

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
Scottish Parliament

02 October 2024

Dear Convener,

Thank you for the opportunity to give evidence on our recent reports on 3 September-2024. During the session, I said I would write to you on a number of issues.

NHS Productivity

During our session you asked if the post-pandemic fall in productivity in NHS England was reflective of NHS productivity in Scotland.

It should be noted that there are significant challenges in measuring productivity in the public sector, including the NHS, as it is difficult to assess quality adjusted measures of output. Despite a considerable amount of work by statistical agencies and academics to develop robust measures, it remains a complicated area.

The current Office for National Statistics (ONS) public service productivity data for the UK shows a decrease in quality adjusted annual healthcare sector productivity of 23 per cent in 2020¹, but recent evidence suggests productivity levels have now recovered to their pre-pandemic level. As this is a UK data series, an exact figure is not available for Scotland.

Scottish Government labour productivity statistics show a 28 per cent fall in productivity for the health and social work sector in 2020, and a return to pre-pandemic levels since 2022.² This is not a quality adjusted measure, so it is not comparable to the ONS UK figure.

Institute for Fiscal Studies (IFS) research has shown a fall in hospital productivity in Scotland due to fewer patients being treated since the start of the pandemic, while staffing and hospital funding has increased.³ The IFS estimates that the fall in activity per staff member in Scotland is similar to England, where some hospital activity has returned to pre-pandemic levels, but

¹ Office for National Statistics (2023) [Public service productivity, UK: 1997 to 2022](#) – see Figure 6

² Scottish Government (2024) [Labour Productivity Statistics 2023](#) – see Table 10.

³ IFS (2024) [Scottish Budget: Healthcare spending, staffing and activity: Scottish Budget 2024-25](#)

staff increases have also been greater in Scotland. Reasons given for these falls in hospital productivity include limited hospital capacity and difficulties discharging patients, more complex post-pandemic health conditions, and patients with COVID requiring longer hospital stays than non-COVID patients.

Real-time information on pay growth

You also asked about data comparing public sector pay in Scotland and England, in particular comparing different roles. Some data on average public sector pay is available from HMRC's Real Time Information data, though it does not split out the data by role.⁴

The Scottish Government has also summarised some information comparing public sector pay in its recent report "Economic Overview of the Public Sector in Scotland", see for example Charts 15, 17 and 18.⁵ These are broadly consistent with the information contained in our report.

Evidence on inactivity

Ms Smith asked about policies to bring economically inactive people into work. In my response, I said that we need to understand the different types of economic inactivity, and that we would write to provide the latest evidence.

Useful starting points are reports by the Scottish Government and Scottish Parliament Information Centre (SPICe) published in July of this year.^{6,7} The Office for Budget Responsibility (OBR) has also written several articles on inactivity, including a useful note on people classified as being inactive for caring purposes.⁸ We discussed trends in inactivity by age in our May 2023 SEFF – see paragraph 3.29.⁹ A further discussion is available from the Scottish Government in their Labour Market Insights report from July 2024 – see Figure 13.¹⁰

As my colleague Professor Breedon pointed out in the session, it is important to note that we currently have significant concerns about the quality of the main source of data on economic

⁴ ONS (2024) [Earnings and employment from Pay As You Earn Real Time Information](#)

⁵ Scottish Government (2024) [Economic Overview of the Public Sector in Scotland](#)

⁶ Scottish Government (2024) [Economic Inactivity in Scotland: supporting those with longer-term health conditions and disabilities to remain economically active](#)

⁷ SPICe (2024) [Economic inactivity and ill health in Scotland](#)

⁸ Office for Budget Responsibility (2024) [Trends in labour market inactivity for caring purposes](#)

⁹ Scottish Fiscal Commission (2023) [Scotland's Economic and Fiscal Forecasts – May 2023](#)

¹⁰ Scottish Government (2024) [Scotland's Labour Market Insights: July 2024](#)

inactivity – the Labour Force Survey published by the ONS. We discussed these concerns in detail in our latest Statement of Data Needs.¹¹

Finally, the UK Government has recently announced a new Labour Market Advisory Board, which will focus on the recent growth in people who are out of work due to long-term sickness.¹² The work of this new external board should help provide further evidence on inactivity across the UK, with insights for policy in Scotland.

Public sector employment statistics

Mr Halcro Johnston ask about figures comparing the size of the public sector in Scotland to Wales, Northern Ireland, and similar European Countries. As I said during the session, comparisons can be challenging due to different definitions and structural changes in the public sector both between countries and over time. The Scottish Government publication “Economic Overview of the Public Sector in Scotland” provides a helpful summary of the available data, with comparisons across countries in Chart 6, including some of the specific comparisons Mr Halcro Johnston asked for.¹³

I hope this additional information is useful.

Yours sincerely,

Professor Graeme Roy

¹¹ Scottish Fiscal Commission (2024) [Statement of Data Needs – August 2024](#)

¹² Department for Work and Pensions (2024) [Press Release – Government action to tackle the ‘greatest employment challenge for a generation’](#)

¹³ Scottish Government (2024) [Economic Overview of the Public Sector in Scotland](#)