

Public sector pay – lets have pay rises with productivity rises

Some people in the public sector deserve a pay rise. Some parts of the public sector need more money to pay for the services they provide. They will receive more, though as always there be arguments about how much more. Tax revenue will go on rising without increasing tax rates, all the time the economy grows.

Some parts of the public sector have done particularly badly at improving quality and efficiency. There is considerable scope for people to work smarter, and to benefit from the wider application of digital technology.

The way to square the circle of wanting people to be better paid, but wanting to keep the overall costs down, is to boost quality and output without having to add to staff numbers, or without in some areas having to replace all those who retire or leave.

I will be looking at how public sector management can be improved, with higher quality services at an affordable price, in blogs this summer. A crucial part of getting progress is a better motivated and better paid workforce that benefits from improvements they help implement in service quality and cost of delivery.

In the current national debate we are offered a silly choice. Do we with Labour want to raise the cap and pay people more with no regard to the consequences for taxes and borrowing, or do we with Treasury orthodoxy want to keep the pay cap in place to control public spending and keep the pressure to cut borrowing?

I recommend following neither of these choices. Let's have some pay rises. By all means await the Independent Pay Reviews who will assess pay against the background of supply and demand for labour, living standards and past price increases. Let's at the same time prepare plans for how to raise quality and productivity in each service, and engage staff in ways that lead to their promotion or higher remuneration.

In the private sector a "something for something" deal is usual over pay. I want better paid staff and affordable services and think we should be able to deliver both. It is most worrying that public sector productivity has been stagnant this century, despite the huge breakthroughs with digital technology.