



## Foreword by the Cabinet Secretary for Finance

I am pleased to set out the Scottish Government's Public Sector Pay Policy for 2021-22. This maintains our distinctive Scottish approach to public sector pay and continues our focus on sustainability, reducing inequalities and promoting wellbeing. Our commitment to tackling poverty is again underlined by the specific measures set out to address low pay, recognising that the impacts of the COVID-19 pandemic have not been felt equally across society.

This pay policy balances the need to recognise the value of Scotland's public sector workforce, particularly in response to the pandemic, alongside the challenging outlook for public finances. Fair and progressive, the policy places specific emphasis on measures to tackle low pay and deliver on this Government's Purpose and National Outcomes.

I am clear that the pay freeze announced by the Chancellor at the UK Spending Review fundamentally misjudges the value of front line workers in battling this pandemic. It also fails to support our economic recovery. I am therefore pleased to announce that, as well as continuing our commitment to the real Living Wage, newly increased to £9.50 per hour, the policy introduces a guaranteed cash underpin of £800 for those earning £25,000 and below. This delivers a pay increase of more than three per cent to the lowest earners and represents a significant step on our journey to pay restoration. The policy also delivers a progressive above-inflation headline pay increase of two per cent for those earning over £25,000 and up to £40,000 with a one per cent pay uplift to those earning over £40,000 and up to £80,000. To reduce the overall income gap, a capped increase of £800 for those earning above £80,000 is in place.

As a step towards a post-pandemic recovery, I have introduced discretion for employers to work towards standardising to a 35 hour working week if and when it is practical to do so. It is my expectation that, while any reduction in the working week should result in no negative impact on productivity, it should be achievable through normal negotiations, as part of a progressive and agreed package of measures including terms and conditions that support new ways of working.

I wish to put on record again my gratitude to public sector workers in Scotland for their response to the pandemic and their approach to changes in the way work is delivered. My thinking on this journey has been invaluable informed by regular dialogue with trade unions, as the Government continues to support the development of a wellbeing economy. This Government remains committed to building on our strong working relationship with trade unions and employers, re-affirming our wish to protect public sector jobs and front line services.

I am confident that working together we will rebuild our economy and deliver a better tomorrow for Scotland.

**Kate Forbes** MSP,  
Cabinet Secretary for Finance

## **PUBLIC SECTOR PAY POLICY FOR 2021-22**

### **Background**

The 2021-22 Public Sector Pay Policy is a single-year policy. It sets out the parameters for pay increases for staff pay remits and senior appointments and applies to public bodies with settlement dates in the year between 1 April 2021 and 31 March 2022 (inclusive).

A full list of public bodies to which this policy applies is available on the Scottish Government's Public Sector Pay webpages: [www.gov.scot/publicsectorpay](http://www.gov.scot/publicsectorpay).

This policy also acts as a benchmark for all major public sector workforce groups across Scotland including NHS Scotland, fire-fighters and police officers, teachers and further education workers. For local government employees, pay and other employment matters are delegated to local authorities.

### **Strategic Aims**

As with previous years, the Scottish Government's Public Sector Pay Policy is based on the following principles:

- To invest in our public sector workforce which delivers top class public services for all, supports employment and the economy, while providing for sustainable public finances.
- To provide a distinctive, progressive pay policy which is fair, affordable, sustainable and, delivers value for money in exchange for workforce flexibilities.
- To reflect real life circumstances, protect those on lower incomes, continue the journey towards pay restoration and recognise recruitment and retention concerns.

### **Key Pay Policy Priorities**

The Public Sector Pay Policy has consistently been distinctive, fair and progressive. The 2021-22 policy has been developed in the context of Scotland's response to the COVID-19 pandemic. Ministers have taken into account the inspirational efforts of key workers during this pandemic, as well as the impact of inflation on working households. This needs to be balanced with what public sector employers can reasonably afford and provide a fair deal for the public sector workforce.

The decision on public sector pay announced by the UK Government in the November 2020 Spending Review is a material factor in setting the 2021-22 pay policy and has an impact on the Scottish Government's financial position. However Ministers remain committed to maintaining employment, delivering wage growth and a fair rate of pay in the public sector as key levers to aid economic recovery, deliver national outcomes and improve performance. Investment in Scotland's public services remains a priority.

Ministers are committed to tackling earnings inequality, providing extra protection to the very lowest paid, and promoting the wellbeing of public sector workers. In response to the pandemic, the public sector has adopted new ways of working. This presents an opportunity for all public sector employers to consider how, where and when work is defined and delivered and the impact on the wellbeing of the workforce.

There continues to be a legitimate public interest in the pay and conditions of senior public appointments in Scotland. The Scottish Government believes that there remains a need for the most senior leaders in the public sector to take a lead in demonstrating restraint in their pay settlements. The pay policy parameters for 2021-22 are therefore set in the context of the need for on-going pay restraint for senior staff.

### **Key Features of Pay Policy**

The key features of the 2021-22 Public Sector Pay Policy are:

- continuing the requirement for employers to pay staff the real Living Wage, now set at £9.50 per hour;
- providing a guaranteed cash underpin of £800 for public sector workers who earn £25,000 or less;
- providing a guaranteed basic pay increase of 2 per cent for public sector workers who earn more than £25,000 and up to £40,000;
- a guaranteed basic pay increase of 1 per cent for those public sector workers earning more than £40,000 and up to £80,000;
- limiting to £800 the maximum basic pay increase for those earning £80,000 or more, and;
- allowing flexibilities for employers to use up to 0.5 per cent of paybill savings on baseline salaries in 2021 to address clearly evidenced equality or pay coherence issues in existing pay and grading structures.

In addition, the 2021-22 Public Sector Pay Policy:

- introduces discretion for individual employers to work towards standardising to a 35 hour working week if and when it is practical to do so;
- retains discretion for individual employers to reach their own decisions about pay progression (limited to a maximum of 1.5 per cent for Chief Executives), which continues to be outwith the pay policy limits;
- maintains the suspension of non-consolidated performance related pay (bonuses);
- continues the expectation to deliver a 10 per cent reduction in the remuneration packages for all new Chief Executive appointments;
- continues a commitment to No Compulsory Redundancy.

## **Affordability**

The pay policy sets the framework within which public bodies can develop effective pay settlements that help them reward staff fairly and manage staffing numbers to deliver services within constrained budgets. This pay policy sets no metrics relating to the overall increase in the paybill for staff pay remits. Each public body covered by the pay policy must ensure that their pay proposals are affordable within their financial settlement for 2021-22.

## **Single-year pay policy**

There is an expectation that public bodies will submit pay proposals which cover one year, given that budget allocations are for a single year, although this is not a mandatory requirement of the pay policy. There may be circumstances where a public body chooses to submit proposals that cover more than one year and in such instances they are asked that they discuss this in advance with the Scottish Government Finance Pay Policy team.

## **STAFF PAY REMITS**

### **Pay Metrics**

The following sets out details of each of the key pay metrics which apply in 2021-22.

### **Support for lower paid staff**

The Scottish Government recognises the importance of supporting lower paid staff within the public sector. The 2021-22 pay policy continues to require employers to pay the real Living Wage and provides a guaranteed cash underpin of £800 for all staff who earn £25,000 or less.

### **Pay increases and thresholds**

The 2021-22 pay policy provides a guaranteed minimum 2 per cent pay increase for public sector workers who earn more than £25,000 and up to £40,000, and provides public sector workers who earn more than £40,000 and up to £80,000 a guaranteed minimum 1 per cent pay increase. The Technical Guide will include detail on smoothing arrangements around the £25,000, £40,000 and £80,000 thresholds to avoid any “leapfrogging”.

The increase for those earning £80,000 or more will be limited to £800.

### **Progression**

Nothing in this pay policy is intended to interfere with pay progression arrangements for staff in the pay remit, or to constrain discussions between employers and staff and / or their representatives on this issue. Decisions taken on pay progression should be based on business needs, maintaining headcount and affordability.

## **Wellbeing**

The Scottish Government is committed to promoting wellbeing in the workplace and a healthy work-life balance. This pay policy provides employers with the discretion to consider standardising to a 35 hour working week, if and when it is practical to do so. It is expected that any reduction in the working week should not impact negatively on productivity and should be delivered through normal negotiations as part of a progressive and agreed package of measures, including terms and conditions, that support new ways of working.

## **Additional flexibility**

Beyond those limits set out above, public bodies will be able to use paybill savings of up to 0.5 per cent of baseline salaries in 2021-22 to consider affordable and sustainable changes to their existing pay and grading structures to address evidenced equality or pay coherence issues. Public bodies will also be able to carry forward the ability to use any unused paybill flexibilities from 2020-21 for this purpose, potentially taking total flexibilities for 2021-22 to a maximum of one per cent.

## **Non-consolidated performance related pay**

All access to non-consolidated pots for payments linked to performance (bonuses) continues to be suspended for 2021-22.

## **SENIOR APPOINTMENTS**

The pay policy for senior appointments governs the remuneration (salary, pay range, annual increase or review, non-consolidated performance payment (bonus) and other non-salary rewards, etc.) of:

- Chief Executives of Non-Departmental Public Bodies and Public Corporations, etc.
- NHS Scotland Executive and Senior Management posts.

This pay policy also governs the remuneration (daily fee rates, annual uprates or reviews and any pension arrangements, etc.) of:

- All public appointments (Chairs and Members) to Scottish public bodies;
- Non-Executive Directors of the Scottish Government and its Agencies and Associated Departments;
- Chairs and Board Members of NHS Bodies;
- Appointments to Tribunals, Appeals Boards, Advisory Committees and Inquiries;
- Ad hoc review or working groups, etc. under the auspices of Ministers.

## **Pay Metrics**

The following sets out details of each of the key pay metrics which apply in relation to the Pay Policy for Senior Appointments in 2021-22.

### **Pay increases and thresholds**

Up to 1 per cent pay increase for all Chief Executive appointments, except where the current salary is £80,000 and above, in which case the pay increase will be limited to £800.

The 2 per cent pay increase will apply to daily fees for Ministerial appointments, Chairs and Members of Scottish public bodies up to £154 per day. The 1 per cent pay increase will apply to daily fees over £154 up to £307, above which a maximum increase will be limited to £3 per day.

### **Progression**

Progression increases for Chief Executives covered by this pay policy are limited to a maximum of 1.5 per cent.

### **Non-consolidated performance related pay**

Access to non-consolidated performance related pay (bonuses) is again suspended in 2021-22. The policy expectation is that any bonus arrangement in a Chief Executive's contract will be removed when an appropriate opportunity arises (on new appointment or following a review).

## **NO COMPULSORY REDUNDANCY**

Since 2007, a key strand of Scottish Government policy is the commitment to no compulsory redundancy. The policy has continued in recent years and was intended to off-set the impact of significant pay restraint during the years of UK Government austerity.

This Government believes the commitment to no compulsory redundancy has created the right environment to provide staff with job security while enabling employers and their staff representatives to take a range of steps to manage their headcount and budgets.

Since becoming the first government in the UK to lift the pay cap, the majority of public bodies where this pay policy applies have shown an increase in staffing and there has been an increase in the overall workforce across the Scottish public sector.

The policy position remains that public bodies should work with their staff representatives to negotiate extensions to their no compulsory redundancy agreements where it is practical to do so. Where public bodies are seeking to re-structure, particularly as a result of the pandemic, full consideration must be given to re-deployment and re-training.

## EQUALITIES ASSESSMENT

The results from the equality impact assessment of the 2021-22 Public Sector Pay Policy are available on the Scottish Government's Public Sector Pay webpages at: [www.gov.scot/publicsectorpay](http://www.gov.scot/publicsectorpay).

The continued progressive approach proposed in the 2021-22 Public Sector Pay Policy helps to reduce overall income inequality. It may also help in positively working towards reducing the gender pay gap within the public sector as it should increase the overall base levels of pay for those at the lower end where women are overly concentrated. This is further supported by the continued restraint applied to higher earners, including senior appointments, where there are higher proportions of men.

The application of the real Living Wage of £9.50 per hour and the £800 cash underpin will positively benefit lower paid staff and in particular those with one or more protected characteristic. From the data available, there is a higher proportion of women, disabled people, individuals from a minority ethnic group, younger employees or a combination of one or more of these protected characteristics as well as part-time workers among lower paid employees. Therefore the measures proposed in the pay policy protect these employees from pay restraint and in many cases provide a positive benefit.

In addition, the introduction of the £40,000 threshold provides the opportunity for awarding a higher increase for a further two-fifths of public sector employees ensuring the majority of public sector employees receive an above inflation award without introducing any detriment for those with a protected characteristic.

While we are satisfied that the risk of any indirect discrimination, as a result of capping the pay for higher earners, can be justified by the overarching aims of the pay policy, it will still be necessary for individual employers to ensure that they do not introduce or perpetuate any direct or indirect discrimination for individuals in their application of the policy. Employers covered by the pay policy are also subject to the statutory public sector equality duty, and it is their responsibility to ensure their pay systems are fair and non-discriminatory and that they undertake an assessment of their pay proposals prior to submitting them to the Scottish Government.

The pay policy will set the overarching framework within which public bodies can make individual choices on the impact of the policy on their own circumstances. Public bodies have the flexibility to draw up their own pay proposals to take into account local pay issues such as recruitment and retention, equality and the impact of the lower pay measures on other staff. The pay policy actively encourages employers to take into account their own staffing profile, local evidence, views of staff and unions and equality issues in framing their pay proposals.



## **TECHNICAL GUIDANCE**

A Technical Guide providing further detail to assist public bodies in the preparation of their Staff and Senior Appointment pay remit proposals under this policy will be published separately. This will be available on the Scottish Government's Public Sector Pay webpages at: [www.gov.scot/publicsectorpay](http://www.gov.scot/publicsectorpay).

## **CONTACTS**

Any queries on this policy should be directed to the Scottish Government's Finance Pay Policy team by emailing [financepaypolicy@gov.scot](mailto:financepaypolicy@gov.scot).

**The Scottish Government**

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