

Public Sector Wage Demands

Written by Chris Blyth

Monday, 27 September 2010 22:07



So the Public sector Unions are agitating again for a pay increase for their members. They have clearly forgotten (or are willing to ignore) the economic problems of a government which has had a big slice of its anticipated VAT income snaffled by the UK – and, meanwhile, we have ever increasing demands on government expenditure, with education, the health service, old age pensions etc all suffering minor salami slices in government spend, and Ministers (you would think) desperately trying to balance their departmental budgets. Every 1% increase in wages takes £3million out of the total government budget – and away from public services – and hence the problem.

I suspect that the Public Sector Unions will be disappointed to learn that the wider public may not be very supportive of their demands given external factors such as a difficult (if not actually stagnant) economy, and our expectations of government services which become ever more unaffordable if the money gets spent on inflated wages. The public will be even more lacking enthusiasm when they learn that government worker productivity hasn't improved in the past 15 years, that the average public sector worker takes nearly double the days off for "absences" that the private sector does (with DAFF and DOT the worst at 15 days "absences" per year) and generally a significantly higher salary and benefits (particularly pensions) package than their private sector equivalents, and all for a somewhat shorter working week.

In the private sector, facing such difficulties, the answer would be cost cuts, the maximising of "value for money" (the "biggest bang for every buck spent"), natural wastage of the labour force, a voluntary redundancy programme, and ultimately a forced redundancy programme.

Just this week, there has been a report published that suggests a significant number of UK Government workers would be willing to accept a 5-10% CUT in pay to preserve their employment – but this is in the context of a UK Coalition Government determined to make inroads into a major financial deficit – and a workforce facing major budget cuts, and a genuine "reality check". The manx government has no such option, Mr Brown having made clear his reluctance to contemplate cutbacks in government employment, and having decided to live off the reserves for the next few years. So the Unions know there is no downside – Mr Brown will:

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EITHER bow down and pay up, using our money to do it. And those aspirations for service enhancements, a little extra to go into Old Age Pensions, to fund school activities, or for social services – forget it. The money will already have been spent...

OR Mr Brown can face down the Unions, let them threaten industrial action, let them go on strike, and ultimately let it go to arbitration – when the workforce will likely win another £200 “one-off” payment (at a cost to the taxpayer of 'only' another £2 million).

The fact that there is a general election next year looks likely to influence his decision..... whether to upset the 20% of the workforce who work in government, or the 80% who are in the private sector, many of whom are already pretty fed up with the poor performance of his government, which has lacked real leadership, and which has preferred to sit on its hands and hope that such problems will go away...but which could now face a “winter of discontent” and a real test of its resolve.