

Budget 2009: Thousands of public sector jobs at risk

Alistair Darling announces possible sell-offs and efficiency savings worth £15bn

- [Anna Bawden](#)
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Thousands of public sector jobs could go as part of the government's efficiency savings announced in the [budget](#) today.

The chancellor, Alistair Darling, announced measures to improve procurement, sell off state-owned assets and public sector buildings and stimulate local innovation. This would save £6bn a year by 2010-11 and a further £9bn by 2013-14 on top of £30bn efficiency savings already under way.

Darling said the additional savings would enable the government to continue investing in health, education and other public services. He said: "Some have argued that we should cut public services immediately, rather than invest and grow our way out of the recession. That would be the wrong thing to do."

Details of the proposed efficiency saving were published yesterday [in a report for the Treasury](#). "They include efficiencies in public sector back-office functions and IT, improved procurement, and better collaboration and innovation at the local level," said the chancellor. "This will allow us to protect frontline public services, while keeping current spending growth, in real terms, at an average of 0.7% a year from 2011-12 onwards."

But the proposals were widely criticised as unachievable.

Colin Talbot, specialist adviser to the Treasury select committee and professor of public policy and management at Manchester Business School, said: "The latest round of supposed efficiency savings are even more unrealistic than those that have gone before. In practice, these will be stealth cuts, as frontline services will be eroded in both quantity and quality as the savings bite. The reduction of annual growth in spending to a mere 0.7% in real terms, whilst protecting some big and sensitive areas like health and education, will mean real terms cuts across many other areas even before the efficiency/stealth cuts."

Others felt the measures would be counter-productive. "The chancellor wants back-office efficiencies and better procurement, but traditional approaches to efficiency will not be enough, delivering marginal gains while disappointing users and demoralising staff," said Russell Hobby of the management consultancy Hay group. The report's recommendation to press ahead with selling off or part privatising a raft of state-owned assets got particularly short shrift. Gerry Grimstone, chairman of Standard Life, one of the report's five authors, advised that the Royal Mint become a company, with a view to selling it off. He also advised greater private sector involvement, affecting over 7,000 staff, in the Land Registry, the Met Office, Ordnance Survey, the Oil and Pipelines Agency, the QEII conference centre and the Defence Storage and Distribution Agency, although wholesale privatisation seems unlikely at present. A second round of asset sales is also on the cards. Possible candidates for commercialisation include the Defence Animal Centre, NHS Professionals, the National School of Government and the Forestry Commission.

Prospect, the union that represents many of the staff affected, castigated the proposals. Its deputy general secretary, Dai Hudd, said the plans were "a tired retread of past policies that will deliver little benefit to the taxpayer and divert staff from their prime task of delivering a service to customers and the public", and questioned the scope of the second round of sales.

"What more is there to review? Bodies like the Met Office and Ordnance Survey have already been reviewed countless times for privatisation and each time the idea has been dropped as unworkable."

There was also scepticism that the government could cut £4bn by sharing back-office functions better, £3.2bn from IT spending, £6.1bn a year from procurement and £1.5bn a year from the running costs of the public sector estate. "To claw back cash into the coffers, Alistair Darling is gambling on new Gershon-style efficiency measures but I hope lessons have been learned. Any new savings drive has to be coordinated better and encourage a countrywide process of cost saving through shared services," said Anwen Robinson, director of the software firm Agresso.

"Unintentionally, Gershon worked along lines of least resistance, with larger boroughs and NHS trusts in particular contributing handsomely to the savings totals. The danger, of course, is another piecemeal approach leading to short-term cost savings and damaged public services. If the public sector really is going to have to help pay for banking bailouts then it has to be through shared services for everyone and not just the few. Only then will you see the government getting anywhere near its savings targets," she added.

Public sector unions questioned the division of staff into back-office and frontline services. "Frontline staff in health and local government rely on the work and support of so-called backroom staff. Just because the public doesn't see them, it doesn't mean that they are not there – they are an essential part of the team, doing real jobs that make a difference to the services we all rely on," said Dave Prentis, the general secretary of public service union, Unison.

He added: "It's a myth that local government or any other service is stuffed with bureaucrats doing nothing. They have made well in excess of 3% efficiency savings called for by the government over each of the past three years. Independent studies have shown that you cannot extract any more without damaging services for the public."

But some felt the government didn't go far enough. Guy Strafford, chief operating officer of buyingTeam, a procurement specialist that numbers the Foreign and Commonwealth Office and British Council among its clients, said the public sector ought to be able to save £15bn every year, not just over three years and that annual procurement costs could be cut by 6%.

"From a procurement point of view, the announced plan to save £15bn over three years is a very conservative target given the real opportunity that exists for government and local councils to focus resources and buy better," he said.