What are the long-term effects of public sector reforms in the UK?

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ILO-EC conference June 2012
Anticipated effects versus the evidence to date

• The UK government anticipates that public sector reforms will contribute towards:
  • Rebalancing the economy/ a new growth model
  • Re-engineering public services to improve value-for-money and innovation
  • Correct ‘privileged’ pay and employment conditions
  • Regeneration of local economies and local citizenship (“Big Society”)

• The evidence to date suggests likely effects include:
  1. Longest period of economic depression since the 1930s
  2. Lower public spending (% GDP) than the United States
  3. New risks of rebalancing only through privatisation
  4. Increased wage inequality
  5. Increased regional inequalities
  6. Impoverishment of social dialogue
Fast, front-loaded fiscal consolidation since mid-2010 contributes to longest economic depression in 100 years (longer than the 1930s)
System redesign – Can the UK rebalance its economy through privatisation and procurement?

• Cost savings?
  ▫ Market discipline, market benchmarking and flexible tariffs
  ▫ But:
    ▫ over-emphasis on labour costs
    ▫ poor government procurement expertise
    ▫ difficult to assess quality value-added

• Innovation/modernisation?
  ▫ Access to private capital and private sector expertise
  ▫ Modern supply chains, leading technologies
  ▫ But:
    ▫ Expertise depends on smooth transfer of public sector employees
    ▫ Private sector management practices not always appropriate
What will be the effect of reduced public sector employment on wage inequalities?
- ‘normal’ wage distribution in public sector but skewed to the left in private sector
- expect increases in low pay incidence and the gender pay gap
Spending cuts are much worse for urban and deprived localities

- Change in revenue 2010-11 to 2011-12 by level of deprivation

Source: Hastings et al (2012: figure 1)
Impoverishment of social dialogue

• Spending cuts challenge the trade union heartlands
  ▫ 62% of union members in public sector (up from 52% in 1995)
  ▫ Job cuts will disproportionately reduce union density

• Limited role for social dialogue during crisis:
  ▫ No role in shaping government fiscal policy
  ▫ No role in implementing pay freezes
  ▫ Some role in negotiating pension reforms
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