

EQUALITY IMPACT ASSESSMENT RECORD

Title of policy/ practice/ strategy/ legislation etc.	Public Sector Pay Policy 2018-19	
Minister	Cabinet Secretary for Finance and the Constitution	
Lead official	[Redacted]	
Officials involved in the EQIA*	name	team
	[Redacted]	Analytical Services
Directorate: Division: Team	Financial Strategy Division: Finance Policy	
Is this new policy or revision to an existing policy?	An update of existing public sector pay policy	

* Although Equalities Team were not directly involved in the EQIA they provided advice on previous Assessment Records which have been addressed in the following sections.

Screening

Policy Aim

To set the 2018-19 pay policy for the Scottish Government and its Associated Departments; Executive Agencies, Non-Departmental public bodies; public corporations and NHS Scotland Executives and Senior Managers. All public bodies will submit pay remits under the 2018-19 pay policy. It is proposed that the overarching aims of the 2018-19 pay policy will continue to be the same as in previous years to provide a policy that is fair, affordable, protects the lower paid and protects jobs and services.

Ministers have given a clear commitment in the Programme for Government to lift the 1% pay cap for 2018-19. In developing the 2018-19 pay policy, consideration needed to be given to balance the cost of living pressures being experienced by public sector workers against affordability for the public purse. Consideration also need to be given to balance the need for fairness and consistency across all public sector workforces against the value to individual bodies of flexibility, particularly where they can use the flexibility to negotiate changes in working practices that will support the delivery of high quality public services and increase productivity.

In line with the stance Ministers have taken on income tax policy, the pay policy needs to be progressive and continue to give the greatest protection to those on the lower rates of pay.

The public sector workforce plays a key part in delivering the Government's purpose and all of our National Outcomes.

The public sector pay policy is driven by the Scottish Government's Purpose "on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth". The public sector pay policy contributes to the Wealthier and Fairer Strategic Objective through the following three National Outcomes:

No. 2: We realise our full economic potential with more and better employment opportunities for our people.

No. 7: We have tackled the significant inequalities in Scottish society.

No. 16: Our public services are high quality, continually improving, efficient and responsive to local people's needs

The primary purpose of the pay policy is to set pay increases in a way that is fair, reflect the real life circumstances people face while helping to sustain public sector jobs and protect public services within the tight financial position resulting from the continuing real terms reduction in the Scottish Government's resource budget to ensure that that pay rises are affordable now and in the future.

In developing the 2018-19 pay policy, we have *taken account of* the cost of living, and continue to provide measures to protect the lower paid, while ensuring public sector budgets remain in balance.

To achieve this, the 2018-19 pay policy is based on the following principles:

- To provide increases in public sector pay settlements which take account of inflation within a tightly constrained financial climate; so that pay remain affordable and sustainable; and, through the targeting of resources, that value for money is secured:
 - To continue to protect the lowest paid by continuing to deliver the Minister's commitment to the Scottish Living Wage.
 - Provide progressive increases to protect lower paid earners.
 - Allow for non-consolidated payments to be paid to staff on their maxima.
- To deliver top-class public services, protect jobs and preserve pay progression in return for continuing constraint on overall paybill costs.
- To continue to work towards making sure that pay is fair and non-discriminatory.
- To provide flexibility within an overarching policy of pay restraint for public bodies for submit pay proposals that address local pay issues.

The proposed key features of the policy for staff pay remits are:

- a single year pay policy, although public bodies may make a case to submit multi-year proposals.
- continuing the commitment to paying the Scottish Living Wage - the 2018 rate is £8.75 which is an annual equivalent of £16,900 (based on 37 hour working week).
- a guaranteed minimum 3% pay uplift for those earning £30,000 or less fte (full-time equivalent).
- provision for increases in basic pay for all staff, with costs capped at 2% for those earning between £30,000 and £80,000 fte. Public bodies can vary the level of the basic award across grades to reflect local circumstances as long as the overall total remains within 1%.
- a cap of £1,600 basic award increases for all staff earning above £80,000 fte.
- retention of flexibility for employers to use paybill savings where they propose to restructure existing pay systems to address evidenced workforce or equality issues. The current cap will be increased to 1.0% and is subject to affordability.
- provision to use the 1% flexibility to allow payment for up to an additional 1.0% non-consolidated payment for staff on their maxima

- preserving the discretion for individual employers to reach their own decisions with staff and trade unions about pay progression.
- the costs of any low pay measures and paying progression remain outwith the standard remit elements.
- continued suspension of non-consolidated performance payments (e.g. bonuses).
- maintaining the guarantee of No Compulsory Redundancy, in return for continued and, where appropriate, additional workforce flexibilities.

The key features of the policy for senior appointments are:

- a 2% cap on the increase in basic pay for those earning below £80,000
- a cap of £1,600 basic award increases for all staff earning above £80,000 fte
- provision for up to an additional 1.0% non-consolidated payment for staff on their maxima, if affordable and in line with awards for other employees
- continued suspension of non-consolidated performance payments (bonuses).
- preserving the discretion for public bodies to reach their own decisions about pay progression but continuing to cap increases at 1.5%.
- continuing the expectation for a 10 per cent reduction in the remuneration package of new Chief executive appointments.

Who will it affect?

The policy sets the framework in which public bodies must operate for determining their annual pay increases for staff. It is for public bodies to undertake their own equality impact assessments to ensure they take into account local equality issues in framing their pay proposals. All proposals must be approved by the Scottish Government¹ prior to formal negotiations with staff and their trade union representatives.

The policy directly impacts on the 37,471 fte / 38,142(headcount) employees directly subject to Minister's public sector pay policy. It also indirectly impacts on the 530,000² (headcount) wider public sector, as any decisions taken will be watched closely by other public sector pay groups and will be key in setting the context for their own pay negotiations.

What might prevent the desired outcomes being achieved?

The public sector pay policy provides the framework for public bodies to determine annual pay increases for their staff in negotiation with their recognised staff representatives. It is for public bodies to take their own decisions on the proposed pay increases for their staff, within the parameters of the framework, taking into account local circumstances regarding workforce and equality issues and affordability.

¹ The Technical Guides which support the pay policies set out the approvals process.

² Source: Quarterly Public Sector Employment series 2016 Q4, Scottish Government, Office for National Statistics

Stage 1: Framing

Results of framing exercise

1. As part of the pay remit process public bodies are expected to carry out their own Equality Impact Assessment to ensure that their pay proposals do not create any direct or negative impact for their staff.
2. During September, the Finance Pay Policy team sought the views of stakeholders on the efficacy and the impact of the pay policy and the processes. The team held a couple of workshops as well as inviting written comments.
3. This engagement provided opportunity for stakeholders to comment on the above in the context of the 0.5% flexibility introduced in 2016-17 to address equality issues.

Summary of the key findings from employers and Trade Unions:

Public Bodies

While a number of public bodies support targeting the lower paid, there is less support for maintaining the current approach for the following reasons:

- Most public bodies do not see positive relations generated from the restrictions imposed by the public sector pay policy.
- 0.5% flexibility is a good start but a bit bitty – better clarity around the focus – low pay? closing the gap?
- IT specialists & engineers – finding it very difficult to compete with the private sector

Low pay measures

- creating morale and structural issues for public bodies
- No retention issues among lower paid staff.
- Recognise the need and application of the Scottish Living Wage.
- More flexibility required around £22K threshold
- Threshold erodes the pay differential for those earning just above £22K
- Creates issues with higher graded staff and with specialist staff
- Recruitment is difficult in certain areas e.g. IT/Digital
- Squeeze on pay structure at £22K threshold

1% cap

- Manages union expectations & gives clear boundaries
- Simple & straightforward
- Limited incentive to engage with unions
- Clarity on what is expected would let bodies see more clearly where they want to invest time and effort (in developing pay proposals and taking forward in pay negotiations)
- Too much Scottish Government influence as the 1% seen as a given increase and the Trade Unions pushing for more (rather than seeing the 1% as a paybill cap in which to flex the pay award). So there is no real teeth.
- Impacting on morale & linked to recruitment & retention
- Over sustained period, leads to pressure to promote or re-grade
- Does not motivate long serving employees

Suggested areas for consideration in 2018-19:

- Free up – provide more flexibility around the application of the £400.
- Support for the payment of a non-consolidated payment for staff at the max (in addition to basic award). Also recognises impact of inflation on such staff.
- Clearer definition of what the 0.5% can be used for.

Trade Unions

The responses from the Trade Unions unanimously welcome the lifting of the pay cap and the continuation of targeted low pay measures in the pay policy.

UNISON Scotland

- believes that the focus for the 2018-19 pay policy should be a significant increase in the headline pay figure to 5%, underpinned by a minimum wage of £10 per hour. Make the case for a more flexible pay process enabling meaningful collective bargaining. The new pay policy also has to be properly funded.
- Highlighted recruitment and retention issues (public sector staff being poached; vacancies (especially IT) being filled with more expensive consultants)
- Acknowledges pay policy set in the context of SG spending plans and dependent on UK autumn budget / Barnett revenue consequentials. But budget is also dependent on SG decisions on devolved taxation. Will be making case for a progressive tax policy to fund public services and for a pay policy that supports the staff who deliver those services.
- Support the aims of the no compulsory redundancy policy
- 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.
- Incremental progression and low pay measures should continue to be excluded from the pay cap.
- Accept reasons for annual pay policy, but preference is for adopting a long-term approach to pay as such an approach is desirable in addressing the long-term pay gaps.

SG unions (FDA, PCS, Prospect, Prison Officers' Association)

- Welcomes the removal of the 1% pay cap recognising that the cap whilst unfairly restricting members' pay and systemically attacking their living standards also delivered some minimum standards.
- Need to see a pay increase which protects against current inflation and the further erosion of living standards, but also seeks to redress the 10 years of lost earnings members have faced.
- Important that commitments are met with adequate funding to deliver them for all staff.
- Unions are more likely to pursue industrial action against employers who they feel are not meeting the reasonable aspirations of members.
- No compulsory redundancy guarantee must be maintained.
- 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.

Suggested areas for consideration in 2018-19:

- Pay increase which protects against current inflation and further erosion of living standards, but also seeks to redress the 10 years of lost earnings.
- Increasing the 0.5% limit on the use of paybill savings.
- Review the criteria for accessing the paybill savings

Extent/Level of EQIA required

10. The discussion in the framing exercise support a full EQIA be undertaken looking at the impacts of each of the proposed options on each of the protected characteristics.

11. I have taken the same approach as taken in previous years - for a paper-based research using available statistics³ to provide a baseline position of the key characteristics of employees within the Scottish public sector and then look at the impact of each of the policy proposals using the latest available evidence.

12. Key sources for the assessment are: the information published on Evidence Finder on the Scottish Government's website <http://www.scotland.gov.uk/Topics/People/Equality/Equalities>; statistical analysis (e.g. ONS and ASHE) and information provided by public bodies in their 2016-17 pay settlement proforma (equalities data from the 2017-18 pay remits is not available as some bodies have yet to implement pay settlements under the 2017-18 pay policy). This will include consultation colleagues in Employment statistics. All figures are based on the latest available from each of the sources.

13. Previous assessments also drew evidence from the SPICe⁴ report on the "Impact of the Scottish Government Pay freeze (2011)". The SPICe analyses showed that among those, subject to the pay policy, who earn under £21,000 full-time equivalent there are higher proportions of women, disabled people and employees aged under 24 and over 55 years.

14. One of limitations identified in the 2014-15 Equality Impact Assessment was the ability to look at the variances in actual salary between low pay threshold but their actual take-home pay was lower due to the hours worked. To address this we have collected salary information by gender from the public bodies subject to the policy.

³ Data sources:

APS = Annual population survey; **ASHE** = Annual Survey of Hours and Earnings, ONS
FPP = Finance Pay Policy – pay modelling – excludes Local Government; **LFS** = Labour Force Survey, ONS
NRO = National Records Office; **PSE** = Public Sector Employment in Scotland Statistics
ONS = Office of National Statistics; **SHS** = [Scottish Household Survey 2009/10](#)

⁴ It is our view that there not been a significant change in the overall pay and grading structure and staffing profiles since 2011 that the SPICe research and findings are still relevant. The SPICe report was based on 6 representative public bodies who provided the requisite information for the exercise. The report notes some of the challenges on availability of data in particular on ethnicity and disability because of the independence on self-disclosures.

Stage 2: Data and evidence gathering, involvement and consultation

Source of data

Tables of supporting statistics are provided in a separate excel workbook and the following table records the key findings. Relevant data has been collected from the a number of various sources including the SG's evidence finder, NRO, ONS, ASHE etc and they have been listed accordingly in the accompanying excel workbook. Note the information provided is based on headcount rather than full-time equivalent as the Equality Impact Assessment examines the impact of the pay policy on individual employees.

Evidence gathered and Strength/quality of evidence:

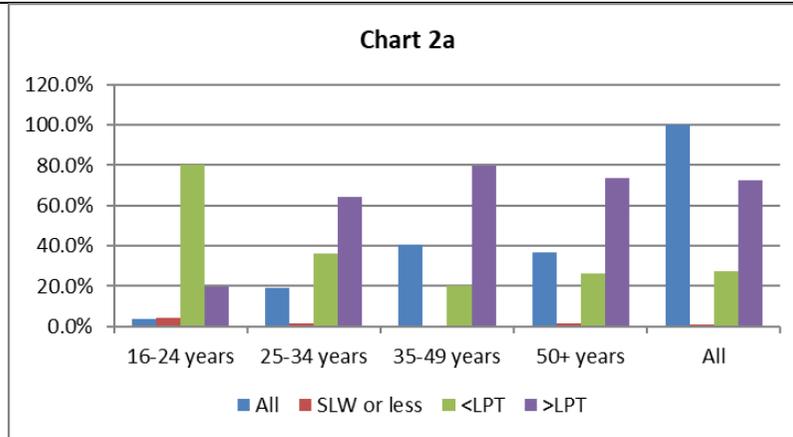
We are satisfied that the analysis is based on the latest available information. Where it has been possible information has been collected for the Scottish population, the public sector workforce and for those public bodies directly covered by the pay policy. As most of the public bodies have yet to submit 2017-18 settlement details, the information is based on the returns provided as part of their 2016-17 pay settlements. Therefore the detailed analyses is based on a low pay threshold of £22,000. While the 2016-17 information was not collected for staff earning above the proposed £80,000 upper pay threshold, it was however collected on this basis in 2013-14, and we do not think that there have been substantive changes over the period that would impact on the findings from that time and therefore remain relevant to providing a general picture of the key trends. Therefore while we do not have the detailed information to undertake a full equality impact assessment of setting a £30,000 and £80,000 threshold in 2018-19, we are satisfied that from the information collected we can build up a general picture of the likely impact of the proposed thresholds on the overall trends and key messages.

Where information is available, analyses has been undertaken to look at each of the aspects of the proposed policy for 2018-19 for each protected characteristic and taking in to account the impact for part-time employees.

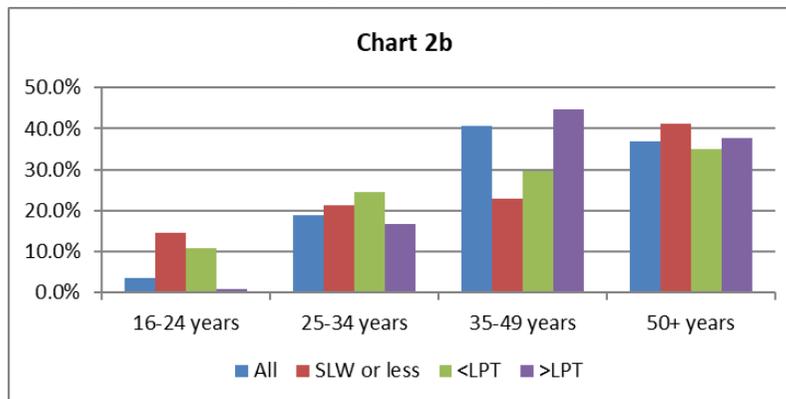
The key elements of the pay policy were determined from senior officials' scoping discussion with the Cabinet Secretary for Finance and the Constitution. The policy proposes retaining a lower pay threshold but increasing this to £30,000 and applying an upper threshold at £80,000. Applying higher increases for staff below the lower pay threshold of £30,000 will directly benefit around 59% of employees directly covered by the pay policy and a similar proportion across those public sector workforces within the auspices central government. It is noted that two-thirds of NHS employees are below £30,000. It is estimated 1.9% of the wider public sector earn more than £80,000 – the estimate proportion for those directly covered by the pay policy is slightly lower at 0.29% but this lower proportion is due to the Senior Civil Service cohort being reserved.

It is noted that a higher proportion of part-time employees are among the lower paid staff. Overall around 30% of public sector employees work part-time. However this proportion is lower at 18% (just under 1 in 5) employees covered by the pay policy work part-time and this increases to more than 1 in 4 (27%) for those earning below the £22,000 threshold. Almost 11% of all part-time employees subject to the pay policy have a full-time equivalent salary of over £22k, and over half (53%) of those have a take-home salary of £22,000 or less as a result of hours worked.

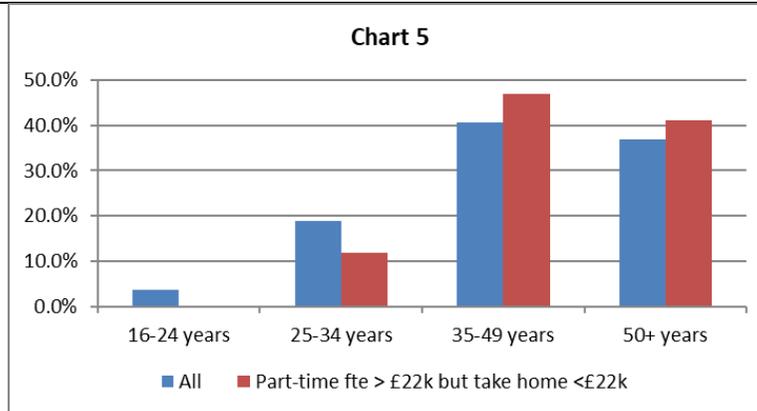
Characteristic	Data gaps identified and action taken																														
AGE	<ul style="list-style-type: none"> <li data-bbox="465 236 1547 268">• The overall picture remains the same as that identified in previous EQIA's. <li data-bbox="465 280 2096 480">• There are noticeable differences in the age profiles between the private and public sector workforces. There is a higher proportion of older workers in the public sector. Nearly 37% of the public sector workforce is aged 50+ compared with just under 28% in the private sector. Similarly around 38% of the public sector workforce is aged between 35-49 years compared with around 33% in the private sector. There has been a small increase in the numbers of younger staff working in the public sector with a decrease in the private sector - 6% of those working in the public sector are aged 16-24 years compared with around 15% in the private sector. (chart 1) <div data-bbox="512 488 1386 971" style="text-align: center;"> <p>Chart 1</p> <table border="1" data-bbox="512 488 1386 971"> <caption>Data for Chart 1: Age Profiles (%)</caption> <thead> <tr> <th>Age Group</th> <th>Popn</th> <th>All emp</th> <th>Private Sector</th> <th>Public sector</th> <th>PSPP</th> </tr> </thead> <tbody> <tr> <td>16-24 years</td> <td>18.0%</td> <td>13.0%</td> <td>15.0%</td> <td>6.0%</td> <td>4.0%</td> </tr> <tr> <td>25-34 years</td> <td>21.0%</td> <td>23.0%</td> <td>24.0%</td> <td>19.0%</td> <td>19.0%</td> </tr> <tr> <td>35-49 years</td> <td>31.0%</td> <td>34.0%</td> <td>33.0%</td> <td>38.0%</td> <td>40.0%</td> </tr> <tr> <td>50+ years</td> <td>30.0%</td> <td>30.0%</td> <td>28.0%</td> <td>37.0%</td> <td>37.0%</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> <li data-bbox="465 986 2089 1082">• We are satisfied that the age profile for staff subject to pay policy is broadly similar to the wider public sector although there are slightly fewer staff proportionally in the youngest and slightly more in the 35-49 years age group. (chart 1) <li data-bbox="465 1096 2119 1230">• The data shows there is a higher proportion of younger staff (particularly in the 16-24 age group) who are lower paid. From the information available, the low pay measures proposed in the policy will positively benefit employees particularly in the 16-24 age band as 80% of staff in the age range earn less than £22,000 per annum. Therefore we are satisfied that such employees will not be adversely affected by the Government's approach to pay. (chart 2a) 	Age Group	Popn	All emp	Private Sector	Public sector	PSPP	16-24 years	18.0%	13.0%	15.0%	6.0%	4.0%	25-34 years	21.0%	23.0%	24.0%	19.0%	19.0%	35-49 years	31.0%	34.0%	33.0%	38.0%	40.0%	50+ years	30.0%	30.0%	28.0%	37.0%	37.0%
Age Group	Popn	All emp	Private Sector	Public sector	PSPP																										
16-24 years	18.0%	13.0%	15.0%	6.0%	4.0%																										
25-34 years	21.0%	23.0%	24.0%	19.0%	19.0%																										
35-49 years	31.0%	34.0%	33.0%	38.0%	40.0%																										
50+ years	30.0%	30.0%	28.0%	37.0%	37.0%																										



- Although just over 1% of employees covered by the pay policy are paid at SLW rates the figures show that there are **disproportionally more in the 16-24 age band**. However there are higher proportions of staff paid at SLW rates among those aged over 50 paid at SLW rates and in the 25-34 age bracket – perhaps reflecting the high number of jobs for front-line staff such as visitScotland information centres or national gallery staff. These staff will continue to benefit from the pay policy commitment to paying the living wage as an annualised amount. (chart 2b)



- Among public bodies covered by the pay policy there is a **higher proportion of part-time employees in the 35-49 and 50+ age groups who have a full-time equivalent of >£22,000 but their take-home pay is below the threshold**. (chart 5)



- The proposed policy for 2018-19 provides for a 2% increase in the paybill for basic award for those earning between £30,000 and £80,000 with a cap of £1,600 for those staff earning above this.
- Due to disclosure of personal data we do not hold information on the age of individual senior appointments. However statistics for all public sector employees indicate that 97% of all employees who earn more than £80,000 were in the 35-64 age band.
- From the 2013-14 EQIA, 59% of those earning more than £80,000 in the Scottish public sector in 2012 were between the ages of 25 to 49 years. The remaining 41% were between 50 and 64 years of age. We do not expect these proportions to have changed substantively over the period.
- The pay policy for Senior Appointments makes it explicit that the main objective in offering remuneration to Board Members is to increase diversity but is not intended to meet in full the market rate that the individual may otherwise expect/command.
- In developing the 2018-19 pay policy we have continued with the aim to target lower paid staff (the proposed policy for 2018-19 provides for a 3% increase for those earning £30,000 or below as well as continuing to guarantee a pay floor of £16,900) and are aware of the higher representation of individuals with one or more protected characteristic within this threshold. From the information provided for the wider public sector, there is nothing to suggest that raising the low pay threshold at £30,000 will result in any staff being adversely affected and in fact will benefit more staff many who will have one or more protected characteristic.

We are satisfied that as the policy sets the overall framework there are no identified direct or indirect age discrimination consequences as a result of the proposed pay policy.

DISABILITY

- **The overall picture remains the same as that identified in previous EQIA's.** It is noted that much of the information on disability available on Scottish Government's evidence finder has not been updated since the last EQIA so many of the overall key findings remain unchanged.
- Disabled people experience lower rates of employment and lower pay than non-disabled people. Employment rates vary considerably by impairment, with people with depression and learning disabilities the least likely to be in employment.

	<ul style="list-style-type: none"> • Although just under three-quarters of those employees with a disability work in the private sector compared with just over a quarter in the public sector - there is a slightly higher proportion of employees with a disability working in the public sector. Just over 1 in 4 of people with a disability in employment work in the public sector. • There is a same proportion (4.1%) of employees with a recorded disability among the bodies subject to the pay policy compared with the wider public sector (4.1%). However, it is noted the proportion of individuals/employees with a disability may well be higher as the figure is dependent upon individuals self-reporting. • Results from the 2012 Scottish Health Survey indicate that a higher proportion of women (35%) reported a limiting long-term health condition than men (28%) • However, information provided by public bodies covered by the pay policy indicates there are more males than females with a recorded disability and there is a slightly higher proportion of those with a recorded disability among the lower paid and in particular lower paid men. • Just over 28% of employees subject to the pay policy with a reported disability earn below £22,000 which is roughly the same as the overall proportion of staff earning below the threshold (29%). The proportion of staff earning under £22,000 with a reported disability is just over 4% which is slightly higher than the proportion for those earning above the threshold. • While we don't hold information on work pattern for disabled employees, figures for the Scottish Government would suggest that for those employees who have reported that they are disabled that there is no significant difference between the proportions working part-time or full-time workers which is roughly 6% of all staff. However they are more likely to be employed at Bands A and B. • We are satisfied that those employees with a disability will not be adversely affected to a greater effect by the Government's approach to pay than any other group of staff. In developing the 2018-19 pay policy we aim to target lower paid staff and are aware of the higher representation of individuals with one or more protected characteristic within this group of staff. On this basis, the continuing low pay measures proposed in the policy will positively benefit those staff with a disability. • From the information provided for the wider public sector, there is nothing to suggest that increasing the lower pay threshold to £30,000 and introducing a higher paid threshold will result in any staff being adversely affected and in fact will benefit more staff many who will have one or more protected characteristic. Therefore, from the information available there is nothing to suggest that the policy has a greater impact or unduly discriminates people with a disability over other population groups. • The EHRC 2015 report highlights that there is some evidence from the public sector of a lack of diversity in terms of disability at senior levels. While we do not hold information on Board Members, the pay policy for Senior Appointments makes it explicit that the main objective in offering remuneration to Board Members is to increase diversity but is not intended to meet in full the market rate that the individual may otherwise expect/command. <p>We are satisfied that as the policy sets the overall framework there are no identified direct or indirect discrimination to those with a disability as a result of the proposed pay policy.</p>
SEX	<ul style="list-style-type: none"> • Overall for bodies subject to the pay policy there is almost 1 male employed for every 1 female unlike the wider public sector where is almost a ratio of 1 male for every 2 females. It is believed this difference is due to the higher proportion of

front-line service jobs in the wider public sector which are traditionally more likely to be held by women such as nurses and teachers.

- Of the 18% employees covered by the pay policy who work part-time 4 out of every 5 employees are female. The information provided by public bodies suggests that there are proportionally more women in lower paid grades and this is supported by the overall gender pay gap of 8.4% but this varies considerably between public bodies. (The pay gap for the wider public sector is 12% compared with 23% for the private sector).
- There is a substantively higher proportion of women working part-time employees earning £22,000 or less (21%) compared with those earning above £22,000 (12%).
- While we do not hold information for employees covered by the pay policy to look at the impact of increasing the threshold to £30,000 (from £22,000) we do not think that this increase in the low pay threshold will have any adverse impact on gender.
- Although the overall picture is a 50/50 workforce for bodies covered by the pay policy this is not the picture when you look at the distribution of earnings which point to a **higher proportion of women among the lower paid**. Of those employees earning under £22,000 over 61% are female. This difference is even greater for part-time employees with an fte salary greater than £22k but with a take-home pay of less than £22k at over 77%. For the two-thirds of employees earning over £22,000 the position is more equal with 48% females to 52% males.
- Latest figures show that 82% of those Scottish public sector employees earning less than the low pay threshold are women. The corresponding figure shows that for those bodies subject to the pay policy is slightly lower with 78% earning the SLW or below. This is roughly the same as previous years
- In 2015 information was collected for the first time from public bodies on average salary of those employees covered by the pay policy for staff remits. Not all public bodies provided the information. The information also excludes all senior appointments that are subject to different pay increases. Therefore the figure provides only a partial picture but will allow us to monitor trends going forward. The information provided shows that for those employees covered by the pay remit process there is **an overall pay gap between males and females of nearly 8.5%**. As noted the overall gap may vary from this as the salaries of those covered by the policy for senior appointments and senior civil service are not included. The information from the 2017-18 pay settlements shows there are more women on the living wage or working part-time and they are paid around 6% more than their male counterparts. However the overall picture for employees earning under £22k shows that although there are over 60% female workers, males are on average paid just over 3% more than females and the picture is similar for those earning above £22k at also just around 3.5%.
- The proposals overall benefit women since they are working to protect high value public sector jobs. In addition the low pay measures proposed in the policy will positively benefit women as there are a higher proportion of women earning under £22,000. Continued restraint of pay for those earning above £22k will work towards closing the overall pay gap as it will help erode the differential between the lowest and highest earners.
- In the wider public sector over 30% of employees work part-time and from the 2017-18 EQIA there is a substantially higher proportion among lower paid staff where just over half (53%) of those earning below £22,000 work part-time compared to

just under a quarter (23%) for those earning above the threshold. It is recognised that **more women than men work part-time (80%/20%)**. Around 6% part-time employees will earn below £22k but will not receive the proposed minimum pay uplift as their full-time equivalent salary is above the threshold and 77% of these staff are female.

- A quarter of current Chief Executives post are held by a woman the average salary for females is just over £1,300 (1.2%) less than their male counterparts – although it is noted that this has reduced from over a £3k differential in the 2017-18 EQIA . Even adjusting for two outlying salaries of >£200k (1 male and 1 female) the position worsens with the average salary for male CEs being over 6% (£6,150) more than the average female CE salary but again this is an improvement on 2017-18 position at 10% (almost £11k). Although female earn on average more than their male counterparts for those CE under the £80k threshold it nevertheless points to males tending to be higher paid CE post but this may reflect length of time in post and given the number of posts there is greater sensitivity to small changes in post and postholders.
- Therefore we are satisfied that the proposals set out in the policy which target increases at the lowest paid staff may positively help to continue reduce the pay gap between men and women within the public sector. The minimum pay uplift will help increase the base salaries for those earning £30k or less (where there are higher proportions of women) at a higher rate than the 2% applied to those earning above £30k and help towards eroding the differential between average male and female salaries.

We are satisfied that as the policy sets the overall framework there are no identified direct or indirect gender discrimination consequences as a result of the proposed pay policy.

PREGNANCY AND MATERNITY

- We do not have sufficient information to measure the impact of the pay policy on pregnancy and maternity as the Scottish Government does not currently have information on the numbers pregnancy and maternity in the labour market apart from the figures published in the Scottish Government 2017 Equality Outcomes and Mainstreaming report.
- Looking at the figures published in the latest SG report it shows that around 2.3% of total staff are on maternity leave at the end of the defined period (up from 1.5% in recent years). There is no difference between part-time and full-time employees on maternity leave over this period. There is some difference between grades with the highest proportion and Band B (3.1%).
- SG maternity policy provides for up to 52 weeks maternity leave of which the first 26 are, normally, on full pay followed by 13 weeks SMP. Most band B and Band C staff are likely to take their full paid entitlement and return sometime after 40 weeks and the figures in the table suggest some staff may have taken longer than the 52 weeks. Band A staff are more likely to return from maternity leave before 40 weeks compared with other bands, this may be due to them finding it difficult to manage on reduced pay particularly after the first 26 weeks. From 5 April 2015 SG policy includes provision for Shared Paternal Leave.
- We do not hold sufficient information to assess the impact of the pay policy on pregnancy and maternity, however it is noted that the majority of public bodies covered by the pay policy provide enhanced maternity and paternity leave and pay for their employees. Only 2 employers provide statutory Maternity Pay and Leave with a further 4 provide statutory Paternity Pay and Leave.
- Results of research (published July 2015) on pregnancy and maternity-related discrimination and disadvantage in the workplace by BIS and EHRC show that employers in the public sector and third sector feel that it is in their best interests to support pregnant women. Employers in Scotland were also more likely to support this view compared to elsewhere in the UK. However lower earning mothers were more likely to say that they felt forced to leave their job although were less likely to report financial loss or negative impact on opportunity, status or job security where higher earners were less likely to feel forced to leave their job but were more likely to say that it had a negative impact on opportunity, status or job security.
- The Scottish Government is working with the EHRC to tackle pregnancy and maternity discrimination, as highlighted in EHRC and BIS research. On 25th February 2016 the previous Cabinet Secretary for Fair Work, Skills and Training, Roseanna Cunningham, announced a series of measures to show the Scottish Government's commitment to addressing this issue. Measures include a working group to create guidelines for employers to ensure best practice on monitoring and reporting on pregnancy and maternity.
- In developing the 2018-19 pay policy we have continued to aim to target lower paid staff and we are aware of the potentially higher representation of individuals with one or more protected characteristic within this group of staff. From the information provided for the wider public sector, there is nothing to suggest that retaining the low pay threshold at £22,000 will result in any staff being adversely affected and in fact will benefit more staff many who will have one or more protected characteristic.
- The policy only sets the parameters for annual pay increases; it is for public bodies to ensure their own HR policies on pregnancy and maternity do not result in staff suffering any detriment in applying the annual pay uplift.

In relation to pregnancy and maternity, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.

<p>GENDER REASSIGNMENT</p>	<ul style="list-style-type: none"> • It is widely recognised that there is limited evidence on the experiences of transgender people in Scotland. Currently, there is no fully tested recommended question with which to collect information on gender identity in surveys or other data sources. A recent project carried out for the Equality and Human Rights Commission began work into this and the Scottish Government is considering future work in this area. • Therefore the Scottish Government does not currently have information on the position of transgender people in the labour market. • The Scottish Government's commitment to its own staff is to ensure that all staff feel comfortable and valued, and free to contribute fully and to the best of their ability; to treating all staff equally, irrespective of irrelevant difference, including gender identity. • In developing the 2018-19 pay policy we aimed to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. From the information provided for the wider public sector, there is nothing to suggest that increasing the low pay threshold to £30,000 and introducing an upper pay threshold of £80,000 will result in any staff being adversely affected and in fact it is likely to benefit more staff many who will have one or more protected characteristic. <p>In relation to gender reassignment, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.</p>
<p>SEXUAL ORIENTATION</p>	<ul style="list-style-type: none"> • There is currently limited data and evidence collected on the experiences of gay, lesbian and bisexual people in Scotland. • Latest available statistics show that the number of people who self-identified as lesbian, gay or bisexual in Scotland was 1.6%. This may be slightly lower than the actual percentage as it does not include those who did not respond or chose not to state their sexual orientation (c 2.4%). • There figures show a larger proportion of men stating they were gay, at 1.6%, compared to women at 0.8%. The figures also show that older people are less likely to identify themselves as gay/lesbian or bisexual, 0.3% of those aged 65 and over compared with 1.6% in the 16-24 age group and 1.8% in 25-34 age group. • From the latest figures published in the 2017 Scottish Government Equality Outcomes and Mainstreaming report, 2.6% of employees identified themselves as lesbian, gay, bisexual or other (LGBO) up from 1.9% in 2015. However it is noted that 3.4% said they "preferred not say" and 40.3% were "not known". • There is no breakdown by gender but LGBO employees are more likely to work full-time and there is a high proportion of employees at Grade C. • Research points to there being a lower proportion of gay/lesbian people in employment but they were more likely to be in managerial and professional classifications than heterosexual. • In developing the 2018-19 pay policy we aimed to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. From the information provided for the wider public sector, there is nothing to suggest that increasing the low pay threshold to £30,000 and introducing an upper pay

	<p>threshold of £80,000 will result in any staff being adversely affected than the current policy approach. The policy generally is likely to widely benefit more staff many who will have one or more protected characteristic.</p> <p>In relation to sexual orientation, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.</p>
<p>RACE</p>	<ul style="list-style-type: none"> • There remains limited data and evidence collected on experiences of individuals from different ethnic backgrounds. • Information from the 2011 Census information records the minority ethnic population as 4% compared with 96% white. Around two-thirds of those from a minority ethnic group are Asian (including Asian Scottish and Asian British). • In 2014, 77.9% were White:Scottish; 3.4% were minority ethnic and 1.7% White:Polish. • Overall the employment rate for individuals from minor ethnic groups is lower compared to the wider population. • Public bodies covered by the pay policy provided a breakdown of ethnicity as part of their 2016-17 pay settlements. Over 25% of employees did not disclose their ethnicity and we have no information as to why they chose not to disclose. Analysis for public bodies excludes these staff. 2% of those providing information are from a minority ethnic group however there is a significantly lower proportion of Asian (including Asian Scottish and Asian British) of 41% compared with 67% in the population. While it is difficult to draw any firm conclusions because some of the numbers are very low - the information provided points to a higher proportion of women among those recorded as being from a minority ethnic group and that they have a higher representation among the lower paid. • From the latest figures published in the 2017 Scottish Government Equality Outcomes and Mainstreaming report, 1.5% of employees identified themselves from a minority ethnic group compared with 76.2% identified themselves as white. It is noted that 1.7% said they “preferred not say” and 17.8% were “not known”. Of those who provided information there is a higher proportion of white compared with the figures in the Scottish population. There is a higher proportion of those from a minority ethnic group among band A and B staff, this suggests that there is a highly representation of such individuals among the lower paid. There was no marked difference showing that employees from a minority ethnic group are more likely to work full-time. • Due to disclosure of personal data we do not hold information on the race of individual senior appointments. • The EHRC 2015 report identifies that there remains a lack of diversity in senior and managerial occupations (in terms of gender and ethnicity) across all three countries, particularly in Scotland and Wales, and at board level in both the public and private sector. There is some evidence from the public sector of a lack of diversity in terms of disability at senior levels. • In developing the 2018-19 pay policy we aimed to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. From the information provided for the wider public sector, there is nothing to suggest that increasing the low pay threshold to £30,000 and introducing an upper pay threshold of £80,000 will result in any staff being adversely affected than the current policy approach. The policy generally is likely to widely benefit more staff many who will have one or more protected characteristic. <p>In relation to race, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.</p>

<p>RELIGION OR BELIEF</p>	<ul style="list-style-type: none"> • There remains limited data and evidence collected on religion and beliefs of individuals. • Information from the 2011 Census information records that just over half of the Scottish population stated their religion as Christian, whilst over two-fifths said they had no religion. • From the latest figures published in the 2017 Scottish Government Equality Outcomes and Mainstreaming report, 24% of employees identified themselves as Christian, 1.6% as another Religion or Belief and 29.6% as No Religion or Belief. It is noted that 3.7% said they “preferred not say” and 41% recorded “not known”. Of those who provided information there is a higher proportion of those recording Other or No Religion or Belief and a lower proportion of those recording themselves as Christian compared with the figures in the Scottish population. There is a slightly higher proportion of staff stating other Religion or Belief among Band C staff and a higher proportion of those recording themselves as Christian among Band B. Those who have recorded Other or No Religion or Belief are more likely to work full-time. • We do not hold information to enable us to assess the impact of the pay policy on religion or belief. • In developing the 2018-19 pay policy we aimed to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. From the information provided for the wider public sector, there is nothing to suggest that increasing the low pay threshold to £30,000 and introducing an upper pay threshold of £80,000 will result in any staff being adversely affected than the current policy approach. The policy generally is likely to widely benefit more staff many who will have one or more protected characteristic. <p>In relation to religion and belief, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.</p>
<p>MARRIAGE AND CIVIL PARTNERSHIP</p>	<ul style="list-style-type: none"> • As the policy being assessed relates to movements in pay which has no impact on marriage and civil partnership there is no requirement to undertake an assessment on this protected characteristic.

Stage 3: Assessing the impacts and identifying opportunities to promote equality

Having considered the data and evidence you have gathered, this section requires you to consider the potential impacts – negative and positive – that your policy might have on each of the protected characteristics. It is important to remember the duty is also a positive one – that we must explore whether the policy offers the opportunity to promote equality and/or foster good relations.

Do you think that the policy impacts on people because of their age?

Age	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination, harassment and victimisation	Yes	Yes	N/A	<ul style="list-style-type: none"> The age profile of those covered by the pay policy is broadly similar to the wider public sector. The low pay measures will positively benefit younger employees (particularly in the 16-24 age group) as nearly 80% of staff in this age group earning under the current Low Pay Threshold. Furthermore the SLW will additionally provide benefit to older employees where there are disproportionately more employees. Figures provided by public bodies indicate there is a higher proportion of part-time employees in the 35-49 and 50+ age bands who have a full-time equivalent salary of more £22,000 but their take-home pay is less than the current £22,000 threshold but we do not have the information available to ascertain the numbers affected by increasing the threshold to £30,000. Although we do not have the information, it is likely that those in this age group work part-time to cover care duties either child, or caring for a disabled or elderly relative. Nor do we have information on full-time equivalent salaries or working patterns to determine the extent of any potential detriment. However the proposed approach to increase the threshold and to apply the increases as percentages this reduces the impact than the previous £400/1%. While the policy aims to actively provide higher increases for those earning below £30,000 it does not preclude any other employees from receiving similar increases, rather it sets the framework and a paybill cap in which public bodies have the flexibility to draw up their own pay proposals to take into account inequalities and local pay issues such as the impact of the lower pay threshold. Furthermore the policy allows for employers to provide non-consolidated payments of up to 1% for staff on their maxima to enhance their take home pay. The supporting Technical Guide will remind public bodies of their duty to ensure their pay systems are fair and non-discriminatory and that they have due regard to its obligations under public sector equalities duties in considering its pay proposals. The aim of the pay policy is to set pay increases in a way that is fair, targets the lowest paid whilst helping to sustain public sector jobs and protect public services within the tight

				financial position resulting from the real terms reduction in the Scottish Government's resource budget. We are satisfied that as the policy sets the overall framework there are no identified direct or indirect age discrimination consequences as a result of the proposed pay policy.
Advancing equality of opportunity	Yes	N/A	N/A	<ul style="list-style-type: none"> The low pay measures can be seen to support the Scottish Government's Purpose "on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth". The low pay measures and the cap for higher earners in the policy positively contributes to the reducing overall pay inequality.
Promoting good relations among and between different age groups	N/A	N/A	Yes	<ul style="list-style-type: none"> The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think that the policy impacts disabled people?

Disability	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination, harassment and victimisation	Yes	Yes	N/A	<ul style="list-style-type: none"> The proportion (4.1%) of employees with a disability among the bodies subject to the pay policy is broadly similar to the position in the wider public sector (4.5%). Although it is noted the proportion with a disability may well be higher as the figures are dependent upon individuals self-reporting. Evidence indicates that there is a higher proportion of employees with a recorded disability among lower paid staff and in particular lower paid males. While we do not have information on the number of people with a disability affected by the proposed thresholds, from the 2017-18 EQIA, there is evidence that there is a higher proportion of staff subject to the policy, particularly males, with a disability whose take-home salary is below the current £22,000 threshold but may not benefit from the low pay uplift as their full-time equivalent salary is above £22,000. However the proposed approach to increase the threshold and to apply the increases as percentages reduces the impact than the previous £400/1%. While the policy aims to actively target those earning below £30,000 it does not preclude any other employees from receiving higher increases, rather it sets the framework and a paybill cap in which public bodies have the flexibility to draw up their own pay proposals to take into account local pay issues such as the impact of the low pay measures. The supporting Technical Guide will remind public bodies of their duty to ensure their pay systems are fair and non-discriminatory and that they have due regard to its obligations under public sector equalities duties in considering its pay proposals.

Advancing equality of opportunity	Yes	N/A	N/A	<ul style="list-style-type: none"> The low pay measures can be seen to support the Scottish Government's Purpose "on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth". We are satisfied that those employees with a disability will not be adversely affected to a greater effect by the Government's approach to pay than any other group of staff. In developing the 2018-19 pay policy we continue to aim to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. On this basis, the low pay measures proposed in the policy will positively benefit those staff with a disability. The pay policy for Senior Appointments makes it explicit that the main objective of remunerating Board Members is to increase diversity but is not intended to meet in full the market rate that the individual may otherwise expect/command.
Promoting good relations among and between disabled and non-disabled people	N/A	N/A	Yes	<ul style="list-style-type: none"> The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think that the policy impacts on men and women in different ways?

Sex	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	Yes	Yes	N/A	<ul style="list-style-type: none"> Overall there is a 50/50 gender workforce split for individuals employed in bodies covered by the pay policy. However in the wider public sector there are roughly 2 women for every man. We do not have sufficient information to analyse the profile of employees earning under £30,000 among bodies covered by the pay policy but we can draw conclusions from analyses based on the £22,000 threshold that was in place in 2017-18. Although there are roughly the same number of women and men working in bodies subject to the pay policy the proportion of women increases for those earning £22,000 or less to 61%/39% compared with 48%/52% for those earning above £22,000. Based on 2016-17 settlement figures, there is an overall gender pay gap of nearly 8.5% and this compares with the latest ONS figures for an overall pay gap in Scotland in 2017 of 6.6% Around 4 out of every 5 employees who work part-time are women and this is the same for those working part-time with a fte > £22k but with a take-home pay under £22,000 (80%/20%). Latest figures show that 82% of those Scottish public sector employees earning the living

				<p>wage or less are women. For those bodies subject to the pay policy this is 73%.</p> <ul style="list-style-type: none"> • Although there is a higher proportion of women in the 35-49 age group and males aged 16-24 years or 50+ whose take-home salary is below the £22,000 threshold there is insufficient information to determine if this differs from the proportions in the parent population. Although we do not have the information, it is likely that a significant proportion of women in the 35-49 age group work part-time to cover care duties either child, or caring for a disabled or elderly relative. The reason for the higher proportion of males above 50+ is less clear but could be due caring responsibilities or phased retirement. It is noted that some such employees may not benefit from the proposed 3% uplift as their full-time equivalent salary is above the lower pay threshold but the increase in the threshold and the provision to provide for a non-consolidate payment for staff on their maxima may mitigate this. • While the policy aims to actively target those earning below £30,000 it does not preclude any other employees from receiving higher increases, rather it sets the framework and a paybill cap in which public bodies have the flexibility to draw up their own pay proposals to take into account local pay issues such as the impact of the low pay measures. The supporting Technical Guide will remind public bodies of their duty to ensure their pay systems are fair and non-discriminatory and that they have due regard to its obligations under public sector equalities duties in considering its pay proposals. • We are satisfied that as the policy sets the overall framework there are no identified direct or indirect gender discrimination consequences as a result of the proposed pay policy.
Advancing equality of opportunity	Yes	N/A	N/A	<ul style="list-style-type: none"> • The proposals overall benefit women since they are working to protect high value public sector jobs. In addition the low pay measures proposed in the policy will positively benefit women as there are a higher proportion of women among the lower earners. However it is recognised that more women than men work part-time and some of whom will earn below £30,000 but will not receive the proposed 3% uplift as their full-time equivalent salary is above the threshold. • However overall we are satisfied that the proposals set out in the policy which target increases at the lowest paid staff (where there is a significantly higher proportion of women) may help reduce the pay gap between men and women within the public sector by increasing their base salaries at a higher rate.
Promoting good relations between men and women	N/A	N/A	Yes	<ul style="list-style-type: none"> • The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think that the policy impacts on women because of pregnancy and maternity?

Pregnancy and Maternity	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	N/A	N/A	N/A	<ul style="list-style-type: none"> We do not hold any information to measure the impact of the pay policy on pregnancy and maternity. The policy only sets the parameters for annual pay increases; it is for public bodies to ensure their own HR policies on pregnancy and maternity do not result in staff suffering any detriment in applying the annual pay uplift.
Advancing equality of opportunity	N/A	N/A	N/A	<ul style="list-style-type: none"> In developing the 2018-19 pay policy we have aimed to target lower paid staff and are aware of the higher representation of individuals with one or more protected characteristic within this group of staff. In relation to maternity and pregnancy, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.
Promoting good relations	N/A	N/A	N/A	<ul style="list-style-type: none"> The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think your policy impacts on transsexual people?

Gender reassignment	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	N/A	N/A	N/A	<ul style="list-style-type: none"> It is widely recognised there is little available evidence on transsexual people. The Scottish Government does not currently have information on the position of transsexual people in the labour market.
Advancing equality of opportunity	N/A	N/A	N/A	<ul style="list-style-type: none"> We do not hold information to assess the impact of the pay policy on transsexual people within public bodies subject to the pay policy.
Promoting good relations	N/A	N/A	N/A	<ul style="list-style-type: none"> In developing the 2018-19 pay policy we aim to target lower paid staff and are aware of the higher representation of individuals with one or more protected characteristic within this group of staff. In relation to transsexual people, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.

Do you think that the policy impacts on people because of their sexual orientation?

Sexual orientation	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	N/A	N/A	N/A	<ul style="list-style-type: none"> The Scottish Government has limited information on sexual orientation in the labour market.
Advancing equality of opportunity	N/A	N/A	N/A	<ul style="list-style-type: none"> We do not hold information to assess the impact of the pay policy on sexual orientation for public bodies subject to the pay policy.
Promoting good relations	N/A	N/A	N/A	<ul style="list-style-type: none"> In developing the 2018-19 pay policy we aim to target lower paid staff and are aware of the higher representation of individuals with one or more protected characteristic within this group of staff. In relation to sexual orientation, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.

Do you think the policy impacts on people on the grounds of their race?

Race	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	Yes	N/A	N/A	<ul style="list-style-type: none"> There remains limited information on race in the labour market. Overall employment rates for individuals from minor ethnic groups is lower compared with the wider population. It would appear that while the percentage of individuals from a minority ethnic background is lower (2%) than the wider population (4%) and there is a marked lower percentage of individuals from an Asian (including Asian Scottish and Asian British) background. While it is difficult to draw any firm conclusions because some of the numbers are very low - the information provided points to a higher proportion of women among those recorded as being from a minority ethnic group and that women have a higher representation among the lower paid.
Advancing equality of opportunity	Yes	N/A	N/A	<ul style="list-style-type: none"> In developing the 2018-19 pay policy we have aimed to target lower paid staff and are aware of the higher representation of individuals with one or more protected characteristic within this group of staff. In relation to race, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences.
Promoting good race relations	N/A	N/A	Yes	<ul style="list-style-type: none"> The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think the policy impacts on people because of their religion or belief?

Religion or belief	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	N/A	N/A	N/A	<ul style="list-style-type: none"> We do not hold information to assess the impact of the pay policy on religion or belief for public bodies subject to the pay policy.
Advancing equality of opportunity	N/A	N/A	N/A	<ul style="list-style-type: none"> In developing the 2016-17 pay policy we aimed to target lower paid staff and were aware of the higher representation of individuals with one or more protected characteristic within this group of staff. In relation to religion or belief, there is no evidence to suggest that the proposed policy creates any direct or indirect discrimination consequences
Promoting good relations	N/A	N/A	N/A	<ul style="list-style-type: none"> The policy sets the overarching framework – it is for individual public bodies to submit pay proposals which balance the need to meet the policy requirements with their own recognised pay issues and take account of their equality requirements.

Do you think the policy impacts on people because of their marriage or civil partnership?

Marriage and Civil Partnership⁵	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination	N/A	N/A	N/A	<ul style="list-style-type: none"> The policy being assessed relates to movements in pay. This has no impact on marriage and civil partnership so there is no requirement to undertake an assessment on this protected characteristic.

⁵ In respect of this protected characteristic, a body subject to the Public Sector Equality Duty (which includes Scottish Government) only needs to comply with the first need of the duty (to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010) and only in relation to work. This is because the parts of the Act covering services and public functions, premises, education etc. do not apply to that protected characteristic. Equality impact assessment within the Scottish Government does not require assessment against the protected characteristic of Marriage and Civil Partnership unless the policy or practice relates to work, for example HR policies and practices.

Stage 4: Decision making and monitoring

Identifying and establishing any required mitigating action

<p>Have positive or negative impacts been identified for any of the equality groups?</p>	<ul style="list-style-type: none"> • Yes. • The pay policy helps works towards positively closing the gender pay gap between men and women as well as reducing overall income inequality. • We have taken a progressive approach in the 2018-19 pay policy and continue to give the greatest protection to those on the lowest pay. • The policy provides for a higher basic pay increase for the lower paid where there is evidence that there is a higher proportion of women. The higher percentage increase for those staff earning £30,000 or less along will further help towards closing the pay gap. • Limiting the basic pay award to 2% to all staff earning between £30,000 and £80,000 and the cap for those earning above £80,000 will also further contribute towards closing the overall pay gap between men and women. • Supporting the Scottish Living Wage and applying a low pay threshold will continue to benefit the lowest paid employees. • Increasing the current low pay threshold from £22,000 to £30,000 will ensure also help those lower earners who have faced the greatest detriment from rising inflation and changes to welfare benefits. • It is proposed the pay for the most senior public appointments continues to be restrained: capping the increase at 2% and £1,600 for those earning above £80,000; progression for senior appointments remains capped at 1.5%; and the policy continues to expect new appointments to deliver a 10% reduction on the remuneration package of the previous post-holder (although this may in part be delivered by the removal of the previously agreed provision for a performance bonus).
<p>Is the policy directly or indirectly discriminatory under the Equality Act 2010⁶?</p>	<ul style="list-style-type: none"> • There are no identified direct or indirect discrimination consequences of the proposed pay policy. • The policy sets the framework for public bodies to set their pay proposals taking into account their own local circumstances. It is for individual public bodies to ensure, that in developing their pay proposals within the overarching pay policy, that they do not create any direct or indirect discrimination for their employees.
<p>If the policy is indirectly discriminatory, how is it justified under the relevant legislation?</p>	<ul style="list-style-type: none"> • N/A

⁶ See EQIA – Setting the Scene for further information on the legislation.

If not justified, what mitigating action will be undertaken?	<ul style="list-style-type: none"> • N/A
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Describing how Equality Impact analysis has shaped the policy making process

In this section, set out a narrative that describes how the equality impact analysis has shaped and informed your policy development. Include, for example:

- ◆ Explaining whether any changes have been made to the policy as a result of the impact analysis and clearly identifying those changes. Or, explaining why no changes have had to be made.
- ◆ Describing any new steps that have been / will be taken as a result of the data and evidence gathered through the EQIA process, for example: adding a new piece of work to ensure that the policy implementation includes ethnic minorities, or working with delivery partners to ensure they fully understand the equality impacts.
- ◆ Explaining if there have been, or will be, any implications on costs, resources etc. arising from the EQIA analysis, e.g. has the budget changed because of the EQIA?
- ◆ You should also include a paragraph on how the EQIA has helped you develop better outcomes for people and communities⁷.

Introduction

Pay forms a large part of public sector expenditure and accounts for around 55% of annual revenue (£14 billion) across the public sector in Scotland and the total paybill for public bodies covered directly by the pay policy is around £1.4 billion. Due to continued public spending cuts, budgets continue to be under severe pressure and this has been compounded by increases in employer's pension and National Insurance contributions. In developing advice for the 2018-19 public sector pay policy the aim has been to set a progressive pay policy which supports the objectives of delivering increases which recognise real life pressures for employees and are deliverable while maximising public sector employment, at a time when there are significant challenges across the labour market as a whole.

In developing advice for the 2018-19 pay policy the Finance Pay Policy team consulted stakeholders on the current pay policy and processes. While this engagement highlighted issues around the impact of continued pay restraint and the erosion of pay differentials between staff around the low pay threshold no specific equality issues were identified that required to be addressed as part of the pay policy.

The findings from EQIA will support Ministerial decisions taken on the 2018-19 pay policy.

Specifically in relation to the three needs of equality duty, public sector pay policy has due regard to the need to:

⁷ The EHRC consider that a critical purpose of the EQIA is to achieve better outcomes for people and communities.

(1) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act

The key strategic aims of public sector pay policy include “provide a distinctive pay policy which is fair”; “reflects real life circumstances” and “protects those on lower incomes”.

(2) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

The measures proposed in the 2018-19 pay policy can be seen to protect low paid workers, and therefore women, disabled people, those from a minority ethnic group and those from the younger age group who are overrepresented in this group, from the measures of pay restraint and in many cases provide such individuals with a positive benefit.

The policy sets the overarching framework for delivering Minister’s key priorities on pay and it is for public bodies to make individual choices on the impact of the policy on their own circumstance taking into account their own staffing profile and equality issues. Although the policy does provide a positive benefit for some individuals, on the basis that, for example, they are more highly represented among the lower paid, the policy framework is applied on the same basis to all staff regardless of gender, age, disability, ethnicity etc.

(3) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

While the policy provides the framework it is for public bodies to make individual choices on the impact of the policy on their own circumstance taking into account their own staffing profile and equality issues.

As part of the pay remit process public bodies are required to provide equality focussed information. This enables the Finance Pay Policy team to analyse the impact of the pay policy on individuals by gender, age, work pattern, disability and ethnicity. Gathering and analysing this information centrally, and sharing the results will aid other employers in developing their own pay proposals.

Key findings

The findings show that within the public sector there are higher proportions of women and disabled people than within the private sector and any action that protects employment will protect these groups.

In addition, in terms of our specific proposals, the analyses indicate that there are a higher proportion of women, those with a disability, from a minority ethnic background and younger employees earning under the low pay threshold. Therefore the proposed measures for lower earners will continue to protect these individuals and in many cases provide a positive benefit. The policy may also help in working towards reducing the gender pay gap within the public sector as it should increase the overall base levels of pay for lower earners where traditionally women are overly concentrated and this is further supported by the continued restraint applied to higher earners including senior appointments, where there are higher proportions of men.

The progressive increases proposed for 2018-19 will help erode overall income inequality and positively impact on all public sector staff directly covered by this policy including those with a protected characteristic. In particular increasing the lower pay threshold to £30,000

will benefit directly benefit nearly 60 per cent of lower paid staff many who will have one or more protected characteristic.

From the information provided for the wider public sector, there is nothing to suggest that increasing the lower pay threshold to £30,000 will result in any staff being adversely affected and in fact will benefit over 50 per cent of staff many who will have one or more protected characteristic.

The pay policy allows flexibility for employers, within an overall framework, to take their own decisions for pay and reward to take account of their own business needs, workforce issues and affordability whilst ensuring they meet their equality duties. The 2 per cent cap is the cap on overall paybill cost for those earning between £30,000 and £80,000, rather than the level of an individual's increase.

While the policy actively targets those earning £30,000 or less it is not prescriptive and it does not exclude any other employees from receiving higher increases. It is possible for employers across the public sector to vary the level of basic pay award applied to different groups, different jobs, or grade structures to reflect their own priorities based on locally gathered evidence and assessment. It therefore remains possible for individual employers to operate within the overall pay framework to vary pay awards to allow some individuals/groups/pay grades to receive above 2 per cent and others below. The cost of paying the increase to lower and higher earners are outwith the 2 per cent cap, as is the cost of applying awarding any progression increases.

In addition to the 2 per cent cap, in recognition of issues identified by stakeholders, it is proposed that the 2018-19 pay policy will continue to provide employers with the flexibility subject to affordability to address evidenced workforce or structural pressures that create or maintain pay inequalities. It is proposed that the cap be increased from 0.5 to 1 per cent paybill cap. For 2018-19, it is also proposed that employers may also use this flexibility to award a non-consolidated payment of up to 1 per cent to staff on their maxima. The Finance Pay Policy team will continue to target encouragement to use the flexibility at those public bodies identified as having the most risk of potential inequalities such as longer journey times than the average.

The policy continues to allow for individual employers to take decisions on the payment of progression and it is a matter for each public body to equality proof their own progression and pay arrangements taking into account affordability and performance. Therefore there is no direct discrimination as a consequence of the policy approach to progression.

Nor is there evidence to suggest that the continuation of suspending non-consolidated performance payments will adversely impact on individuals with a protected characteristic.

Nevertheless, it remains the case that women are significantly under-represented among senior appointments and although one of the key strategic aims of the pay policy is to continue to work towards making sure that pay is fair and non-discriminatory – the pay policy only focuses on levels of remuneration and not wider HR policies and the policy will remind employers of their duty in this respect.

Around 4 out of every 5 individuals who works part-time is a woman. We do not have sufficient information to analyse the profile for employees earning under £30,000 among bodies covered by the pay policy but we can draw conclusions from analyses based on the £22,000 threshold that was in place in 2017-18. These numbers do not vary significantly between those earning above and below the current £22,000 or for those with a full-time equivalent salary above the £22,000 threshold but with an actual salary below as a result of the hours worked.

It is recognised that while we do have gaps in the information provided by public bodies directly subject to the pay policy on some of the protected characteristics we are satisfied from the analyses undertaken there is no unlawful discrimination in the pay policy proposals. The proposed progressive approach for 2018-19 are targeted to benefit lower paid staff recognising that there is a higher proportion of staff in this group who have one or more protected characteristic.

Due to the higher proportion of women, disabled people, those from a minority ethnic group and younger employees among lower paid public sector workers, these individuals are more likely to benefit from the progressive pay measures. **The cap on paybill increases for those earning above £30,000 and the cap on pay progression (for those subject to the senior appointments pay policy) will not impact any protected group unduly.** Any risk of individuals being adversely affected by the cap on progression (for those subject to senior appointments pay policy) and the reduced increases for those earning above £30,000 is mitigated by the aim of the policy to protect public sector jobs and maintaining the no compulsory redundancy policy.

While we are satisfied that no discrimination exists at the level of the policy proposals outlined here, 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 subject to this pay policy are also subject to the equality duties and are expected to undertake their own assessment of their pay proposals prior to submitting them to the Scottish Government

Recommendations and Conclusion

Pay forms a large part of public sector expenditure in Scotland. Due to continued public spending cuts, budgets remain under severe pressure and this is compounded by the increases in employer's pension and National Insurance contributions. The primary aims of the Scottish Government's public sector pay policy is to set pay increases in a way that are fair, reflect the real life circumstances people face, helps sustain public sector jobs and protects public services while ensuring public sector budgets remain in balance to ensure that that pay rises are affordable now and in the future.

To achieve these aims, the 2018-19 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 deliver a pay policy that reflects the real life circumstances people face, protects those on lower incomes and recognises recruitment and retention concerns.

It is acknowledged that the 2 per cent cap on the paybill for basic pay increases for those earning above £30,000, will continue to impact on the real incomes of those staff subject to the public sector pay policy and particularly those earning between up to £40,000 who have faced the greatest detriment as a result of increases to employees National Insurance and pension contributions. However the pay policy is intended to help protect jobs of everyone subject to the pay policy.

The Scottish Government's commitment, for staff under its direct control, to a living wage and a 3 per cent uplift for those earning £30,000 or less directly benefits those on the lowest

incomes and will continue to provide protection to low earners in particularly those individuals with a protected characteristic.

To help employers work towards delivering the policy aim that pay is fair and non-discriminatory, the 2018-19 policy continues to provide public bodies with the flexibility to use paybill savings address evidenced equality issues. This flexibility has been extended to 1 per cent for 2018-19.

It is concluded from our assessment the measures proposed in the 2018-19 pay policy can be seen to positively benefit lower paid staff. 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 providing a positive benefit - underpinning Ministerial objectives for a wealthier and fairer Scotland.

The progressive approach proposed for the 2018-19 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 and 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 sets the overarching framework in 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 low 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 no discrimination exists at the level of the policy proposals outlined above, 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 this pay policy are also subject to the equality duties and are expected to undertake their own assessment of their pay proposals prior to submitting them to the Scottish Government.

The supporting Technical Guide 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 its obligations under public sector equalities duties in considering their pay proposals.

Monitoring and Review

In this section, explain how you will monitor and evaluate this policy to measure progress on equality issues identified in the EQIA. Include information on when the monitoring and evaluation will take place, and who is responsible for undertaking it. This should be part of the regular monitoring and evaluation mechanisms you devise for your policy.

The impact of the pay policy is monitored through the annual pay remit process by the levels of pay awards proposed and implemented. It is for individual public bodies to submit pay proposals that are affordable and within the framework set by the pay policy taking into account their own local pay issues and ensuring that they do not create new or perpetuate

pay inequalities. As part of that process we will also continue to collect key statistics which will enable us to undertake analyses of the impact of future pay policy on equality.

Stage 5 - Authorisation of EQIA

Please confirm that:

- ◆ This Equality Impact Assessment has informed the development of this policy:

Yes No

- ◆ Opportunities to promote equality in respect of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation have been considered, i.e.:

- Eliminating unlawful discrimination, harassment, victimisation;
- Removing or minimising any barriers and/or disadvantages;
- Taking steps which assist with promoting equality and meeting people's different needs;
- Encouraging participation (e.g. in public life)
- Fostering good relations, tackling prejudice and promoting understanding.

Yes No

- ◆ If the Marriage and Civil Partnership protected characteristic applies to this policy, the Equality Impact Assessment has also assessed against the duty to eliminate unlawful discrimination, harassment and victimisation in respect of this protected characteristic:

Yes No Not applicable

Declaration

I am satisfied with the equality impact assessment that has been undertaken for the 2018-19 Public Sector Pay Policy and give my authorisation for the results of this assessment to be published on the Scottish Government's website.

Name: John Nicholson

Position: Deputy Director of Financial Strategy, Scottish Government Finance Directorate

Authorisation date: x December 2017