

Press Release

For immediate release
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Business prods Government on Public Sector reform

The Government was today urged to show real commitment to public sector reform with the publication of its Comprehensive Spending Review on Monday 12th July. The Institute of Directors (IoD) said existing plans for £20 billion per annum in savings and the removal of 40,000 public sector jobs by 2007-08 was a step in the right direction, but points out targets do not guarantee implementation.

Graeme Leach, Chief Economist at the IoD said:

"Public spending policy is back-to-front. Radical reform of the public sector, with far greater competition and choice, should have preceded the injection of more money. Instead, we have seen very little real reform of health and education and the commitment to squeezing greater efficiency gains from the public sector remains somewhat vague."

The outlook for taxation is less favourable now than when the previous CSRs were announced, the IoD said. The Chancellor is relatively optimistic about the outlook for GDP growth and taxation over the 2005-06 period, however, there is a real threat of post election tax increases if he is wrong. As a result, the IoD urges the Chancellor to meet this risk head-on, by squeezing far more efficiency gains out of the public sector as soon as possible.

The Government's own figures show that public sector productivity has fallen since 1997, in sharp contrast to the performance of the private sector.

Graeme Leach, said:

"It is quite simple really. Less upward pressure on spending will result in less upward pressure on taxation. We call on the Chancellor to provide real evidence that the public sector will achieve the efficiency gains outlined in the Budget. What is more we believe he could go even further. Savings of £30 billion by 2007-08 are feasible instead of the £20 billion already planned."

Ends

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