

How could the Chancellor help raise productivity?

The budget is billed as helping drive productivity higher. That would be a good idea. If we work smarter as a country then each person can earn more. The government seems to have in mind labour productivity in its plans, though making productive use of capital, energy and other inputs also matters and can help make a country richer if done well.

The way to encourage smarter working and higher earnings must begin with fair taxation with low rates of tax on enterprise and effort. Politicians of all parties regard work as a good, yet all agree it must be taxed. Given the volume of public service we want as a country, it is true there has to be some tax on work. It is also true that if you tax work too highly you send it abroad, you persuade higher earning people to value leisure time more, you encourage early retirement. I trust the leaks about higher National Insurance for the self employed are just Treasury officials greedy for revenue and not inspired briefing. Starting a productivity drive with a big increase in taxes on some of the most productive people in the economy is not a great idea. Small and new business offers us scope for major adjustments in our economy and improvements in its performance. It is the new fast moving smaller businesses that often pioneer the modern more productive techniques and technologies, offer the new goods and services, and use labour well. Cutting marginal rates of tax on enterprise, employment and business success will encourage more of what we need.

In both manufacturing and clerical work providing more machine power and computer power at the elbow of each employee raises productivity. UK productivity in factories in recent years has surged as elsewhere in the advanced world. What was done by hand and arm power in a sixties factory is now often done by robot or mechanical power. What was done in an office by people on typewriters, calculators and adding machines is now done by computers and electronic programmes with less human intervention. The full internet revolution has further to run to automate and take more of the routine out of office and factory working. The new jobs will be in machine minding, programming, managing and reviewing the output, and in designing and selling.

The waves of change that are often ascribed to imports and foreign competition also have been driven by automation. A more productive economy has to welcome these waves of technical progress and adopt more machine power to compete. It is then equally important that those who have lost their jobs as a result are helped and trained to undertake the many new roles a machine driven culture produce. What can a Chancellor do to bring this about?

He can and should concentrate on helping the public sector to adopt the new ways of doing things that will be smarter, higher quality and more efficient by using computer power. Productivity performance has been disappointing in the public sector this century. He can and should with the rest of

government to do more to ensure the casualties of such changes are also winners, by backing retraining and recruitment into the new more productive jobs investment can spawn.