

SCOTTISH PUBLIC SECTOR PAY POLICY 2020 TO 2021



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PUBLIC SECTOR PAY POLICY FOR 2020-21

Background

The 2020-21 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 2020 and 31 March 2021 (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.

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

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 pay policy which is fair, affordable, sustainable and, through the targeting of resources, 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

This Public Sector Pay Policy builds on Scottish Ministers' progressive approach to public sector pay since lifting the 1 per cent pay cap in 2018-19. In developing this policy, Ministers have taken into account the impact of inflation on working households, balanced with what public sector employers can reasonably afford and a fair deal for public sector workers.

In the face of continued financial constraint and to safeguard the delivery of newly devolved public services, pay increases must continue to be carefully controlled. Ministers acknowledge that maintaining employment, delivering wage growth and fair rates of pay in the public sector are crucial in ensuring Scotland's economy remains strong and that investment in Scotland's public services remains a priority.

This Government is committed to tackling earnings inequality, providing extra protection to the very lowest paid, and promoting the wellbeing of public sector workers. It is this Government's view that it is for employers to take their own decisions about paying progression as part of the overall package to deliver an affordable pay settlement which is fair and reflects the real life circumstances their employees face.

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 2020-21 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 2020-21 Public Sector Pay Policy are:

- providing a guaranteed basic pay increase of 3 per cent for public sector workers who earn below £80,000
- continuing the requirement for employers to pay staff the real Living Wage, now set at £9.30 per hour
- providing a guaranteed cash underpin of £750 for public sector workers who earn £25,000 or less
- limiting to £2,000 the maximum basic pay increase for those earning £80,000 or more
- allowing flexibilities for employers to use up to 0.5 per cent of pay bill savings on baseline salaries for addressing clearly evidenced equality issues in existing pay and grading structures.

In addition, the 2020-21 Public Sector Pay Policy:

- 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 the 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 body covered by the pay policy must ensure that their pay proposals are affordable within their financial settlement for 2020-21.

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 2020-21.

Support for Lower Paid Staff

The Scottish Government recognises the importance of supporting lower paid staff within the public sector. The 2020-21 pay policy continues to require employers to pay the real Living Wage and provides a guaranteed cash underpin of £750 for all staff who earn £25,000 or less.

Pay Increases and Thresholds

The 2020-21 pay policy will remove the £36,500 pay threshold and provide a guaranteed minimum 3 per cent pay increase for public sector workers who earn up to £80,000. The increase for those earning £80,000 or more will be limited to £2,000.

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.

Additional Flexibility

Public bodies will be able to use paybill savings of up to 0.5 per cent of baseline salaries, beyond those limits set out above to consider affordable and sustainable changes to their existing pay and grading structures to address evidenced equality issues.

Non-consolidated Performance Related Pay

All access to non-consolidated pots for payments linked to performance (bonuses) continues to be suspended for 2020-21.

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 reviews or working groups, etc. under the auspices of the Scottish 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 2020-21.

Pay Increases and Thresholds

Up to 3 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 £2,000.

The 3 per cent pay increase will also apply to the daily fees for Chairs and Members of Scottish public bodies up to £307, above which a maximum increase in daily fee will be limited to £8 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 2020-21. 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.

EQUALITIES ASSESSMENT

The equality impact assessment of the 2020-21 Public Sector Pay Policy proposals concludes that the £750 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 - underpinning Ministerial objectives for a wealthier and fairer Scotland.

The continued progressive approach proposed in the 2020-21 Pay Policy will also help 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 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.

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 are expected to undertake their own assessment of their pay proposals prior to submitting them to the Scottish Government.

The supporting Technical Guides to the Pay Policy will continue to remind public bodies of their duty to ensure their pay systems are fair and non-discriminatory and that they have due regard to their obligations under public sector equalities duties in considering their pay proposals.

The results from the equality impact assessment of the 2020-21 Public Sector Pay Policy are available on the Scottish Government's Public Sector Pay webpages at: www.gov.scot/publicsectorpay.

Technical Guides

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.

CONTACTS

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

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