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Regional pay is the only sensible option [1]

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The Chancellor's proposal to end national pay bargaining in the public sector has been met with the usual howls of protests from trade unionists. They see it as a stealth cut in their members' wages.
Maybe, but for decades there has been a stealth rise in those wages. Public pay now averages 8% more than in the private sector ? and the hours, holidays, sickness breaks, and of course those gold-plated pensions, are all much better. But the difference is a shocking 18% in Wales.

What has been lost in all the fuss and smoke is that no current public sector employee will suffer a pay cut. Wages will come to reflect local circumstances and the local cost of living, but the changes will be phased in gradually. Public sector workers in the South East, where the cost of living is higher and the public-private differential is just 0.5%, will actually get a pay rise. That's not a sop to rich southerners at the expense of poor northerners. It is simply recognising that the cost of living in different parts of the country is different.

Many areas of the UK are poor precisely because high wages in the public sector, brought about by the national pay rates system, have driven out private sector jobs and investment. Quite simply, when public sector wages are 18% higher, people's focus is on getting a job in government, not in the wealth-producing industries. Employers cannot compete when the public sector has an edge like that, and siphons off the most qualified workers. It means that it becomes much harder to recruit staff and start new businesses ? so fewer new businesses are created, and the region remains in thrall to government, rather than developing new industries and initiatives of its own.

The same is true in reverse, of course, when private sector wages are higher than public sector ones. Then, the public sector cannot get the staff it needs, and schools and hospitals are understaffed, or have to get staff from abroad. I used to be governor of a very good state school in Cambridge, which had such a high reputation that it never had any trouble getting potential new teachers to come for interview. But when they checked the local property market, they quickly discovered that they could not afford to live there. So replacing and recruiting staff became a nightmare.

It is only fair and sensible to take account of local circumstances in public pay bargaining. It will be good for the country too. And it will be particularly good for industry and employment in those depressed parts of the country where high public wages have driven out private enterprise.

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