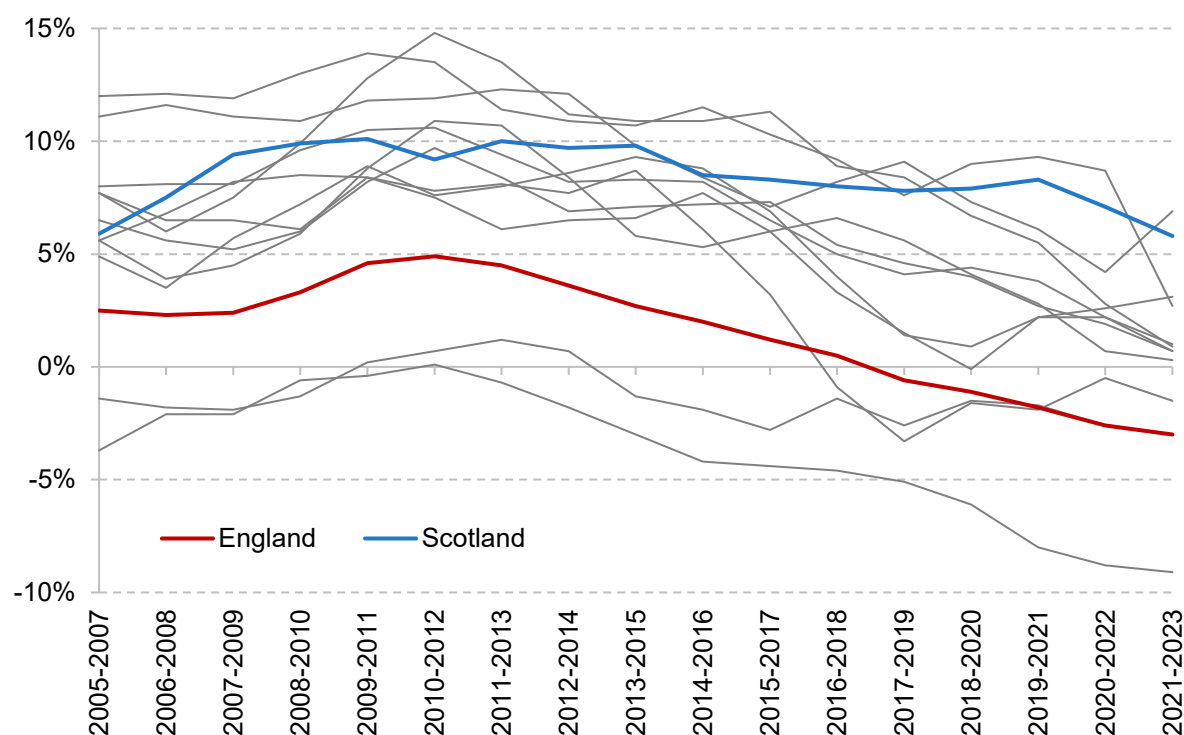
Note: Data measured in April of each year. All series are deflated using monthly CPIH and then compared with April 2007.

Source: ONS dataset '[Earnings and hours worked, UK region by public and private sector: ASHE table 25](#)'.

Notably, since 2019, median public sector pay has grown significantly more quickly in Scotland than in the UK as a whole – with pay growing by 5% in Scotland from 2019 to 2024, compared with no growth in the UK as a whole. As a result, from 2007 to 2024, median real hourly public sector pay grew by 11% in Scotland, compared with less than 4% for the UK. Growth in hourly pay in the public sector outpaced private sector pay growth in Scotland, as median real hourly private sector pay grew by 7%. In the UK, there were similar increases of just 4% in both public and private sectors.

Especially over 15 or 20 years, changes in pay could potentially reflect changes in the composition of the workforce in different sectors or parts of the country. To see how public and private sector pay evolved compared with each other in each part of the country, controlling for compositional change, Figure 5.7 shows the hourly pay differential between the public and private sectors across the UK controlling for workers' characteristics, such as age, sex, education and experience. The series for England and Scotland are shown in red and blue respectively, with the series for Wales, Northern Ireland and the regions of England shown in grey.

Figure 5.7. Public sector pay differential, for Scotland, England and other UK regions



Note: The differential is calculated controlling for age, education, experience and region, all interacted with sex, and interactions between education and experience. Figures are for hourly pay and exclude employer pension contributions. All series are three-year rolling averages.

Source: Authors' calculations using the Labour Force Survey.

The graph shows that in recent years (2021–23), Scotland has had the second-largest public sector pay differential (5.8%) in the UK (following that in the north of England). Scotland was not as high up the ranking prior to the financial crisis (2005–07), nor in any of the years up until the mid 2010s, when this public–private pay differential was much more similar to those in many English regions. The public–private pay differential in Scotland was essentially the same in 2021–23 as in 2005–07. In contrast, in England on average this measure of the public–private pay differential fell from +2.5% in 2005–07 to –3.0% in recent years, and indeed it has fallen in every English region over this period.

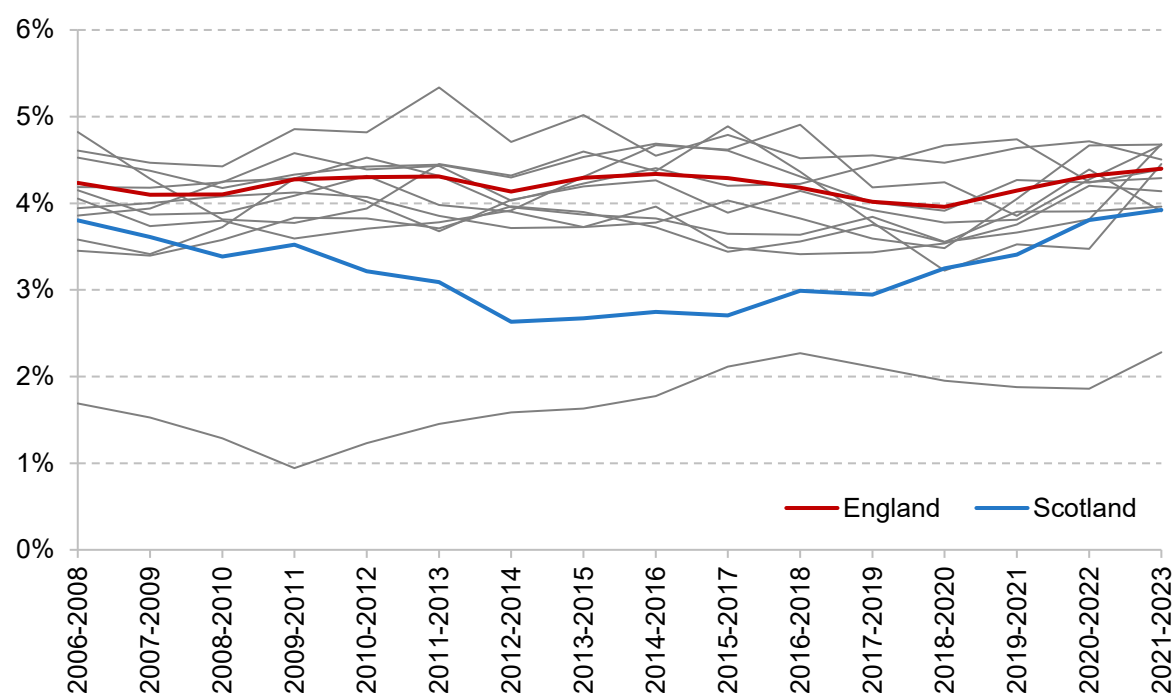
Overall then, public sector pay is higher in Scotland than in the rest of the UK, with median pay in the public sector in Scotland almost 5% higher than in the UK as a whole. Similar differences are found when comparing the pay scales of NHS workers and starting teacher salaries. These differences between Scotland and the rest of the UK have opened up in particular in the years since 2019.

## 5.4 Retention in the public sector in Scotland

A key potential rationale for increasing public sector pay is to improve recruitment and retention of staff, as well as motivate them to help deliver high-quality public services. Recent work at IFS has summarised that, in England at least, there have been signs of recruitment and retention problems in a number of public sector occupations, including teaching and the police (Cribb, Domínguez and McKendrick, 2024).

Without the detailed data available to public sector employers (or Pay Review Bodies) themselves, it can be hard to judge the extent of these problems. However, we are able to observe changes in retention in public sector jobs in publicly available data from labour market surveys. Retention in the public sector is important not only because losing key staff can disrupt work, but also because of the cost of recruiting new staff.

**Figure 5.8. Percentage of public sector workers leaving the public sector over the course of three months: Scotland, England, and other regions and nations of the UK**



Note: The part of the UK with the lowest fraction of public sector employees leaving the public sector is Northern Ireland.

Source: Authors' calculations using the two-quarter longitudinal Labour Force Survey, 2006 to 2023.

Figure 5.8 shows the fraction of public sector workers who leave the public sector over the course of three months, as measured in the Labour Force Survey. The graph shows how this has changed over time and in different parts of the country. Note here that if an individual leaves their public sector job (e.g. in a state school) and immediately moves to another public sector job

(e.g. in a different state school), that is *not* counted as ‘leaving the public sector’. So, the lower the rate of leaving the public sector, the higher the retention of employees in the public sector as a whole. In the latest data (covering 2021–23), the fraction of public sector workers leaving over the course of three months was 3.9% in Scotland, compared with 4.4% in England. This leaving rate is lower than in most other parts of the country except Northern Ireland. However, there is no evidence of the retention of Scottish public sector workers improving during the period in which pay has been increasing in Scotland relative to the rest of the UK, though pay is far from the only determinant of job retention. Indeed, if anything, retention has fallen (with the leaving rate rising), both in absolute terms and relative to England.<sup>5</sup>

Therefore, we do not see higher retention in public sector occupations in Scotland that could be straightforwardly linked to higher public sector pay in Scotland. This is not to say that there are not necessarily other potential benefits to public services from higher pay for public sector workers in Scotland in terms of recruitment and/or motivation. However, it does suggest that, given the cost of increasing public sector pay scales across the board, it would likely be wise to target increases in pay scales at the parts of the public sector where recruitment, retention and motivation issues are most keen, and where additional pay may help to resolve them. In addition, given the spending involved in increasing public sector pay, the Scottish Government should undertake, or commission, research into the impacts of its higher public sector pay policies.

## 5.5 Conclusion

The public sector workforce in Scotland has grown significantly since 2017, recovering the level last seen in 2009 and now comprising 22% of the total workforce – higher than in any English region but lower than in Wales and Northern Ireland. Pay for public sector workers is also relatively high compared with other parts of the UK, with median hourly wages around 5% above the UK average for the public sector. This reflects larger increases in public sector pay scales since around 2019 compared with the increases implemented by the UK government, Welsh Government and NI Executive. It is notable that Audit Scotland and the Scottish Fiscal Commission have both commented on how pay rises in 2023–24 in particular and to a lesser extent in 2024–25 exceeded those suggested in the Scottish Government public sector pay policies for those years, putting pressure on Scottish public finances.

The higher levels of public sector pay present a fiscal challenge for the Scottish Government, especially if it wants to align with (or exceed) the pay increases implemented by the UK government while starting from a higher baseline level of both employment and pay. We have

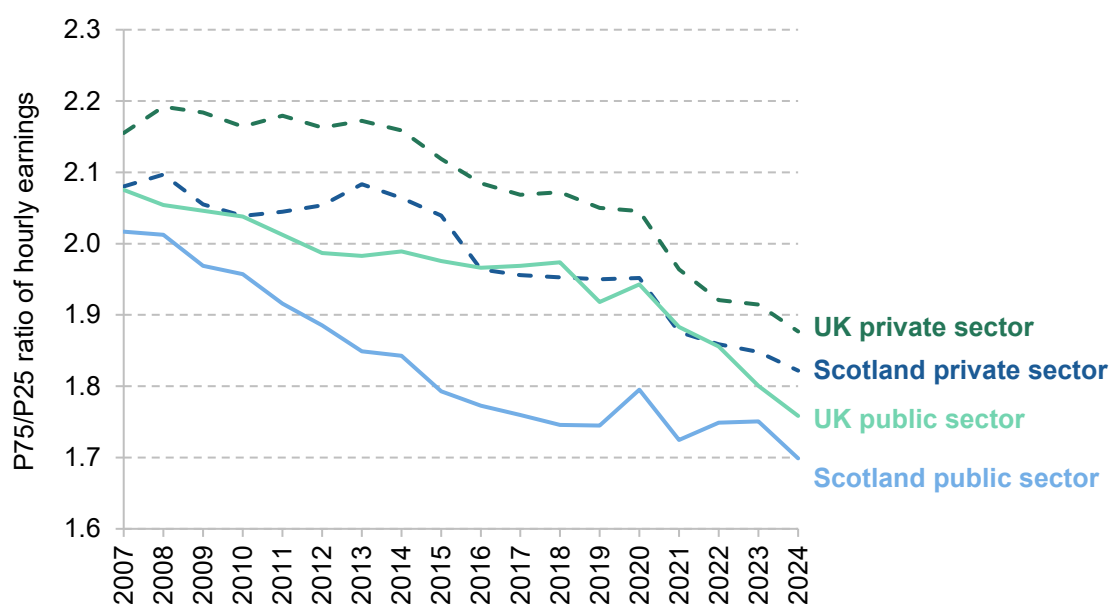
<sup>5</sup> Figure 5A.2 in the appendix shows that these differences in trends between Scotland and England do not reflect very different trends between the two nations in retention in private sector jobs, as retention by private sector employers has seen very similar trends in England and Scotland.

not identified any clear trend in retention in the public sector in Scotland that could plausibly be related to higher pay. There may well be other effects that are hard for us, as analysts outside government, to observe. In addition, the Scottish Government's public sector pay policy explicitly includes distributional concerns, encouraging employers to consider a 'progressive approach to pay', highlighting that delivery of public services is not the only consideration when setting pay (Scottish Government, 2024).

Whether or not these pay rises have had positive effects on public service delivery to date, given the cost of across-the-board pay rises the Scottish Government should consider targeting pay rises strategically, focusing on occupations where recruitment and retention challenges are most acute. As with its income tax policies, which have increasingly diverged from those in the rest of the UK, it should also commit to evaluating the impact of its public sector pay policies on recruitment, retention and productivity, making data available to researchers as necessary.

## Appendix 5A. Supplementary figures

**Figure 5A.1. Ratio of 75<sup>th</sup> percentile to 25<sup>th</sup> percentile of hourly earnings for public and private sector employees in Scotland and the UK, over time**

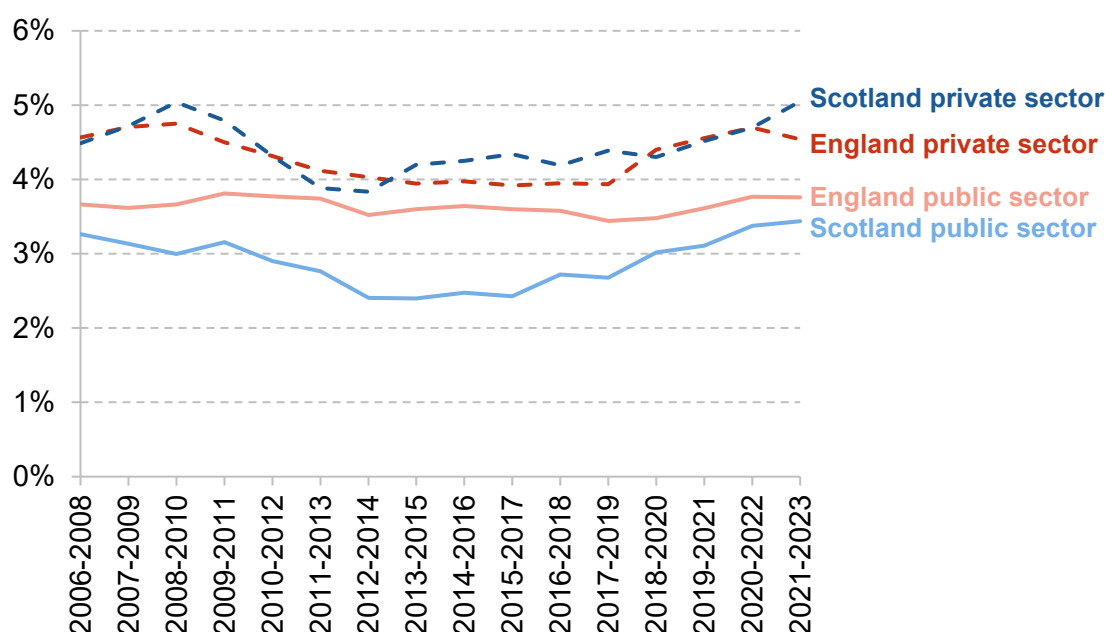


Note: Data measured in April of each year. All series are deflated using monthly CPIH.

Source: ONS dataset '[Earnings and hours worked, UK region by public and private sector: ASHE table 25](#)'.



**Figure 5A.2. Percentage of public and private sector workers who cease working for their sector over the course of three months: England and Scotland**



Source: Authors' calculations using the two-quarter longitudinal Labour Force Survey, 2006 to 2023.

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