



Tim Flesher
Prison Service Pay Review Body
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MoJ ref: SUB 084161

16 December 2020

Dear Tim,

PRISON SERVICE PAY REVIEW BODY REMIT 2021/22

I would first of all like to offer my thanks to the Prison Service Pay Review Body (PSPRB) for their hard work, insight and rigour through which they developed their report for prison service pay for the past year. While the Government was not able to accept the entirety of the recommendations for 2020/21, we value the independent expert advice and contribution that the PSPRB makes.

The timing of the Spending Review announcement, as well as the need to conclude the past year's pay round, has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Government proposes working with the PSPRB in relation to the 2021/22 pay round and to formally begin the Review Body process.

You will have seen that the Chancellor of the Exchequer announced that pay rises in the public sector will be restrained and targeted in 2021/22 at the Spending Review. As the Chancellor set out, Covid-19 is significantly impacting the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector. Public sector pay has, so far, been shielded from the pandemic's economic effects. In the six months to September, the private sector has seen a pay cut of nearly 1% on the year, yet public sector earnings were up by almost 4%. Since March, the number of people in employment in the UK fell by 782,000, whilst over a similar period of time public sector employment increased.

It is right to temporarily pause pay awards for the majority of the public sector as we assess the impact Covid-19 has had on the wider economy and labour market. This approach will also allow us to protect public sector jobs and investment in public services as Covid-19 continues to have an impact. We will be able to reassess this position ahead of pay round 2022/23.

No member of the workforce will face a cut to their existing reward package and the pause will apply to headline pay uplifts only – other payments such as progression pay, overtime and special allowances will continue as before.

HM Treasury will set out the justification and evidence for this policy in more detail in the upcoming informal economic discussion, which will be followed by the publication of the official economic evidence paper.

Accordingly, whilst we will not be seeking a recommendation from PSPRB for any general Prison Service pay uplifts in 2021/22, we would still very much welcome the PSPRB's views on the following:

For those earning the full time equivalent of gross earnings of less than £24,000, we propose to put in place pay uplifts for 2021/22 at a value of £250 or the National Living Wage increase, whichever is higher. We will look to the PSPRB to provide recommendations on the implementation of these uplifts for this group of workers and I have provided further guidance on this in the annex of this letter. My department will submit evidence for this group in the usual way, covering the usual factors and in line with the pay policy announced at the Spending Review. Though the remit is restricted this year, I ask that you pay particular regard to the state of the wider labour market, economic forecasts and affordability in making your recommendation this year.

More detail on the policy can be seen in the SR document. We will very shortly submit our economic evidence to you with further detail on our economic rationale. As usual, this will be followed by an oral evidence session. Given your restricted remit, we are hoping that the process may be expedited somewhat this year, while acknowledging that the PSPRB will want to gather evidence from a wide range of sources and parties in the usual way. I ask therefore that you submit your report by early May, subject to further discussion with OME to determine the most appropriate timetable.

Thank you for your continued hard work and contribution to prison service pay policy. I look forward to continuing our dialogue in the future.

Yours sincerely

A handwritten signature in black ink that reads "Lucy Frazer". The signature is written in a cursive style with a large initial 'L' and 'F'.

LUCY FRAZER QC MP

Annex to letter: Treatment of employees earning less than £24,000

Definition of employees earning less than £24,000:

- This should be determined on the basis of basic salary of a full-time equivalent employee, pro-rated on the basis of hours worked, using the standard number of hours per week for that organisation.
- Part-time workers with an FTE salary of less than £24,000 should receive a pro-rata increase on the basis of the number of hours worked
- The £24,000 is based on the normal interpretation of basic salary and does not include overtime, performance pay or bonuses, nor any regular payments or allowances such as London weighting, recruitment or retention premia or other allowances.

Furloughed employees should be eligible for the £250 payment only when their unreduced, FTE basic pay falls below the threshold.

Size of increase:

We are asking the Review Bodies to recommend how the uplift should be implemented in a way that minimises distortion of existing pay spines, or for other structural reasons such as leapfrogging: Government will consider higher awards to accommodate these factors. Higher awards should also be implemented where necessary to accommodate National Living Wage (NLW) policy, although employees should receive the higher of NLW or £250 (but not both). When considering their recommendation, Review Bodies may want to consider:

- The level of progression pay provided to the workforce
- Affordability
- NLW increases
- How best to avoid 'leapfrogging' of those earning just under £24,000 with those earning just over £24,000. Government will consider modest, necessary awards in excess of the £24,000 threshold to avoid structural issues such as leapfrogging, if there is a strong case.