

The productivity collapse in the public sector

The ONS put the loss of productivity at 6.5% 2020 to 2023. The Treasury say we lost £20 bn that way. It looks more like £30 bn.

How did it happen? There was of course a loss of productivity in schools when they were shut for Covid, but that bounced back when lockdowns ended. There was a loss of output in the NHS when many dedicated staff worked hard and at risk fighting Covid but other NHS activities were paused or reduced to avoid cross infection. That too bounced back.

What stayed was the large recruitment of extra civil servants and public sector administrators across many departments and public bodies. No resource was spared in fighting the pandemic, but normal business did not resume thereafter. Civil service numbers rose from 445,480 in 2019 to 519,780 by 2023, an increase of 74,300 or 17%. Total public administration numbers rose by a fifth to 1.2 million.

I tried to get the government to slim administration back down to 2019 levels by imposing a recruitment freeze on new employees from outside the public sector. That way no one would be sacked, and employees would gain more promotion opportunities. Every time someone left to retire or take a job elsewhere the management would decide whether they could eliminate that post, or promote someone into it whilst eliminating theirs. They could be guided by the staffing numbers and organisation chart for 2019 in where they were trying to get to, adjusted to any changed priorities. Only a few Ministers insisted on this. The government as a whole was persuaded to try to do one in one out, which of course does not restore lost productivity. I expect the new government will drop any idea of trying to get back up to 2019 levels of achievement.

Many large government functions like welfare benefits and grant allocation can be done with fewer people and more use of the many computers the state owns. Why isn't this happening?