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Spatial Economics Research Centre

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Public Sector Wages and the North-South Divide

Alison Wolf, [writing in the Sunday Times](#), makes the case for more spatial variation in pay in the public sector.

Starting from the individual perspective and the principal of equal reward for equal work it makes sense to pay people in high cost of living places more. You might also try to do things about the cost of living - like deliver more housing. But equal reward means compensating for the remaining differences. One complication is that differences in house price rises means that you need to do something to net out capital gains (so it's not house prices per se that matter, but the differences in imputed rents). Of course, if you claim the principle is equal *pay* for equal work then you are automatically against this kind of variation. But equal pay, as opposed to reward, is a pretty arbitrary objective.

Of course, localising pay is about much more than equalising reward and has big implications for the supply of public services as discussed at [length in the full report](#). It also has implications for wider spatial disparities. However, as I [have argued before](#), it is surprising how little we know about the impact of these. My feeling is that, given the existing evidence, discussion on these issues should focus on the implications for public sector delivery. Controversy enough there without getting in to wider speculation on the North-South divide.

Posted by [Prof Henry G. Overman](#) on [Monday, February 01, 2010](#)

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