

Public Sector Pay Policy 2022-23



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Foreword by the Cabinet Secretary for Finance and Economy

I am pleased to set out the Scottish Government's Public Sector Pay Policy for 2022-23. This continues our focus on sustainability, reducing inequalities and promoting wellbeing, in an extremely challenging fiscal context. Our commitment to tackling poverty is again underlined by specific measures set out to address low pay, including the introduction of a Scottish public sector wage floor of £10.50 per hour.

This pay policy balances the need to recognise the value of Scotland's public sector workforce, as we look to emerge from the pandemic, alongside the continuing challenging outlook for public finances. Fair and progressive, the policy places specific emphasis on measures to tackle low pay balancing the impact of rising living costs and supporting delivery in respect of the National Performance Framework.

Accordingly, as well as the new £10.50 wage floor, the policy introduces a guaranteed cash uplift of £775 for those earning £25,000 and below. This delivers a pay increase of more than three per cent to the lowest earners and represents another step on our journey to pay restoration for the lowest paid. The policy also delivers a progressive headline pay increase of £700 for those earning over £25,000 and up to £40,000, with a £500 pay uplift to those earning over £40,000.

The October 2021 UK Spending Review provided multi-year spending plans between 2022-23 through to 2024-25 which gives us more fiscal certainty, albeit reducing our overall funding from the UK Government in every year compared with 2021-22. I am launching the Scottish Government's Resource Spending Review Framework alongside this pay policy. When the Review itself is published in May, it will support the option I have introduced in this policy for employers and trade unions in partnership to consider a multi-year approach to pay which facilitates the delivery of public service reform.

In response to the pandemic and the commitment to create a greener, fairer and more resilient Scotland, the public sector has adopted new ways of working. This presents an opportunity for all public sector employers to consider how, where and when work is defined and delivered and the impact on the wellbeing of the workforce. The pay policy continues to provide the discretion for employers to work towards standardising to a 35 hour working week and, in the context of a strategic, reform focused approach to pay, the option to explore a four day working week. Accordingly we will look to take forward public sector pilots in respect of a four day working week, and will set out detail in due course.

The policy also introduces an expectation that employers will have meaningful discussions with staff representatives about introducing a Right to Disconnect, providing a balance between the opportunities and flexibility offered by technology and our new ways of working to support the need for staff to feel able to switch off from work.

I wish once again to acknowledge the contribution of public sector workers in Scotland for their ongoing response to the pandemic and their approach to changes in how we work. I value the strong working relationships I have with trade unions and employers, and remain committed to building on these as we continue our journey towards economic transformation in Scotland.

Kate Forbes MSP, Cabinet Secretary for Finance and Economy

PUBLIC SECTOR PAY POLICY FOR 2022-23

Background

The 2022-23 Public Sector Pay Policy sets out the parameters for pay increases for staff pay remits and senior appointments and applies to public bodies with settlement dates in the year between 1 April 2022 and 31 March 2023 (inclusive).

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

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

Strategic Aims

The Scottish Government's Public Sector Pay Policy continues to be based on the following principles:

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

Key Pay Policy Priorities

The Public Sector Pay Policy has consistently been distinctive, fair and progressive. The 2022-23 policy has been developed in the context of Scotland's economic recovery as we emerge from the ongoing COVID-19 pandemic, and this Government's commitment to create a greener, fairer and more resilient Scotland. Ministers recognise the continuing contribution of public sector workers throughout the pandemic, as well as the impact of both inflation and the UK Health and Social Care Levy on working households.

As the economy continues to recover from the pandemic, and with some sectors experiencing labour shortages, Ministers remain committed to maintaining employment, delivering wage growth and a fair rate of pay in the public sector. These are key levers to aid a fair economic recovery, deliver our national outcomes and improve person-centred public service delivery. Investment in Scotland's public services remains a priority, but this needs to be balanced with what public sector employers can reasonably afford and provide a fair deal for the public sector workforce.

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

There continues to be a legitimate public interest in the pay and conditions of senior public appointments in Scotland. The Scottish Government believes that there remains a need for the most senior workers in the public sector to take a lead in demonstrating restraint in their pay settlements. The pay policy parameters for 2022-23 are therefore set in the context of the need for ongoing pay restraint for more senior staff to ensure available resources are targeted at increases for lower earners.

Affordability

The pay policy sets the 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. This pay policy sets no metrics relating to the overall increase in the pay bill for staff pay remits. Each public body covered by the pay policy must ensure that their pay proposals are affordable and sustainable within their financial settlement for 2022-23 unless they are seeking to draw on the opportunity offered by the wider public service reform option included in this policy. In those circumstances, employers must demonstrate how their pay proposals align with the Resource Spending Review once it is published in May.

Pay and Public Service Reform

The 2022-23 pay policy strongly signals pay as an investment in the public sector workforce which delivers top class, person-centred public services for all in its strategic aims. When the Scottish Government publishes the Resource Spending Review in May, this will cover the period to 2026-27. It will give a platform and set the conditions for enabling public service reform with a focus on improving outcomes for people, places and communities across Scotland.

This pay policy recognises the challenges that employers can face in responding to changes in demand for services and delivering wider workforce reform, including consideration of a reduced working week. In order to support employers in delivering the strategic aims of the pay policy and wider Government priorities, the policy includes the option for employers, in discussion with their trade unions, to either:

- apply the single year 2022-23 pay policy as set out in detail below; or
- take a multiple year approach to pay enabling a more strategic approach to support achieving public service reform, particularly with reference to

delivering genuinely joined up, holistic, person-centred services. This allows employers to apply increases outwith the set metrics but within an overarching framework subject to affordability and sustainability.

This option enables employers to apply pay bill increases outwith the set metrics above but within an overarching framework (see Annex A) subject to affordability and sustainable public finances. This includes going beyond the discretion on shorter working week, allowable in the 2022-23 metrics, to explore the risks and benefits of a four day working week.

Employers seeking to take this optional public service reform approach to pay will be required to submit a comprehensive business case. More detail will be available in the Technical Guide.

Key Features of 2022-23 Public Sector Pay Policy

The key features of the 2022-23 Public Sector Pay Policy are:

- setting a guaranteed wage floor of £10.50 per hour, going beyond the current real Living Wage rate of £9.90;
- providing a guaranteed cash underpin of £775 for public sector workers who earn £25,000 or less;
- providing a basic pay increase of up to £700 for those public sector workers earning between £25,000 to £40,000;
- provide a cash uplift of £500 for public sector workers earning above £40,000; and
- allowing flexibilities for employers to use up to 0.5 per cent of pay bill savings on baseline salaries in 2022 to address clearly evidenced equality or pay coherence issues.

In addition, the 2022-23 Public Sector Pay Policy:

- continues to encourage employers to work towards standardising to a 35 hour working week;
- introduces the requirement for employers to have meaningful discussions with staff representatives about the Right to Disconnect;
- retains discretion for individual employers to reach their own decisions about pay progression (limited to a maximum of 1.5 per cent for Chief Executives), which continues to be outwith the pay policy limits;
- maintains the suspension of non-consolidated performance related pay (bonuses);
- continues the expectation to deliver a ten per cent reduction in the remuneration packages for all new Chief Executive appointments, and;
- continues a commitment to No Compulsory Redundancy.

STAFF PAY REMITS

Pay Metrics

The following sets out details of each of the key pay metrics which apply in 2022-23.

Support for lower paid staff

The Scottish Government recognises the importance of supporting lower paid staff within the public sector. The 2022-23 pay policy introduces a Scottish public sector wage floor of £10.50 per hour and provides a guaranteed cash underpin of £775 for all staff who earn £25,000 or less.

Pay increases and thresholds

The 2022-23 pay policy provides a basic pay increase of £700 for public sector workers who earn between £25,000 and £40,000, and £500 for those earning over £40,000. The Technical Guide will include detail on smoothing arrangements around the thresholds to avoid any 'leapfrogging'.

Progression

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

Wellbeing

The Scottish Government is committed to promoting wellbeing in the workplace and a healthy work-life balance. This pay policy provides employers with the discretion to consider standardising to a 35 hour working week with the expectation any reduction in the working week should not impact negatively on productivity and be delivered through normal negotiations as part of a progressive and agreed package of measures, including terms and conditions that support new ways of working. Employers have the option to explore a four day working week in the context of the reform option set out in the 2022-23 pay policy.

In line with this Government's commitment to a healthy work-life balance, this pay policy introduces the requirement for all employers to have meaningful discussions with staff representatives about the Right to Disconnect for all staff, discouraging an 'always on' culture. More background information about the Right to Disconnect will be included in the Technical Guide.

Additional flexibility

Beyond those limits set out above, public bodies will be able to use pay bill savings of up to 0.5 per cent of baseline salaries in 2022-23 to consider non-consolidated payments to address cost of living increases.

Non-consolidated performance related pay

All access to non-consolidated pots for payments linked to performance (bonuses) continues to be suspended for 2022-23.

SENIOR APPOINTMENTS

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

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

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

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

Pay Metrics

The following sets out details of each of the key pay metrics which apply in relation to the Pay Policy for Senior Appointments in 2022-23.

Pay increases and thresholds

Up to £500 basic pay increase for all Chief Executive appointments.

The £700 basic pay increase will also apply to the daily fees for Chairs and Members of Scottish public bodies and Tribunals for fees up to £154 per day and equates to £2.69 per day. The £500 basic pay increase will apply to daily fees over £154 and equates to £1.92 per day.

Progression

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

Non-consolidated performance related pay

Access to non-consolidated performance related pay (bonuses) is again suspended in 2022-23. The policy expectation is that any bonus arrangement in a Chief Executive's contract will be removed when an appropriate opportunity arises (on new appointment or following a review).

NO COMPULSORY REDUNDANCY

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

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

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

The policy position remains that public bodies should work with their staff representatives to negotiate extensions to their no compulsory redundancy agreements for 2022-23 where it is practical to do so. Where public bodies are seeking to re-structure, particularly as part of a wider reform option, full consideration must be given to re-deployment and re-training.

EQUALITIES ASSESSMENT

The results from the equality impact assessment of the 2022-23 Public Sector Pay Policy are available on the Scottish Government's Public Sector Pay webpages at: <https://www.gov.scot/policies/public-sector-pay/>.

The continued progressive approach proposed in the 2022-23 Public Sector Pay Policy helps to reduce overall income inequality. It may also help in positively working towards reducing the gender pay gap within the public sector as it should increase the overall base levels of pay for those at the lower end where women are overly concentrated. This is further supported by the continued restraint

applied to higher earners, including senior appointments, where there are higher proportions of men.

The application of a wage floor of £10.50 per hour (going beyond the real Living Wage) and the £775 cash underpin will positively benefit lower paid staff and in particular those with one or more protected characteristic. From the data available, there is a higher proportion of women, disabled people, individuals from a minority ethnic group, younger employees or a combination of one or more of these protected characteristics as well as part-time workers among lower paid employees. Therefore the measures proposed in the pay policy protect these employees from pay restraint and in many cases provide a positive benefit.

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

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

Technical guidance

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

CONTACTS

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

The Scottish Government
December 2021

Annex A

FRAMEWORK FOR PUBLIC SERVICE REFORM APPROACH TO PUBLIC SECTOR PAY POLICY:

The 2022-23 Public Sector Pay Policy includes the option for employers to take a multiple year approach to pay, enabling a more strategic approach to achieving public service reform. This must be done in consultation with relevant staff representatives and / or trade unions.

This approach allows employers to apply pay uplifts outwith the 2022-23 pay policy metrics.

Taking a strategic, multiple year approach to pay:

- will provide more financial certainty for both employers and employees on the future pathway of pay;
- allows employers to work towards standardising to a 35 hour working week and to explore the risks and benefits of a four day working week;
- will help facilitate reform that enables the organisation to realise efficiency savings.

The key principles of the 2022-23 pay policy set the overarching framework for any public service reform approach to pay. These are:

- To **invest in our public sector workforce** which delivers top class, person-centred public services for all, supports employment and the economy, while **providing for sustainable public finances**.
- To provide a distinctive, **progressive pay policy** which is fair, affordable, sustainable and, delivers value for money in exchange for workforce flexibilities.
- To reflect real life circumstances, **protect those on lower incomes**, continue the journey towards pay restoration for the lowest paid and recognise recruitment and retention concerns.
- A continuing commitment to **No Compulsory Redundancy**.

Employers seeking to take a public service reform approach to pay will be required to submit a business case in line with these overarching principles which includes an implementation approach. Business case guidance is included below.

Business case guidance

A business case is required for employers (in partnership with trade unions) who seek to approach their pay policy through the lens of achieving public service reform. Employers should demonstrate a clear link showing how the proposals will benefit and improve outcomes for those people using the organisation's services as well as the wellbeing of staff.

When submitting a business case employers must demonstrate they have considered and met the following overarching principles throughout their proposals:

Investment in workforce: proposals must deliver long-term, person-centred changes to delivery and demonstrate improvements in productivity. Proposals must also demonstrate wellbeing benefits to the workforce.

Sustainable public finances: delivers cost-neutral savings and efficiencies to the paybill from early in the lifecycle of the multiple year pay proposals.

Progressive pay policy: demonstrate how proposals are progressive and protect those on lower incomes throughout the lifecycle of the proposals.

Wellbeing: demonstrate how wellbeing has been considered. Proposals may comprise the consideration of a reduced working week, including a four day week, and how this will be achieved within allocated funding.

No Compulsory Redundancy: where restructuring is required to achieve the reform approach, business cases must include details of any re-deployment or re-training proposals and of how the Severance Policy for Scotland will be used for any proposed voluntary exits.

Business cases must also include an Equality Impact Assessment and a detailed plan for implementation, including trade union engagement.

Further support

Before drafting a business case, employers should engage with Public Sector Pay Policy Team, Sponsor Team and relevant Finance Business Partner. The Public Sector Pay Policy Team can be contacted on FinancePayPolicy@gov.scot



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Any enquiries regarding this publication should be sent to us at

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