



Julia Lopez MP
Parliamentary Secretary
Cabinet Office 70 Whitehall London
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Our reference: MC2020/21304

Dr. Martin Read CBE
Senior Salaries Review Body
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

11 December 2020

Dear Martin,

Senior Salaries Review Body (SSRB) 2021/22 Remit (Senior Civil Service)

I should first of all like to offer my thanks for the Senior Salaries Review Body's work over the past year on the annual report and recommendations for the SCS for the 2020-21 pay round. The Government continues to appreciate and value the independent expert advice and contribution that the SSRB makes.

The timing of the Spending Review announcement has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Government proposes working with the SSRB 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 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% compared to last 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. Hours worked were down 18% in Q2 (the largest drop since 1971) having a significant impact on people's pay and even into Q3 remain below pre-Covid levels.

If we carried on with rises across the board, the existing gap between public sector reward and the private sector would widen significantly. Therefore, 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 the 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 performance bonuses and special allowances will continue as before.

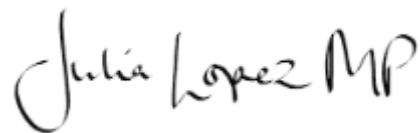
HM Treasury will set out the justification and evidence for this policy in more detail in the upcoming economic oral and written evidence.

We greatly value the work of the SSRB and have only taken this decision in extraordinary circumstances. Whilst we will not be seeking a recommendation from the review body for SCS pay uplifts in 2021/22, we will submit evidence for this group after Christmas recess in the usual way, covering the usual factors and in line with the pay policy announced at the Spending Review. This will include setting out our recommendations and current thinking on a new workforce strategy for the SCS including full proposals for a capability-based pay progression system for comment from the SSRB.

HM Treasury will shortly submit economic evidence to you with further detail on our economic rationale. This will be followed by an oral evidence session on 16th December. Given your restricted remit, we are hoping to expedite the process this year and ask you to submit your report in early May.

Finally, I would like to thank you again for your invaluable contribution, and I look forward to continuing our dialogue in future.

With best wishes,

A handwritten signature in black ink that reads "Julia Lopez MP". The signature is written in a cursive, flowing style.

Julia Lopez MP

cc
Chief Secretary to the Treasury
Cabinet Secretary
Chief Operating Officer of the Civil Service