Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP

T: 0300 244 4000
E: scottish.ministers@gov.scot

Scottish Government
Riaghaltas na h-Alba
gov.scot

Mr Drew Duffy
GMB Scotland
Kimberley Buildings
38 Whitehall Street
DUNDEE
DD1 4AF

Our ref: 2017/0045638
11 January 2018

Dear Drew

The Scottish Budget 2018-19 and Public Sector Pay

Thank you for your letter of 12 December 2017.

On Thursday 14 December, I delivered my second Scottish Draft Budget Statement to the Scottish Parliament, which demonstrates the Scottish Government's priorities of investing in public services, unlocking economic potential and delivering fairness for all.

In the face of the continued budget cuts by the UK Government - a Government that has repeatedly ignored our calls for investment in our public services and one which will have cut our discretionary block grant allocation by £2.6 billion in real terms by 2019-20 - we have chosen a distinctive and progressive Pay Policy.

In fulfilling our Programme for Government commitment to lift the 1% pay cap, we developed a Pay Policy which is fair, recognises the cost of living, supports those on lower incomes and protects public sector jobs and services, while delivering value for money for the people of Scotland. We were the first government in the UK to commit to lifting the 1% pay cap and are now the first government in the UK to actually do so.

In underlining our distinctive and progressive approach, I announced a 3% increase for those earning up to £30,000; a 2% increase on the paybill for those public sector workers earning between £30,000 and £80,000; and capping pay uplifts at £1,600 for those on £80,000 or more. This supports our commitment to reducing the overall pay gap. The 2018-19 Pay Policy is also underpinned by our commitment to pay the real Living Wage and re-affirms our unique position on No Compulsory Redundancy which protects public sector jobs.

Councils are independent of the Scottish Government and are responsible for determining their own pay agreements with their employees. It will therefore be for local authorities to decide what level of pay uplift they think is appropriate for their own staff.

I note you quote the figure of 9.191%, used by Michael Pannell in the annex to his letter to local authority chief executives of 5 December 2017. This figure reflects the need for lower paid workers in England and Wales to have their pay uplifted to close the gap to the National Living Wage. All local authority workers in Scotland are already being paid the Scottish Living Wage, which exceeds the National Living Wage, so there is no need for councils in Scotland to raise wages by so much just to achieve a minimum standard they are already meeting.

Despite the UK Government's cuts to the Scottish Budget, we have continued to treat local government very fairly. In 2018-19, councils will receive funding through the local government finance settlement of more than £10.5 billion.

The 2018-19 local government finance settlement foresees an increase both in revenue and capital (11%) investment as part of a wider package of measures. Together with the additional power to increase Council Tax by up to 3% (worth around £77 million next year), this will generate an increase of 1.6% in the overall resources to support services.

This Government's Budget for 2018-19 positions Scotland to grasp the opportunities presented by a rapidly changing global economy. But crucially, it takes measures to protect households from the worst effects of the UK Government's budget cuts through investment in public services while seeking to mitigate against Brexit uncertainty.

The First Minister and I look forward to continuing to work with the GMB as we progress our shared ambition for the people of Scotland.

Yours

DEREK MACKAY

SCOTTISH TRADES UNION CONGRESS
Grahame Smith General Secretary
333 Woodlands Road
Glasgow G3 6NG
Tel 0141 337 8100
Email info@stuc.org.uk
www.stuc.org.uk

GS/EF

18 December 2017

Mr Derek Mackay MSP
Cabinet Secretary for Finance and Constitution
Scottish Government
Edinburgh
EH99 1SP

Dear Mr Mackay

Draft Scottish Budget: Impacts of fiscal and pay policy

I write with reference to the Scottish Fiscal Commission's estimate of the economic impact of your draft budget.

In particular, I refer to its treatment of proposals on public sector pay and for reductions in business rates (non domestic rates).

It is clear from the budget and the Fiscal Commission report that:

a) Your pay policy is only conceived to apply to some public workers and that 50% are excluded, including local government workers;
b) thus the Fiscal Commission did not model the tax benefits to the Scottish Budget of increases in pay for these public workers;
c) even for the 50% of workers covered in your announcement the secondary benefits to the economy were not calculated, as the Fiscal Commission did not receive these in time to make the calculations;
d) you were able to provide to the Fiscal Commission your estimate for tax cuts to business but these were considered to be so negligible in economic effect that they were not included in estimates.

This raises a number of serious questions.

1) If your budget implies sufficient funding for local government to match the pay increase suggested for other public workers, why was this not provided to the Fiscal Commission for tax modelling purposes?
2) What would be the secondary positive impact for the Scottish economy of modelling the pay increase for those workers you do expect to be covered by the policy?
3) Why is a policy of tax cuts for business designed to boost the economy not actually predicted to boost the economy?

The STUC has long made the case that investing in the pay of public service workers can have a positive economic impact and this is implicitly accepted by the Scottish Fiscal Commission.

The STUC has also made the case that assistance for business requires to be strategic and targeted. Without evidence that reduction in Business Rates has a positive socio-economic return, these positive impacts should not be assumed.

In the context of this, we urge you to reconsider your draft budget, with an emphasis on providing funding for an above RPI inflation wage increase for all public service workers and to share this information with the Scottish Fiscal Commission such that it can model the fiscal and economic benefits derived.

Yours sincerely

Grahame Smith
General Secretary

Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Grahame Smith
General Secretary
Scottish Trade Union Congress
333 Woodlands Road
Glasgow
G3 6NG

21 December 2017

Dear Grahame,

Impact of fiscal and pay policy

Thank you for your letters of 12 December 2017 to both the First Minister and I. I am responding as the Cabinet Secretary with responsibility for both pay and fiscal policy.

Scottish Fiscal Commission – Economic Forecast and Pay

As you are aware, the Scottish Fiscal Commission (SFC) is independent of Scottish Government and its Ministers, which means that I have no locus in determining how the Economic and Fiscal Forecast report is prepared.

The SFC takes decisions to determine its own forecasting methodologies and assumptions, including decisions on what aspects public sector pay are incorporated into income tax forecasts. Policy information, including public sector pay, was provided to the Commission within the jointly agreed deadlines.

While the SFC confirm they have taken the decision not to factor the new public sector pay policy in to its economic forecasts at this stage, they also make clear in their report that the "announced public sector pay policy is an upside risk" to the economic forecasts.

Crucially, the SFC did factor our public sector pay policy into their income tax forecasts. This ensures that the increase in public sector pay provides a boost to their forecasts for income tax revenue, and in turn the funding available to the Scottish Government.

Scottish Fiscal Commission – Economic Forecast and Non Domestic Rates Income

The Scottish Government is absolutely committed to supporting business and growing Scotland's economy.

Even before the Draft Budget was presented, the Scottish Government was investing proportionately more in economic development than the rest of the UK - spending on economic development last year was equivalent to £193 per head in Scotland, compared to £88 per head in the UK as a whole. Reflecting our determination to seize the opportunity and grow Scotland's economy, we have committed to increasing our spending on the economy through the Economy, Jobs and Fair Work portfolio by 64 per cent - an increase of £270 million in 2018-19.

Our reforms to non-domestic rates will help ensure that Scotland provides the best possible environment for businesses to start-up, grow and scale-up. We are providing the most competitive reliefs package in the UK, estimated at a record £720 million next year; using CPI rather than RPI inflation for the annual uplift in the poundage, as requested by business; protecting the Small Business Bonus Scheme, lifting 100,000 properties out of rates altogether; and continuing to provide better support for SMEs than elsewhere in the UK.

Whilst the SFC's remit includes forecasting non-domestic rates income, its report, "Scotland's Economic and Fiscal Forecasts, December 2017", does not comment in detail on the economic impact of the rates measures announced by the Scottish Government on 14 December. I would note that in my wide-ranging engagement with business I have heard a clear and consistent message that this package of proposals will stimulate investment, development and growth.

2018 – 19 Public Sector Pay Policy – Scope and Funding

The Public Sector pay Policy that I announced last week applies directly to the Scottish Government and 44 Public Bodies. The policy also acts as a benchmark for all major public sector workforce groups across Scotland, including the NHS Scotland, fire-fighters and police officers, teachers and further education workers.

The one exception is Local Authorities. Councils are independent of the Scottish Government and are responsible for determining their own pay agreements with their employees. It will, therefore, be for local authorities to decide what level of pay uplift they think is appropriate for their own staff.

The Pay Policy sets a progressive framework within which bodies can develop effective pay settlements that help them reward staff fairly and manage staffing numbers to deliver services within constrained budgets.

Each public body covered by the Pay Policy must ensure that their pay proposals are affordable within their overall financial settlement for 2018-19. In setting overall budgets for portfolios, including Local Government, a range of factors and cost pressures were taken into account.

While I have only set a one year pay policy for 2018-19, it sets an important direction of travel and I hope, subject to available resources, to continue to deliver a pay policy that strikes the balance between affordability and offering a fair deal for staff in future years.

Scotland's Draft Budget for 2018-19 looks to secure the best outcome based on fairness and growth, underlined by our investment in Public Services, for the people of Scotland. I remain committed to this government's drive, as I know you do, to improve Scotland's economic prospects and I look forward to continue this dialogue as we go forward in our shared ambition for the people of Scotland.

I have found the close working relationship with the STUC in the development of the Draft Budget for 2018-19 very helpful and I look forward to continuing that positive relationship moving forward.

Yours

DEREK MACKAY

UNISON Scotland

RECEIVED 08 JAN 2018

18 December 2017

UNISON House
14 West Campbell Street
Glasgow
G2 6RX

Derek MacKay MSP
Cabinet Secretary for Finance & The Constitution
The Scottish Parliament
Edinburgh
EH99 1SP

08 JAN 2018
Received

Dear Mr MacKay

SCOTTISH BUDGET 2018

I am writing in my capacity as Chair of UNISON's Scottish Local Government Committee which represents almost 80,000 members.

I was disappointed to find that, once again, the Scottish Government is cutting our revenue settlement by £153m. I also note that you claim this represents a flat cash revenue settlement and I would request that you provide the details of this, as COSLA claims this statement is factually incorrect.

During your statement you referred to public sector workers – mainly those under Scottish Government control – and teachers (employed by Local Authorities) and failed to acknowledge the hard work of council workers providing essential local services daily. I would be interested to hear from you who you consider to be public sector workers as the Scottish Government's position is unclear.

Some of the workers you did not mention in your statement include:

Home care, early years, waste, social work, housing, parks & grounds, cemetery & cremation, planning, catering, cleaning, classroom assistants, additional support needs, HR, clerical & admin, trading standards, environmental health, criminal justice, chief officers, elected member and family support workers to name but a few.

The lifting of the public sector pay cap and your announcement of the percentage pay rises is welcomed.

I am interested to hear that the Deputy First Minister and Cabinet Secretary for Education and Skills has been involved in pay negotiations not under Scottish Government control by agreeing to fund an additional percentage rise this year for teachers' pay. Whilst you have a seat at the negotiating table you do not fund directly.

During the budget you announced a further allocation would be made by the Scottish Government for teachers' pay for 2018/19. It will come as no surprise to you that this has created some confusion as you stated you could only determine the pay for those under Scottish Government Control and that local government pay is solely a matter for COSLA and Councils.

For the avoidance of doubt teachers are directly employed by local councils and are required to negotiate with their employers through COSLA in the same way as their fellow colleagues. I would therefore argue

that the Scottish Government applies the same approach to ensure that there is adequate funding for all public sector workers.

COSLA had called for additional £545m to be made available prior to the budget just to maintain the current level of services and pay their workers in line with the Scottish Government's announcement.

Council budgets have been under pressure year on year since the beginning of austerity, something that you should recall as you were Leader of Renfrewshire Council at the outset of this long period. The salami slicing of services is now at an end and the announced financial settlement may force some authorities into providing only statutory functions.

The lifting of the Council Tax freeze was welcomed as I believe it is not for central government to interfere in local taxation. I do however understand the difficulties faced by Councils in deciding whether or not to increase the Council Tax as we already see the consequences of reduction in household incomes, attacks on welfare assistance and increased charges for services and goods.

Councils also find themselves in the difficult position of having to decide to increase fees and charges. In our experience this is counterproductive and does not automatically translate into increases in income.

A recent SURVATION report produced for APSE (Association for Public Sector Excellence) states that the public trust local councils to make decisions about their services more than the devolved or UK Governments. I am not surprised by these findings and this is part of the reason for UNISON's call to end ring fencing of funds in the Local Government settlement.

During the debate you challenged the Labour Leader: "When did Labour turn its back on the NHS?". Using your own quote, I would like to ask you when you and the Scottish Government decided to turn your back on Local Government?

The basic requirements in society are a home, good education and youth services, environment and planning, social care and social work services. These are the foundation for a decent society and can ease the pressure on health, police and fire services in the long term.

I am calling for you to revise the announced spending plans by providing the necessary funding required for Local Government.

I will be copying this correspondence to other group leaders in the Scottish Parliament as I understand that you will require the support of one other party to have this budget approved.

Yours sincerely

[redacted]

Mark Ferguson
Chair of UNISON Scotland's Local Government Committee

Cc Willie Rennie MSP
Ruth Davidson MSP
Richard Leonard MSP
Patrick Harvie MSP

Local Government and Communities Directorate
Local Government & Analytical Services Division

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: [redacted]
E: [redacted]

Mr Mark Ferguson
Chair
UNISON Scotland's Local Government Committee
Unison House
14 West Campbell Street
GLASGOW
G2 6RX

Our ref: 2018/0000494
5 February 2018

Dear Mr Ferguson,

I refer to your letter dated 18 December addressed to the Cabinet Secretary for Finance and the Constitution regarding the 2018-19 local government revenue settlement. Derek Mackay has asked me to thank you for your letter and to reply to you on his behalf as local government finance falls within my area of responsibility.

I realise that your letter was setting out the position as announced as part of the 2018-19 Draft Budget but you will now be aware that following Stage 1 of the Budget Bill local government is set to receive a further £170 million in revenue funding next year.

Mr Mackay has asked me to point out that despite the UK Government's cuts to the Scottish Budget, the Scottish Government has continued to treat local government very fairly. The 2018-19 settlement now provides an increase in local government day to day spending for local revenue services of over £174 million and delivers an increase in capital spending of £89.9 million. Councils also have the flexibility to raise an additional £77 million by increasing council tax by up to 3%. Taken together, the total funding (revenue, capital and council tax) settlement delivers an increase in the overall resources to support local services of over £340 million or 3.3%.

In response to your comments regarding pay, Scottish Ministers have no general powers that would allow them to intervene in matters regarding local authority pay policy. As you will know, education matters in Scotland are fully devolved to the Scottish Government and the pay and conditions of service for teachers in local authority schools in Scotland are negotiated and agreed by the Scottish Negotiating Committee for Teachers (SNCT), a tripartite body which includes representation from teacher organisations, local authority employers and the Scottish Government.

Local authorities must use their resources as efficiently as possible and deliver services effectively to ensure taxpayers get the best possible value. How this is done is a matter for each council and councils are autonomous bodies, responsible for managing their own day to day business including pay policy and any decisions to increase locally raised fees and charges.

The Scottish Government recognise local authorities as our key partners in delivering the vital services that the people of Scotland expect and deserve.

Finally, I would like to confirm that the Scottish Government does recognise the hard work and dedication of all public sector workers who continue to provide an exceptionally high standard of public service, despite the challenging circumstances.

I hope that you find this information helpful.

Yours sincerely

[redacted]
Local Government Division

UNISON Scotland consultation response: Scottish Government Public Sector Pay Policy – stakeholder consultation

Introduction

UNISON Scotland is the largest trade union in Scotland with members impacted directly by the pay policy in NDPB's, public corporations and in the fire and police services. The pay policy also indirectly impacts on our members in the wider public sector, through its influence on budget allocations. We welcome the opportunity to submit our views on the development of the 2018-19 policy.

Overview

UNISON Scotland has welcomed the announcement that the Scottish Government will remove the 1% pay cap. This is a welcome response to our campaign for a new approach to pay in the public sector. We will also continue to make this case to the UK Government. UK pay policy directly impacts on public sector workers in Scotland, most notably in NHS Scotland, and indirectly through the Barnett consequentials of their budget allocations.

We will argue that the new pay policy should recognise the damage that has been done by the real terms cut in public sector pay since the freeze and subsequent 1% pay cap. This has had a major impact on the living standards of public sector workers and undermined service delivery through lower morale and on the recruitment and retention of staff.

UNISON Scotland also welcomes the Scottish Government's commitment to the Scottish Living Wage, a policy that UNISON Scotland has promoted for many years. This has been important in raising living standards for the lowest paid, including those working for contractors providing adult social care. However, the Scottish Living Wage is set at a level that only provides for the most basic needs and staff above this level also need a pay rise. We make the case in this submission for a minimum pay rate of £10 per hour.

While we understand that the funding for the pay policy will depend on budget decisions, we would urge the Scottish Government to prioritise pay in next year's budget allocations. Pay flexibility without the commensurate funding will do little to deliver better public services. Government should also take into account the net cost of public sector pay as calculated in the IPPR economic model. This means the real cost of a pay increase is almost half the budgeted cost.

In this submission, we do not argue for specific pay and conditions provisions as this is properly falls within the scope of the bargaining units. Instead we make the case for a substantial increase in the headline pay award – an increase of at least 5% can easily be justified. We also argue for greater flexibility for those bargaining units to respond to specific local issues rather than the current highly prescribed pay process.

1. **The opportunities presented by removing the 1% pay cap and the options you would like to be considered for next year.**

The case for a significant increase in pay

UNISON Scotland conducts a wide range of membership surveys each year. There is a consistent message from these surveys that the current pay policy has had a damaging effect on living standards and is driving workers away from public sector employment. This is at a time when staff are being asked to do more, often unpaid, to plug the gaps created by austerity cuts. It is also having an impact on sickness absence, particularly stress related illness.

"Staff stressed feel they can't say no in certain situations, can't say they are stressed because no one listens or asks how you feel - only a number." (School staff member*)*

If real terms pay cuts were not bad enough, some employers have sought to make savings by cutting pay and conditions - including pay allowances and other benefits. Such changes can turn a real term pay cut into a cash pay reduction.

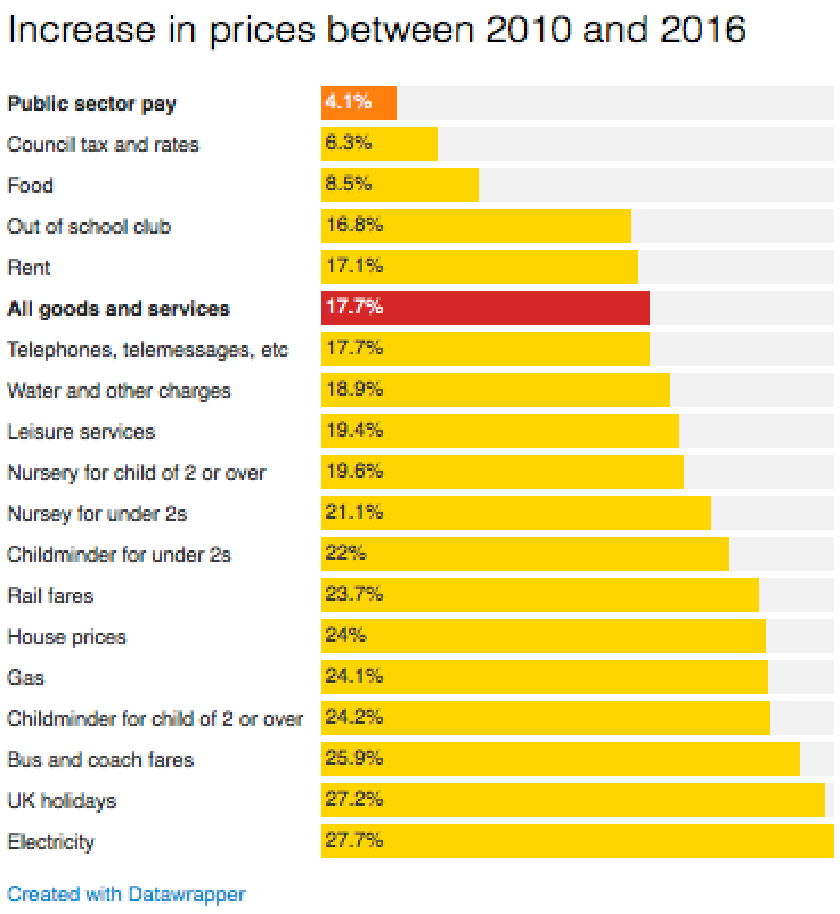
"After having our salary cut its left very low morale as I'm a very diligent hard-working member of staff who always goes the extra mile. To be awarded a decrease in salary was degrading and humiliating." (FE college worker)

For the vast majority of workers impacted by the current pay policy, their pay has fallen far behind the cost of living as the chart below shows. Between 2010/11 and 2016/17 this constitutes an 18.2% real terms pay cut for most public sector workers.

	Public sector pay limits Scotland	RPI	CPI
2010/11	1%	5.0%	3.5%
2011/12	0%	4.8%	4.3%
2012/13	0%	3.1%	2.6%
2013/14	1%	2.9%	2.3%
2014/15	1%	2.0%	1.0%
2015/16	1%	1.2%	0.2%
2016/17	1%	2.3%	1.3%
Cumulative	5.1%	23.3%	16.2%

Sources: Scottish Government 2016 and OBR 2015

The chart below shows how the price of everything has increased far below UK public sector pay.



(This data was taken from the RPI indices from Office of National Statistics Consumer Prices Inflation data, except house price data which is taken from ONS House Price Index and childcare costs which is from the Family & Childcare Trust Surveys, with the costs based on 25 hours of care).

In our surveys, members describe the impact of this on their household budgets. Here are just a few examples.

"Just day to day living - if kids want to do school trips etc it is sometimes difficult to find the money!" (Police staff)

"Each month we are in our overdraft, without any frivolous spending. Constantly living on the edge, always juggling money around, and living on credit cards." (NHS Worker)

"I tell my colleagues I'm on a diet to hide it or pretend I used the wrong card to pay if they see me use a credit card. It's embarrassing and demoralising." (anonymous)

The household budgets of many public sector workers have also been impacted by cuts to social security benefits. The much discussed 'working poor' include many public sector workers.

Pay cuts also impact on the recruitment and retention of staff. The shortage of social care staff has been widely reported and the recent Audit Scotland report highlighted vacancy rates in NHS Scotland.

Less widely reported is the impact on posts that have private sector comparators. Private sector pay is increasing faster than the public sector and this, when coupled with a tightening labour market, means staff are attracted out of the public sector. For example, in June we published a survey of building control staff who highlighted growing number vacancies and colleagues who were being ‘poached’ by the private sector on higher salaries. And the fieldwork for this was done before the Grenfell Tower tragedy.

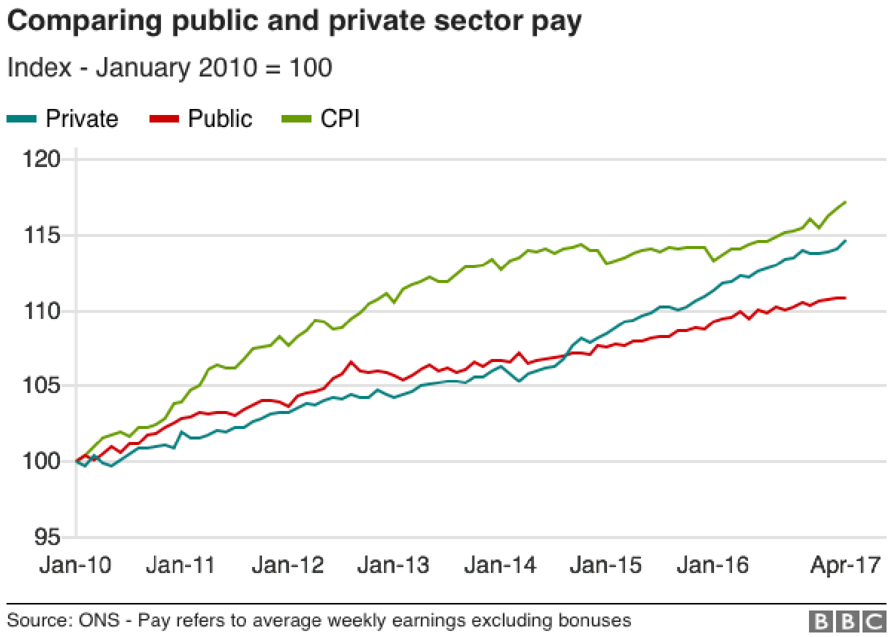
*“Pay is low compared to private sector in similar roles and gap is increasing” (*Building Control worker)

In other sector like ICT, vacancies are plugged by bringing in expensive consultants and contractors.

Contractors being brought in on high day rates (compared to full time staff) hurts staff morale and damages the organisation. (IT Worker)

Overall comparators between pay in the public and private sector are difficult to make because the workforces are very different. Better pensions are often quoted, while ignoring the rise in contributions (plus the NI increase) and the savings these contributions bring to the social security system. The same commentators also ignore private sector bonus payments, share schemes and other benefits that are not available to most public sector workers.

What is not in dispute is that in recent years average earnings have been going up faster in the private sector. And more importantly, all pay is falling behind inflation, dragging the economy behind it.

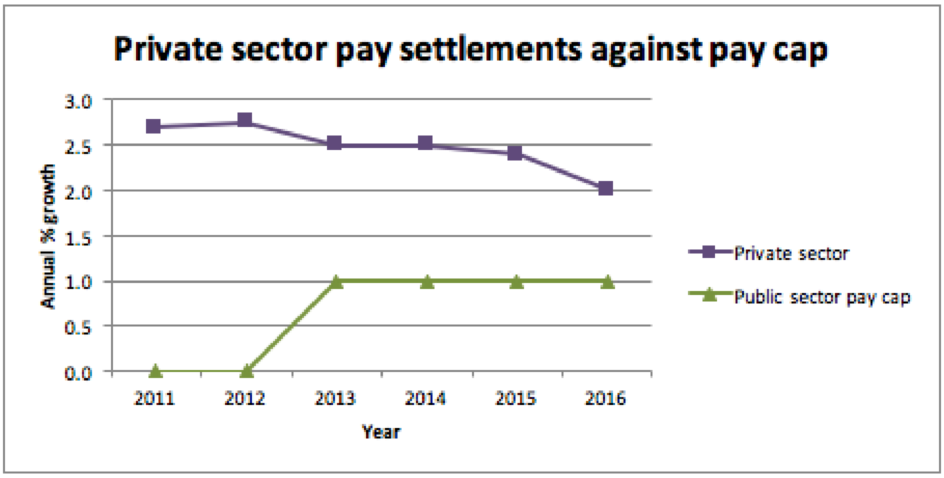


The same is true for pay settlements.

Comparison of private sector pay settlements against pay cap

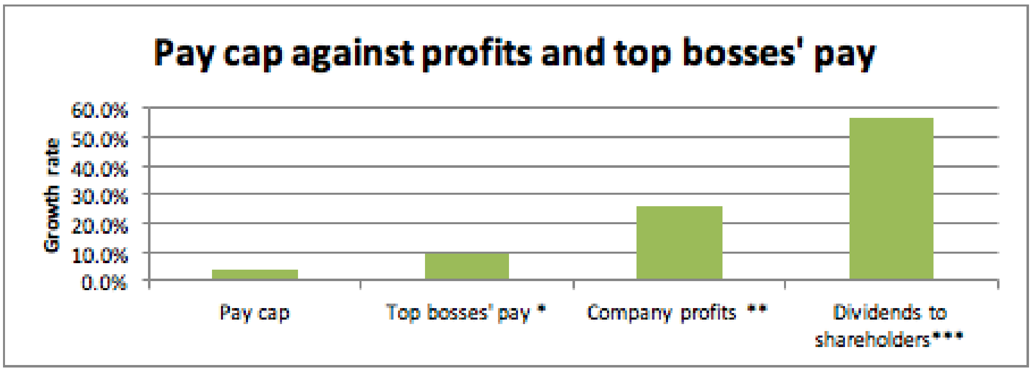
Year	Private sector	Public sector pay cap
2011	2.7	0.0
2012	2.8	0.0
2013	2.5	1.0
2014	2.5	1.0
2015	2.4	1.0
2016	2.0	1.0
Average 2011-16	2.5	0.7

Source: Incomes Data Research



Since the pay cap was introduced, private sector pay settlements have been running at an average of 2.5% - more than three times the average pay cap increase

The comparisons are even starker if we look at top bosses pay, profits and dividends.



- Over the duration of the public sector pay cap, operating surpluses among UK corporations have grown at six times the rate of the cap, FTSE 100 chief executives have seen their remuneration grow by more than double the cap and the dividends paid out to shareholders across the UK has been escalating at more than 13 times the pay cap rate.

Support for the lowest paid

UNISON Scotland has welcomed the Scottish Government's commitment to the Scottish Living Wage in its pay policy and the support for efforts to promote its adoption with contractors and in the wider economy through the accreditation initiative. We also recognise that successive pay policies have provided for some underpinning of pay at the lower end of the pay scales.

We now believe that the Scottish Government should go further by moving to a pay structure with a minimum pay point equivalent to £10 per hour. This would send a very clear message that the Scottish Government values its staff and is serious about tackling poverty pay in Scotland. Such a policy would also send an important signal that the government is serious about tackling inequality in Scotland. This policy would also provide a much-needed economic boost because low paid workers spend most of their earnings locally.

Funding a pay increase

UNISON Scotland recognises that the pay policy has to be set in the context of the Scottish Government's spending plans. The budget for the coming year will be dependent on the UK autumn budget and the extent of any Barnett revenue consequentials. The other half of the budget is dependent on the Scottish Government's decisions on devolved taxation and we understand that a discussion paper will soon be published on this issue. UNISON Scotland will be making the case for a progressive tax policy to fund public services and for a pay policy that supports the staff who deliver those services.

The Scottish Government will then have to decide what priority it will give to pay within the budget. We would argue that for too long cutting public sector pay has been viewed as the easy option to balance the books. This has to stop, and budget allocations have to include an assumption that pay will increase this year by a significant amount.

While all pay increases generate economic growth and government revenues, public sector pay comes at a cost to the public purse. The traditional approach is to focus on the gross revenue consequences. UNISON Scotland commissioned the IPPR, who using their tax-benefit model, showed us that this isn't the whole picture. They calculate that under the traditional approach a 10% pay rise would cost £1.880m. However, when tax, benefits and other multipliers are taken into account that cost almost halves to £950m. The table below models very modest increases in pay.

Table 4.3
Gross and net fiscal costs (£m, 2015/16 prices) of public sector pay increases in Scotland, by size of increase

	1 per cent	2 per cent	3 per cent
Gross public cost	£190m	£380m	£560m
Net cost (after initial taxes and benefits)	£110m	£210m	£320m
Net cost (after multiplier taxes and benefits)	£100m	£190m	£290m

Source: IPPR calculations using IPPR Scotland tax–benefit model

A pay increase for the public sector is also a benefit to the economy as a whole. Research commissioned by UNISON in 2014 and conducted by Landman Economics found that, on average, every 1% increase in public sector pay:

- Generates between £710 million and £820 million for the government in increased income tax, National Insurance contributions, and expenditure tax receipts, and reduced benefit and tax credit expenditure. This reduces the net cost of a public sector pay increase to something in the region of £600 million;
- Injects between £470 and £880 million of extra value into the economy;
- Creates between 10,000 and 18,000 (fulltime equivalent) jobs, especially in sectors such as leisure and transport.

Contrasting the cost of raising public sector pay against the cost of corporation tax policy, the Institute of Fiscal Studies has stated that HMRC's most recent estimates (April 2017) suggest that a 1 percentage point increase in corporation tax for all companies would raise £2.6 billion in 2020–21,

The pay cap acts as a downward force on wages for all workers across the UK, by reducing the wages that employers must pay in order to compete for staff in the labour market. Although the public sector makes up 17% of all UK employment, the CIPD Labour Market Outlook survey in spring 2017 found that 45% of all employers who expect to pay less than 2% cite the pay cap as a factor in limiting pay settlements.

2. All aspects of the pay remit process, including the change to the risk based approach this year.

UNISON Scotland believes that the focus for the 2018-19 pay policy should be a significant increase in the headline pay figure, underpinned by a minimum wage of £10 per hour.

We have long argued that the Scottish Government's pay policy process is overly prescriptive and undermines collective bargaining. The Scottish Government rejected our proposals for sectoral bargaining across the NDPB sector yet it continues to prescribe, in considerable detail, how the individual employers bargain locally. The language in the guidance implies much greater flexibility than is the case in practice.

The pay policy should be limited to a broad framework for pay in the sectors directly covered. It should indicate what budget provision the government has made for pay in each sector and its policy objectives, including tackling low pay and broader fair work principles.

The process should be reformed on that basis with much less bureaucracy, placing the decision-making responsibility with the governance of the organisations concerned. This includes the risk-assessment of anticipated savings. This would enable proper collective bargaining to take place at local level. If the government wants to prescribe pay bargaining in the current level of detail, then it needs to revisit its approach to sectoral bargaining.

We accept it is reasonable for government to take a broad view on politically sensitive issues such as non-consolidated bonus payments and senior appointments pay.

We support the aims of the no compulsory redundancy policy, recognising that this supports organisational change and public service reform, rather than being linked to pay.

We can see no merit in limiting the use of paybill savings for pay to 0.5% - or limiting the deployment of these savings to pay restructuring. The introduction of gender pay gap reporting may well identify further pay structure issues that will need to be addressed. As women make up a large proportion of the public sector workforce, pay policy makes a significant contribution towards fair pay across Scotland.

Incremental progression and low pay measures should continue to be excluded from the pay cap on the basis that these do not apply to all staff. It is sometimes forgotten that the rate for the job is the top of the scale (where such scales are used) and incremental progression was introduced to reflect a learning period.

While the Scottish Government budget is set on a one year basis, we recognise the difficulties in adopting a long-term approach to pay. However, we believe such an approach is desirable in addressing the long-term pay gaps. This does not necessarily mean multi-year pay deals, but it could be part of a broader staffing framework that UNISON Scotland has proposed to government as part of public service reform policy.

Conclusion

UNISON Scotland welcomes the Scottish Government's decision to take a new approach to pay in the public sector after years of pay restraint. We would urge the UK government to follow this approach for staff within their pay remit.

In this submission, we set out the case for a significant increase in headline pay, arguing that 5% can be justified, underpinned by a new minimum wage of £10 per hour. Such an approach would be fair to public sector workers and the services they deliver.

We also make the case for a more flexible pay process that would enable meaningful collective bargaining. A new pay policy also has to be properly funded.

UNISON Scotland
September 2017

For further Information contact:

Dave Watson
Head of Policy and Public Affairs
d.watson@unison.co.uk

STAKEHOLDER ENGAGEMENT: RESPONSE FROM CIVIL SERVICE UNIONS ON PAY 2017/18

Opportunities Created By The Removal of the 15 Pay Cap

The Civil Service Unions (PCS, PROSPECT, FDA and the POA(S)) welcomes the removal of the 1% pay cap, and the statement by Scottish Government Ministers that the pay cap will not feature in the 2018 public sector pay policy as it is now “unsustainable” and that the new policy will need to take account of inflationary pressures on incomes of staff. This is all the more important when RPI is sitting at 3.9% and shows no sign of reducing significantly any time soon.

The living standards of our members have dropped by as much as 20% and some of our members have been known to have to visits foodbanks to get by. This has inevitably led to low morale. We therefore need to see not only a pay increase which protects against current inflation and the further erosion of living standards, but we also need to see a pay policy that seeks to redress the 10 years of lost earnings our members have faced. Our members have been extremely patient and endured ever decreasing living standards over these past 10 years.

Whilst a pay award that meets inflationary increases is a minimum, we also believe that to deliver high quality public services it is necessary to repair the damage caused by the years of restraint.

If Ministers are to ensure that their commitment to address the inflationary pressures staff face are dealt with evenly and fairly then it is important that commitments are met with adequate funding to deliver them for ***all*** staff. There are already examples of wide disparities of treatment under the current policy which the employers in question attribute to underfunding and severe budgetary constraints.

We also recognise the ongoing challenges to the public finances. We further recognise that the cap whilst unfairly restricting our members pay and systemically attacking their living standards also delivered some minimum standards and ensured that some employers that have previously taken a recalcitrant approach to staff pay were forced to maintain a minimum pay increase despite budgetary constraints.

We have contended for many years that pay caps and changes at work have distorted many pay and grading systems and there is a need for root and branch reviews of pay and grading systems. That too would require adequate funding to ensure staff are properly rewarded for the work they do.

Fortunately as progression has continued in most areas there is not been an increase in the equality issues facing employers, however there remains some enduring issues with journey times, which with some employers remain too long. The key objective we therefore contend is the revalorisation of maxima, and where necessary root and, as stated above, branch reviews of pay and grading structures which have not been updated to reflect the changing workloads and political geography of the UK and devolved administrations.

We are aware that some employers are more able than others to meet the costs of the removal of the cap, and therefore we would encourage a sectoral pay coherence approach to pay so that employers who are more willing / able to raise pay are not offset by those employers who will seek to retain a low pay approach. The removal of the cap will mean that unions are more likely to pursue industrial action against employers who we feel are not meeting the reasonable aspirations of our members.

We believe strongly that the no compulsory redundancy guarantee must be maintained. We cannot accept a situation where we are asked to trade jobs for decent pay. Nor can we accept the ongoing withering on the vine of staffing levels through VS and VER. The Scottish Government cannot have the level of service it wants without the staff to deliver it. Our members have already seen impacts on health and wellbeing as stress levels increase due to ever increasing work pressure.

We are concerned by the number of bodies increasing their use of FTE contracts where they think they might restructure at some point under the misapprehension that they can treat the contract staff differently to other staff. The centrally agreed protocols of the CSCS require NDPBs to “opt in” which includes meeting central civil service requirements on recruitment policies and opening up vacancies to other bodies which they may feel undermines there independence. However without these central policies these bodies have nowhere to go when they have surplus staff as most of these (Annex A) bodies do not have a high enough turnover in senior grades and while they may be able to carry a small number of supernumerary posts it’s a less than ideal situation. If we were able to agree a central redeployment protocol for Scotland it might go a long way to establishing a more sustainable NCR.

We would reject the creation of a Civil and Public Service review Body as this removes our negotiating influence and relegates us simply to an evidence submitting body, it would not, we contend, enable us to drive the changes required in some employers.

2017 negotiations.

The new approvals process appears working well with remits cleared far earlier this year. Awards were late due to the shift in policy in late July but without this they would have been on time.

However during the 2017 negotiations FPP have intervened to block SNH undertaking an agreed pilot of a reduction in the working week. We see some merit in the position articulated by FPP that the pilot should have been in the remit, FPP were aware that this was a live issue. One of FPP’s objections was that it moved SNH out of line with other bodies. We understand that the concern that this sets a precedent, moving SNH out of line with other bodies.

But we don’t believe that argument stacks up.

There are already a number of public bodies covered by pay policy who have a shorter working week without it setting precedents elsewhere. SDS, SE, HIE and VisitScotland staff enjoy a 35 hour week already. Creative Scotland staff have a 36 hour week. Some of these employers also operate a policy of 30 days leave on entry yet that has not led to similar gains elsewhere.

This is not consistent with allowing other employers such as NLS and RBGE to reduce their leave carryover from the longstanding ten days which is prevalent across the piece. Without consistency of approach a credibility issue is crated for all parties, FPP, Employers and Unions and a more consistent approach to negotiations where there is both pain and gain for staff is required, rather than what appear to be a more strenuous line taken against positive initiatives for staff.

The additional guidance reaffirming to employers the important fairness and equality issues around qualifying service for benefits such as maximum annual leave entitlement and progression journey times was in the main helpful in dealing with some employers who have ignored these issues for many years.

However we were concerned that F&PP still managed to approve remits where the issues were not addressed or even made worse such as sportscotland who have not reduced the qualifying time for maximum leave from 10 years and at the same time have actually increased progression journey times from 5 years to up to 9 years in the past three pay rounds including 2017-18.

F&PP and sportscotland relied on paras 2.22 and 2.23 which imply payment of progression is at the discretion of the employer irrespective of its impacts on equality. Yet para 2.59 sets out guiding principles to address potentially discrimination in pay systems by ensuring staff reach the rate for the job within 5 years reflecting the EAT ruling in the Cadman and Wilson v HSE case.

F&PP and sportscotland have relied on this contradiction in the Technical Guide to allow sportscotland to increase the risk of discrimination. It is concerning that F&PP do not appear to believe that see ensuring fairness and equality is a central part of their remit. It is all the more disappointing as we believed we had agreed the wording of para 2.59in the Technical Guide to address such unfairness and potential discrimination.

A key point about consistency and cohesion is integral to arguments around fairness. In the SPS for example because it has an operational arm any improvements around leave and working hours come at an automatic cost due to the requirement to backfill . This is less of a feature in 'non-operational' areas so there is less cost pressure in making improvements. Why should maternity leave for example be any different for someone working directly for Scottish Government compared to any other agency when they all effectively work for a single employer, the Scottish Government. The opening up of pay policy provides the first real opportunity in recent times to have a grown up discussion about what 'fair work' looks like in a progressive Scotland and an opportunity for Scottish Government to lead on this and demonstrate its oft stated commitment.

Single point failure –in HIAL negotiations still have not started and items from last year are still to be resolved. With Gillian Haston’s departure the only person who had any understanding of FPP left the business. While we hope that this would not be the case elsewhere I fear in a number of the smaller bodies are at risk. FPP should ask all bodies what contingency plans they have to ensure they are able to engage with unions if key HR people are unavailable.

Equality and Fairness remain central planks in our approach to pay negotiations and outcomes. Scottish Government Ministers also make much of these important tenets.

The 0.5% flexibility allowed to address equality issue has been helpful in some areas. But there have been other employers who either couldn’t access the 0.5% due to the stringent criteria applied to its use (while others were allowed to be “innovative”), where employers couldn’t demonstrate the required paybill savings or worst of all where employers simply couldn’t afford to access the 0.5% even if it paybill savings and equality issues could be evidenced.

This demonstrates that fully funding pay awards is crucial if staff are to be treated consistently by the Government and fairness and equality issues are to be properly addressed. There should be no poor relations when it comes to fair pay and equality of treatment.

It appears to staff that where a variation is to the advantage of staff it will not be approved. But where it is to the relative disadvantage it will be tolerated despite issues around fairness and equality.

The role of F&PP should not be to level down pay and conditions but to advocate ministers’ commitment to fairness and decency at work.

Joy Dunn (PCS) Richard Hardy (PROSPECT) Allan Sampson (FDA) Andy Hogg (POA(S))