

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.

How can I make a difference to the green agenda?

A young constituent graduate came to see me to ask how the government and I can guarantee that we will look after the environment. He sought the usual assurances which I could give that all EU environment laws will be translated into UK law by the Brexit Act. Thereafter improvements will be made only following extensive Parliamentary debate and votes. He also wanted to know what the government was doing about transport and power generation, as he feared the emissions from these sources.

I explained that the government has undertaken a substantial programme of coal fired power station closures and has intervened heavily in the market to get more wind power and new nuclear. This will of course entail dearer electricity, which transfers energy using industry to other countries at our expense. I myself think we need to combine better fuel saving with cheaper power to help create and sustain industrial and agricultural jobs here in the UK. The government is currently proposing legislation to facilitate more electric cars, is promoting electric and intelligent technology for vehicles, and wants the UK to be a leader in green technology businesses. I would also like us to make more of our own goods and grow more of our own fruit, vegetables and flowers around the year.

He was still concerned and wanted to know what he could personally do. I suggested as a graduate chemist with a current job in an engineering business he should see if he could join or set up a green business that supplies us with things we want. The way to conserve fuel is to sell a range of products and services to us to cut fuel use in our homes. It is to promote fuel saving components in our vehicles, and to concentrate on reducing dirty emissions which are causing air pollution. Much green development is commonsense. I want a more fuel efficient car. I want a better insulated home. I want a more fuel efficient boiler. I welcome fuel saving appliances as long as they work well. There is much more we can do within existing technology, and scope for many more technical advances.

This was not the answer he was expecting. He said he had more in mind campaigning for a greener world. I said I did not think we were short of politicians and green campaigners urging us to use less fuel. I thought what we were short of was practical business people helping us in our homes and cars to save energy and cut our bills. Anyone with a business model that could do that would help customers and save the planet at the same time. I did point out the one big thing as a politician I am trying to do to protect some of our green environment is to promote new trains and signals that would give us a big expansion of train capacity without having to build new train lines. The danger of some green legislation is it can drive energy using business offshore and raise our cost of living without achieving at global level the stated aim of the policy. We want smart energy use, not dearer energy.

UK's establishment tries to undermine UK Brexit position again

I read today criticisms of the PM's sensible approach to Brexit talks from a former senior civil servant in the Brexit department. He thinks the UK should concede on ECJ jurisdiction as if we were to remain a member state under their control when we left! Why do some people in the UK establishment just want to take dictation from Brussels and want to undermine the generous and good offer the UK is making?

I also hear some in business thinks the needs of the City are being ignored. Of course they are not, but the needs of the nation as a whole drive our offer. The City is well looked after within that.

Muddled messages from Central Banks

This week the ECB seemed to hint that Euro rates might have to rise and bond buying be reined in given the uptick in inflation and some recovery in activity. The Euro strengthened, then the ECB seemed to stress again continuing easy money and negative rates.

Meanwhile the Bank of England Governor said UK rates would stay low, only to be followed by his Chief Economist arguing that we might need an earlier rise. This led to a revised view from the Governor not ruling out some earlier rise. The pound rallied more against the dollar as a result. The pound has now risen 8% against the dollar from the low. All those who think UK inflation is driven by sterling will presumably now revise their inflation forecasts down, though they do not do so noisily as they did when the pound was falling.

Does any of this matter? Yes it does. Markets which determine mortgage rates and other real world matters have been unsettled by wobbly guidance from mighty institutions that have great impact on the rest of us. They need consistent and clear guidance, as the Fed successfully gave in the run up to its rate rises, and is now seeking to give in its wish to cut back the amount of created money and bonds it holds.

The Bank of England wants to cut personal borrowing in general and car loans in particular. This is seeking cuts and tightening before the recovery is well advanced. It comes on top of the damage the large increases in VED on dearer cars have caused, and the adverse impact of high Stamp duties and Buy

to let changes on the housing market.

It has been a good couple of weeks for those of us who think the main determinant of currency moves is actual and expected interest rate differentials, not Brexit. The UK authorities are tightening prematurely, so expect less inflation and a bit less growth as a result. With expanding numbers of jobs, a short term spike in inflation and more growth to come allowing current levels of consumer borrowing would be a sensible approach. Just as the Bank tells us it is looking through the inflation spike, so should consumers who have jobs.

Why No deal will work fine

The latest scare stories doing the rounds seek to suggest that the UK could not trade successfully with the rest of the EU from outside the single market and customs union if there is no deal. I have explained in general terms why I think this is wrong, but there is still some demand for more detail. I will supply it. It is always difficult tackling nonsense, as there are no limits to the amount of nonsense you have to tackle. I am choosing the most common examples.

1. “Planes will not be able to fly to and from the continent and the UK the day after we leave, as there will be no Air Services Agreement in place” say some gloom mongers. Many air travel routes carry on daily around the world without a formal Air Services Agreement. All you need is a landing permission in the airport you are going to, and you need to get a flight path from air traffic control in controlled space. If there is no deal then the UK will of course allow EU carriers to continue with the landing slots they currently have, and the rest of the EU will do the same for UK carriers. The EU will not want to ban plane loads of UK tourists and other visitors from going to their countries and will not want to lose the landing revenues at their airports.

2. “The need for customs clearance will mean massive queues at our borders, with disruption to the supply system for the UK” argue some pessimists. Both the EU and the UK as a member of the EU are currently putting in new streamlined customs procedures to handle third party imports. These will work fine for rest of EU goods as well if necessary. Under customs simplified procedures for freight there is already a system of electronic registration of consignments, with the ability to undertake customs clearance at the importers premises once the goods have been successfully delivered. The EU will want decent procedures on the UK side of the channel as they export so much to us, including big volumes of perishable agricultural products.

3. “The need for products to comply with EU rules will hold up movements of goods” say some negative commentators. At the moment all UK goods exported to the EU conform with EU rules anyway. In future there is likely to be be

mutual recognition of each other's standard granting bodies, as with non EU country trade. There can also be continuity of the current system of self certification by manufacturers of the standards and specifications of their products. The EU will want this for their exports to the UK. None of this need physically hold up goods crossing borders, where electronic documentation will have been filed in advance and cover all necessary details about consignments.

4. "Complex supply chains will incur tariffs that make Assembly of components from different sides of the Channel uneconomic" say those who often have never run complex supply chains. Most components are zero rated for tariff if they are included in a good which attracts a tariff on final sale, or of course for a good which is rated at zero tariff. Some components do attract low level tariffs which are more than offset by the fall in sterling against the Euro. I have never experienced difficulties in bringing in components from non Eu sources in my past life with manufacturing companies.

5. "Rules of origin" will be too difficult to sort out in time" say some anti Brexit people. Rules of origin work fine for non EU trade, with a system of self certification of origin available.