What productivity?

Regan Scott

In February 2023, the former research director of the Transport and General Workers' Union wrote to the Financial Times*, which didn't publish his letter.*

The UK economic policy carousel seems to have shuddered to a halt with the productivity challenge. My Alma Mater Cambridge appears to be a 'hub' for new thinking (Professor Diane Coyle's Bennett Institute for Public Policy) so I thought some reflections from the 1960s and 70s might help the public narrative. This is because I became the desk productivity person at the then Transport and General Workers' Union (TGWU, now UNITE), a trade union 'first', and have worried at productivity issues ever since.

Firstly, there is no macro manipulation solution to low productivity. The unemployment and lost output (growth) costs are far too high. But history may offer some lessons, and economic realism some different orientations.

My experience of the Wilson years suggests how different our economy is today, for good or ill. Strategically dominant and compulsively re-engineered financial services feeding personal services and retail economy pose big questions about even where to start on the issue of productivity. In contrast, those years — the Wilson era — saw the productivity issue being grasped and honed. In many respects, I think history shows that we did get somewhere, in ideas, policy and practice, and performance.

In economic theory and policy, I remember Jack Jones, my boss and member of 'Neddy' (National Economic Development Council) saying that all the talk was of ICORs (incremental capital output ratios). He was a productivity/high wage advocate. I had to read and distribute the reports of the National Board for Prices and Incomes with their open-ended productivity remits, service the Industrial Training Boards and their levies, do hands-on consultancy for union members, and develop trade union policy.

With the wisdom of experienced negotiators, we developed a policy of productivity sharing by collective bargaining: one third to workers (no redundancies, maybe work pattern/hours changes); one third to the company for investment; and a third for shareholders, accepting that we were pushing for works pension schemes and had their interest in financial investments in mind. For consultancy and to prove it was more than rhetoric, I borrowed a slide rule from a friend, and went off, as an example, to advise both union members and management at the big Courtaulds man-made fibres plant on Humberside: their productivity deal seemed to have worked. Participation and sharing proved useful and progressive. Less amenable companies faced a 50/50 starting position.

Secondly, the literature of the post-World War Two American productivity teams elsewhere in Europe and in the UK bears study.

Thirdly, we need to ask how the UK has got away with such a record for poor productivity for so many years. Maybe the statisticians and economically literate politicians have been relying too much on enforced public sector productivity norms (2% per annum, well above manufacturing), a Treasury device started in the Thatcher period to falsify real sectoral and competitive issues, feeding a misleading picture through the ‘commentariat’ and to the OECD, G8s and 10s, IMF, etc.

UK financial services as a global hub servicing the mega wealthy may, I suggest, have produced a productivity paradox. As the wealthy classes get more wealthy, they spend more and more on human services, from high (excessive?) quality items reaching through to low level, unseen services. What is the outcome? Crudely, there are more staff at top hotels, not less; more restaurant waiters and washers up; and more baristas. Productivity goes down. Also, there are more imports and re-handled retail and personal services and logistics, longer supply chains, more workers, and productivity flat or downwards. At the lower end of the economic demand spectrum, there is low pay, minimum wage traps for manual workers, not forgetting the young graduates avoiding student loans payback by accepting low wages. This is not a good basis for service sector efficiency.

The big cloud over all this is the lack of UK ownership of productivity potential areas of the economy. Brexit lurks here: for the record, when we — the TGWU — led the change from anti-Rome Treaty trades unionism to pro EU policy, we did it not just for a Social Europe boost. We also understood real economics, not just at head office but also on the shop floor from involvement with internationally owned employment.