

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

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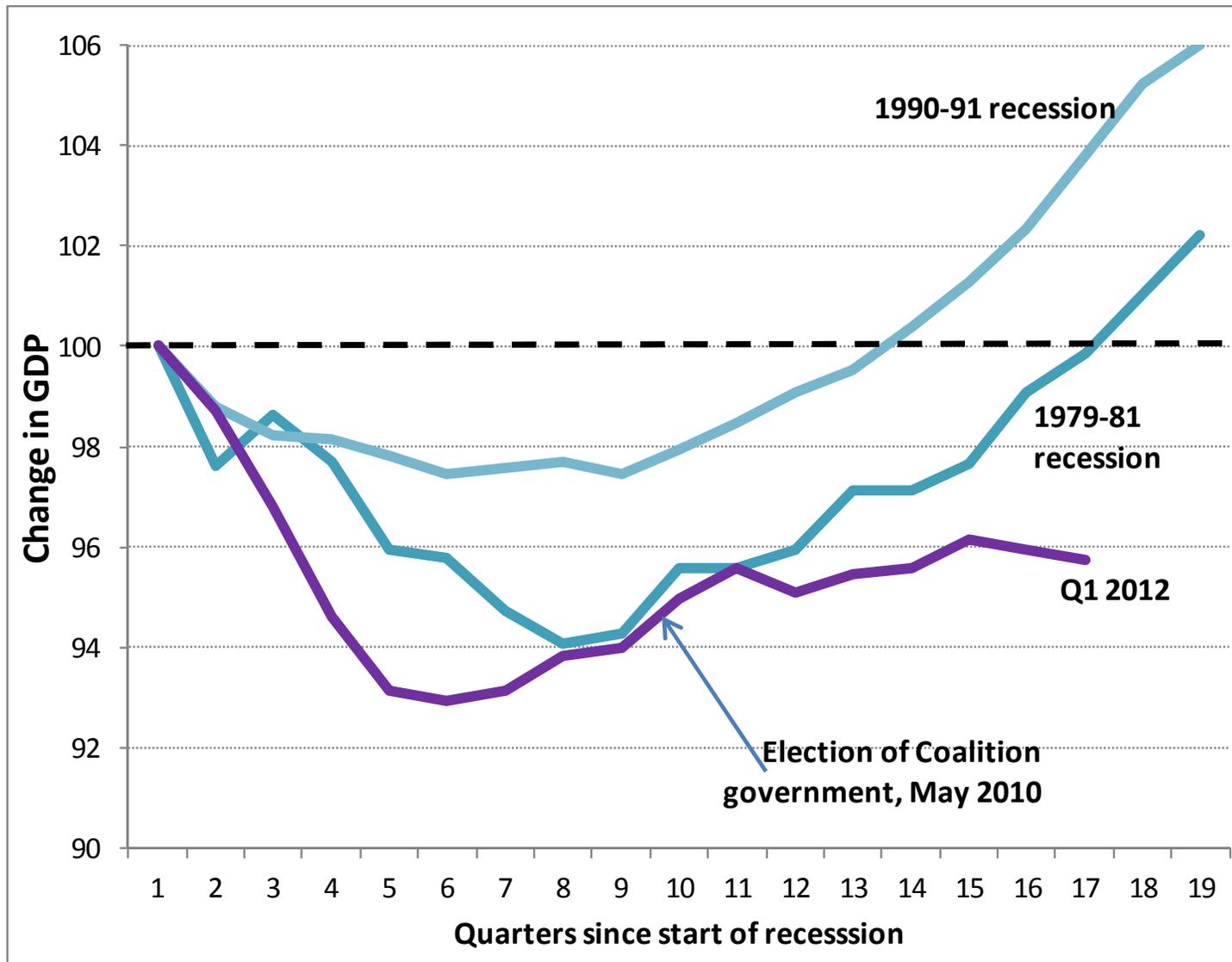


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# Anticipated effects versus the evidence to date

- 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)

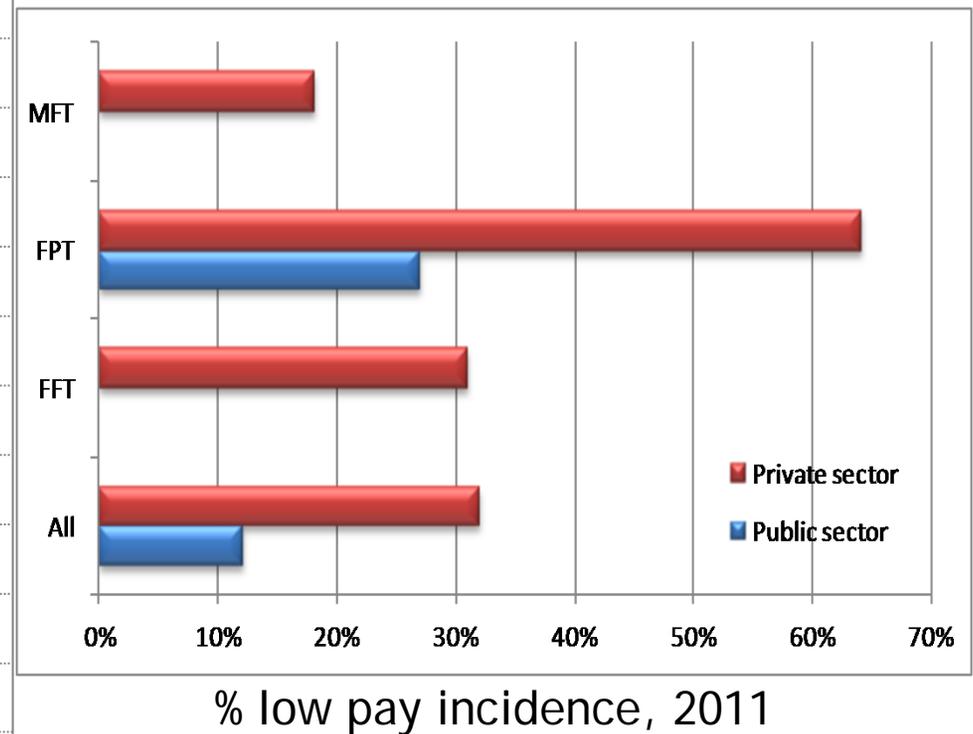
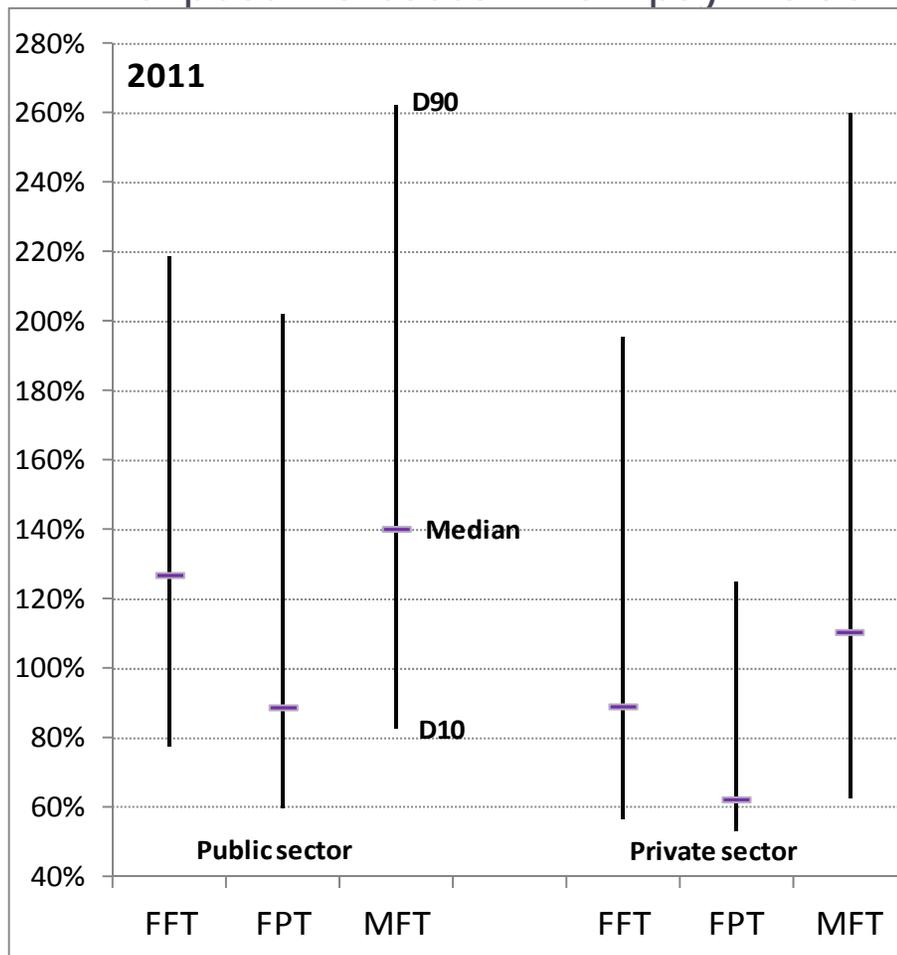


# System redesign - Can the UK rebalance its economy through privatisation and procurement?

- 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

