

The public sector productivity flop

The Covid lockdowns were too long and too extreme. I worked with the Mark Harper group of Conservative MPs to challenge the policy and propose less damaging ways of keeping people safe from the virus, with limited success.

I then watched in horror at the extreme volatility of output, employment and incomes that resulted, and at the colossal public sector costs to offset the collapse of many business activities.

It became clear that whilst many private sector activities rebounded quickly on the ending of lockdowns, public sector productivity did not. It took a massive 7.5% hit according to ONS figures looking at Labour productivity. I drew Ministers attention to this and persuaded them that they needed to review with their officials how this big loss could rapidly be repaired, The loss was great in the NHS where much non Covid work had been abandoned owing to the decision to put Covid cases into District General hospitals, creating cross infection control difficulties. Not enough use was made of the private sector hospital capacity the taxpayers were paying for and practically no use of the Nightingale special hospitals.

Ministers were told that the coming of AI did present useful opportunities to raise productivity but it would take substantial investment, and many months to draw up the specifications for procurement and to see where AI could go. I countered by pointing out we did not need to wait for any investment in AI to get back up to 2019 levels of productivity, because there was no AI in 2019 and yet the government did hit higher levels of productivity then. Eventually Ministers settled for a possible £20 bn of productivity gains spread over a long period with the need to spend to save. The actual loss on the original ONS figures was more like £30 bn. Official figures were subsequently altered, as we were living through a period of experimentation and change with all sorts of official figures to make it difficult to see consistent series and to effect comparisons over time. The balance of trade figures were changed substantially as well as productivity numbers.

I suggested a simple device to get the lost productivity back a bit quicker. I proposed a complete staff freeze on external recruitment for non front line staff. Each time someone retired or left employment the post should be reviewed to see if it was one to abolish, amalgamate or fill from an existing staff member. Ministers ended up agreeing a one in one out approach to stop further rapid expansion of numbers such as we saw across the Covid period, with a few exceptions like Steve Barclay at DEFRA who did go for a freeze.

The state recruited far too many extra administrators and policy advisers over the last five years. This big bulge in recruitment led to a plunge in productivity. There is also the issue of working from home. Some of us for some of the time can be more productive at home, often giving travel time to the job as well. However it is important to go into the office regularly and to attend important meetings in person. Staff need to interact, to mentor,

assist and socialise their ideas which are all easier in an office environment. Quite a lot of jobs require daily attendance at a workplace to serve the public, supervise the machinery and train and direct staff.