



HM Treasury

2021/22 Public Sector Pay policy: Equalities Impact Assessment

January 2021

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ISBN: 978-1-911680-26-0

PU: 3067

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Chapter 1

Introduction

Purpose

- 1.1 This impact analysis has been undertaken by HM Treasury to inform the implementation of public sector pay restraint in 2021/22.
- 1.2 The government has considered the positive and negative impacts of this policy that will apply to some public sector workforces. This document assesses the fiscal impacts and social impacts of the implementation on groups protected by the Equality Act 2010, which covers the protected characteristics of gender, age, disability, ethnicity, religion or belief, gender reassignment, pregnancy and maternity, sexual orientation and marital status/civil partnership.
- 1.3 The key elements of the policy are:
 - to implement a 0% pay uplift to the subset of the public sector workforce in scope over 2021/22.
 - an exemption for those (1) earning below median annual earnings and (2) working in the National Health Service (NHS).
- 1.4 We have assessed public service workforce data to identify and establish the level of any impact. We have then considered whether the potential impacts are a result of the policy itself or factors not directly related to the policy design. We have also considered whether alterations to the policy are necessary and appropriate considering identified impacts.

Scope

- 1.5 For the 2021/22 financial year, government will fund 0% pay awards for the following workforces:
 - the Home Civil Service including Senior Civil Service
 - police in England and Wales
 - teachers in England
 - prison officers in England and Wales
 - the Armed Forces

- the Judiciary
- 1.6 Devolved and local authorities may choose to implement the same policy, in line with their powers, budgeting position and wider priorities.
 - 1.7 NHS England will be exempt from the policy in the face of the specific and continued challenges the service faces in response to Covid-19. In order to ensure the NHS is robustly resourced and equipped, it is not appropriate to impose a pay freeze on NHS workers at this point in time. The NHS Pay Review Body and Doctor and Dentist's Review Body will report on pay as usual next spring. Pay levels and awards will still be required to take into the wider economic context and demonstrate appropriate restraint to ensure the NHS retains capacity to continue to lead the fight against Covid-19.

Data

- 1.8 A full and rigorous impact assessment has been undertaken based on the available data. If necessary, further analysis may be conducted following implementation.
- 1.9 Where available, data showing the demographics of the subset of the public sector workforce in scope has been used for comparison with characteristics protected under the Equality Act 2010 to identify whether there will be any differential impact. Where this data is not available, informed assumptions have been made considering the policy intention and the demographics of the wider public sector in line characteristics under the Equality Act 2010.

Background

- 1.10 Public sector pay should be set to meet the recruitment and retention needs of public sector workforces, whilst also reflecting the economic and fiscal context and developments in the wider labour market.
- 1.11 Covid-19 has had a significant impact on the economy and the public finances. In order to further protect jobs and ensure fairness, pay rises in the public sector will be restrained and targeted in 2021/22. Pay bill represents 25% of total government expenditure: temporarily pausing headline pay awards for some workforces allows us to protect public sector jobs and investment in services as Covid-19 continues to impact the public finances.

Next steps

- 1.12 Where appropriate, we will include any new information and update any relevant data to ensure that this analysis remains up to date especially on protected characteristics where data isn't held by the Labour Force Survey (LFS) and the other sources used in this assessment.

Chapter 2

Equalities Impacts

General impact summary

- 2.1 Groups with protected characteristics are disproportionately represented¹ in the public sector: 65% of the public sector workforce are female, varying from 30% of police officers to 88% of nurses and midwives, and 92% of teaching assistants. The public sector is marginally more likely to employ people who are classified as disabled under the Equalities Act.
- 2.2 However, the government does not consider that the implementation of public sector pay restraint over the spending review period will result in any unjustified differential impact to individuals with the following protected characteristics: age, gender, disability, ethnicity, religion or belief, gender reassignment, pregnancy and maternity, sexual orientation and marriage/civil partnership. The policy is intended to broadly maintain the differential between public and private sector earnings growth, where public sector workers currently benefit from a 7% total remuneration premium².
- 2.3 Implementing public sector pay restraint means the subset of the public sector workforce in scope will not receive an annual pay award for 2021/22. Exemptions will include those earning below the £24,000 annual median and those working for the NHS in England. Those working for devolved or local authorities will receive pay awards set by their employers independently of central government.
- 2.4 This policy therefore affects relatively higher earning individuals. This is not itself a protected characteristic and HM Treasury believes this differential impact is justified in achieving the policy intent.

Equalities impact of public sector pay restraint

Method

- 2.5 To understand the equality impacts of the exemptions to public sector pay restraint we look at the characteristics of the target scope of this policy. This includes those earning above the annual median in the public sector workforce and the NHS exclusion.

¹ONS 2019: Who works in the public sector?

²ONS 2020: Public and Private Sector Earnings 2019.

- 2.6 In 2021/22 this policy will apply no uplift in pay to a subset of the total public sector workforce who are earning above the median, whilst providing those earning under the annual median an uplift of £250.

Policy: general public sector pay restraint over the spending review period

- 2.7 Groups with protected characteristics are disproportionately represented³ in the public sector: 65% of the public sector workforce are female, varying from 30% of police officers to 88% of nurses and midwives, and 92% of teaching assistants. The public sector is marginally more likely to employ people who are classified as disabled under the Equalities Act (14% versus 13%). The ethnic diversity of public versus private sectors is broadly similar: both are 88% white. Black and Asian employees make up 4% and 6% of the public sector respectively, compared to 3% and 7% of the private sector.
- 2.8 Implementing public sector pay restraint in general over the Spending Review period is not expected to have any unjust differential impact to individuals with protected characteristics, relative to their private sector counterparts. This is because this policy looks to achieve broad parity with earnings growth in the private sector, rather than creating any disparities across sectors. Therefore, no adverse equalities impact is expected.
- 2.9 Public sector workers currently benefit from a 7%⁴ total remuneration premium. The impact of Covid-19 has significantly impacted the private sector labour market - pay growth was negative (nearly -1%) in the 6 months to September compared to the same period last year⁵, hours remain 12%⁶ lower than in Q4 2019 and since March employment has fallen by 500,000⁷ (while public sector employment rose over the same period).

³ONS 2019: Who works in the public sector?

⁴ONS 2020: Public and private sector earnings 2019.

⁵ONS Average Weekly Earnings, November 2020.

⁶ONS Labour Market Statistics, November 2020.

⁷ONS Labour Market Statistics, November 2020.

Exemption 1 - exemption for those earning under the annual median

- 2.10 The implementation of this exemption will exclude individuals earning under the annual median of £24,000 from pay restraint during the spending review period.
- 2.11 This subsection compares the demographics of the segment of the public sector workforce out of scope of restraint to those in scope. Namely, the demographics of individuals earning below the annual median is compared to the demographics of individuals earning above the annual median to determine any unjust differential impacts of the exemption.
- 2.12 This comparison is done using LFS data.
- 2.13 This exemption will treat relatively low earning individuals in the public sector workforce favourably. While this therefore might represent positive discrimination, earnings are not a protected characteristic and so the exemption does not have any unjust differential impact under the Equality Act 2010.
- 2.14 Overall, the exemption will favour women but is not expected to have any unjust differential impacts on individuals with protected characteristics.

Gender impact

- 2.15 Women are relatively overrepresented in the subset of the public sector workforce earning below the annual median and therefore not subject to pay restraint, compared to those earning above the annual median.
- 2.16 This is set out in Table 2.A. While 79% of those earning below the annual median are female, 60% of those earning above the annual median are female.
- 2.17 Therefore, the exemption will marginally benefit women, and this does not create any unjust differential impact under the Equality Act 2010. Table 2.A below shows the gender demographics of public sector workers earning above and below the annual median.

Table 2.A: Gender demographics (public sector below annual median compared to above the annual median)

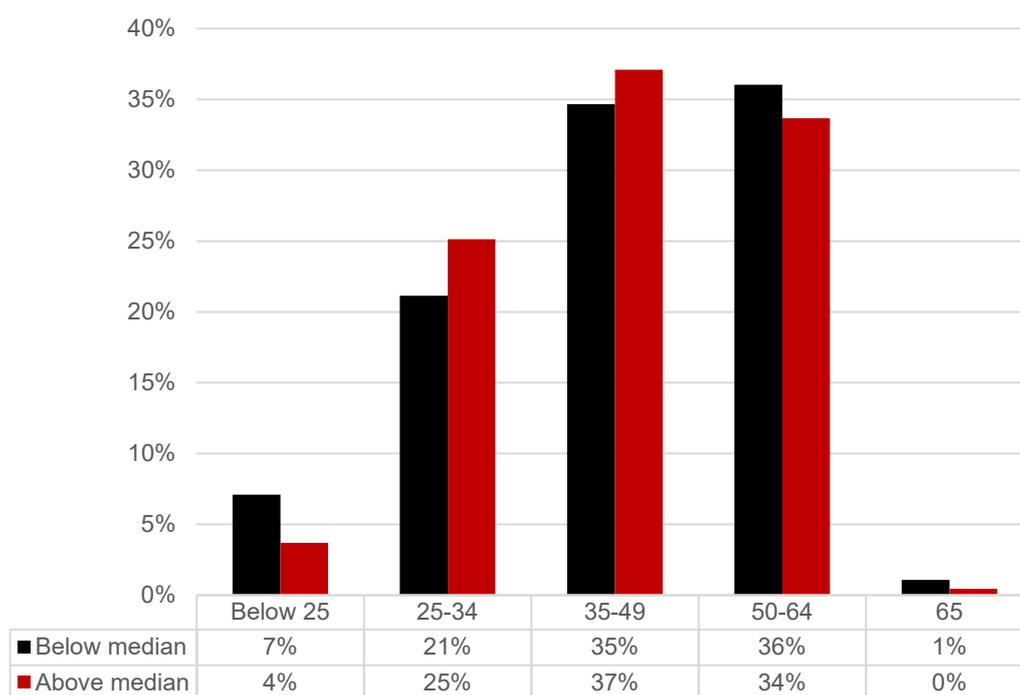
Gender	Segment of public sector earning below the annual median	Segment of public sector earning above the annual median
Male	21%	40%
Female	79%	60%

Source: LFS Q1 2020

Age impact

- 2.18 In general, the age demographic of those earning below the median and above the annual median is broadly aligned, summarised by Chart 2.A.
- 2.19 This means no age group is disproportionately represented in the segment of the public sector exempted, and as such the exemption is not expected to generate any differential impacts on age groups. Chart 2.A below shows the age distribution of public sector workers above and below the annual earnings median.

Chart 2.A: Age distribution of those above and below the annual median



Source: LFS Q1 2020

Ethnicity impact

- 2.20 Black/African/Caribbean/Black British public sector employees are marginally overrepresented in the segment of the public sector earning above the floor. However, as the floor is intended to protect lower earners, this marginal overrepresentation is justified.
- 2.21 Table 2.B sets out both subsets of public sector workforce earning above and below the median.

Table 2.B: Public sector workforce by ethnicity (public sector below annual median compared to above annual median)

Ethnicity	Segment of public sector earning below the annual median	Segment of public sector earning above the annual median
White	89%	85%

Mixed/Multiple ethnic groups	1%	1%
Indian	3%	3%
Pakistani	1%	1%
Bangladeshi	1%	1%
Chinese	1%	1%
Any other Asian background	1%	2%
Black/African/Caribbean/Black British	2%	5%
Other ethnic group	1%	2%

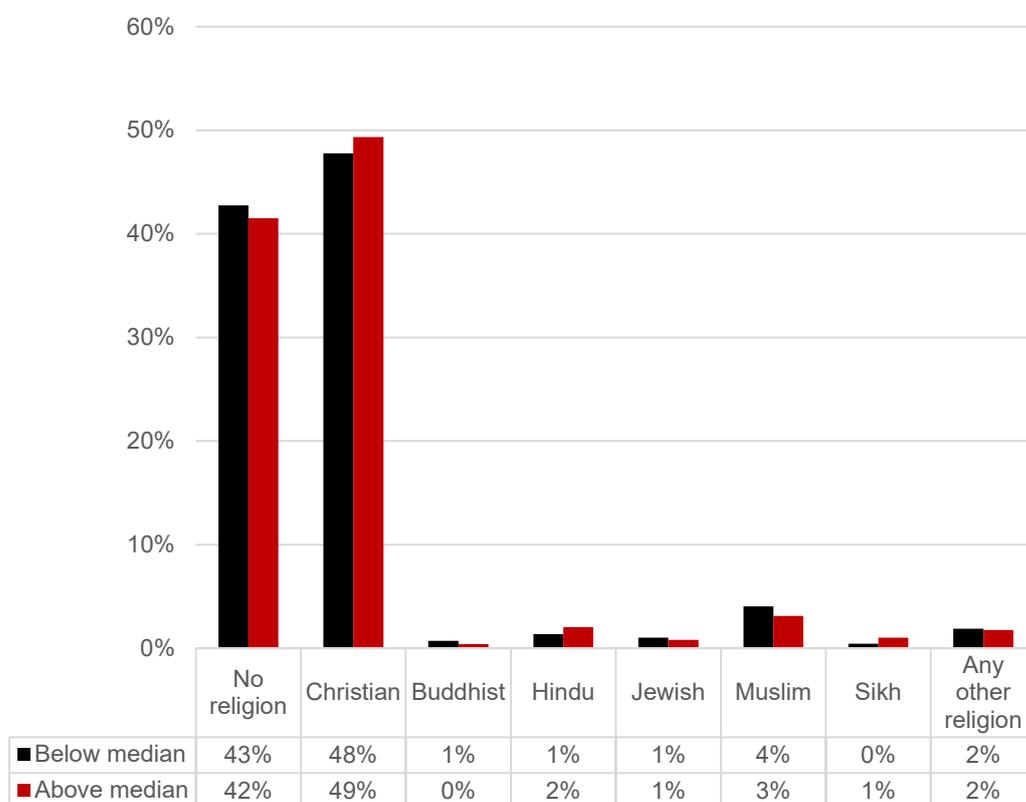
Source: LFS Q1 2020

Religion impacts

2.22 The implementation of this exemption will not have any unjust different impacts of individuals from particularly religions, as the distribution of each religion is broadly aligned between both segments of the public sector above and below the annual median.

2.23 Chart 2.B shows the distribution of religions across both the subset of the public sector earning below and above the annual median.

Chart 2.B: Public sector workforce by religion (public sector below annual median compared to above annual median)



Source: LFS Q1 2020

Disability impacts

2.24 The exemption will marginally benefit individuals with disabilities, as the distribution of those with disabilities across the segment of the public sector earning above and below the annual median broadly align. The distribution of those with disabilities as defined by the Equality Act 2010 above and below the annual earnings median is summarised by Table 2.C.

Table 2.C: Public sector workforce by disability status (public sector below annual median compared to above annual median)

Disability status	Segment of public sector earning below the annual median	Segment of public sector earning above the annual median
Equality Act Disabled	19%	14%
Not Equality Act Disabled	81%	86%

Source: LFS Q1 2020

Marital Status impacts

2.25 The exemption for those earning below the annual median is not expected to generate any differential impact on individuals with different marital statuses, as the distribution of marital status across both public sector workforces above and below the median are again similar.

2.26 Table 2.D below shows the distribution of those earning above and below the annual earnings median by marital status.

Table 2.D: Public sector workforce by marital status (public sector below annual median compared to above annual median)

Marital status	Segment of public sector earning below the annual median	Segment of public sector earning above the annual median
Single, never married	33%	30%
Married, living with partner	51%	58%
Married, separated from partner	6%	3%
Divorced	9%	8%
Widowed	1%	1%
Civil Partner	0%	0%
Former Civil Partner, legally dissolved	0%	0%

Source: LFS Q1 2020

Other impacts

- 2.27 There is no data available on three protected characteristics: sexual orientation, gender reassignment, pregnancy and maternity.
- 2.28 Due to these data limitations it is not possible to assess whether the exemption of public sector pay restraint on those earning below the annual mean has any unjust differential impacts on these three characteristics under the Equality Act 2010.

Exemption 2: exemption for NHS workforce

- 2.29 This exemption will exclude all members of the NHS workforce from public sector pay restraint.
- 2.30 This subsection compares the demographics of individuals in the NHS workforce and the demographics of individuals in the wider public sector to assess any unjust differential impacts on those with protected characteristics.
- 2.31 This is done by comparing NHS digital workforce data with LFS data on the whole public sector.
- 2.32 Overall, the exemption will favour women and Asian or Asian British workers disproportionately but is not expected to have any unjust differential impacts to workers with protected characteristic defined under the Equality Act 2010.

Gender impact

- 2.33 Women are relatively overrepresented in the NHS workforce compared to the public sector. Table 2.E shows 80% of NHS workers are women compared to only 66% in the whole public sector
- 2.34 Therefore, an exemption for the NHS workforce will positively favour female workers but would not create any unjust differential impact under the Equality Act 2010. Table 2.E below compares the gender characteristics of the NHS and public sector workforces.

Table 2.E: Public sector and NHS workforces by gender

Gender	NHS Workforce	Public Sector
Male	20%	32%
Female	80%	68%

Source: LFS Q1 2020 and NHS Digital

Disabilities Impact

- 2.35 As individuals with disabilities are generally underrepresented in the NHS relative to the public sector, disabled public sector workers may be less likely to benefit from the NHS exemption.

- 2.36 However, it's worth noting that the difference in data sources could affect the conclusion of this analysis. The NHS data accounts for 12% as 'Unknown' and 10% as 'Not disclosed' and these categories are not present in the LFS data.
- 2.37 Table 2.F summarises the distribution of individuals with disabilities, as defined by the Equality Act 2010 across the NHS workforce and whole public sector.

Table 2.F: Public sector and NHS workforces by disability status

Disability status	NHS Workforce	Public Sector
Equality Act Disabled	4%	15%
Not Equality Act Disabled	74%	85%
Unknown	12%	N/A
Not Disclosed	10%	N/A

Source: LFS Q1 2020 and NHS Digital

Ethnicity Impact

- 2.38 Asian and Asian British workers are relatively overrepresented in the NHS workforce when compared to the public sector. In particular, 8% of the NHS workforce identify as Asian or Asian British whereas only 1% of the public sector identify as Asian or Asian British. In addition, there is a smaller proportion of individuals that identify as White in the NHS workforce relative to the public sector. The distribution of individuals from other ethnic groups is similar across the NHS workforce and the public sector.
- 2.39 This exemption is therefore likely to favour those from the Asian and Asian British ethnic group.
- 2.40 Table 2.G sets out the distribution of individuals from different ethnic groups across the public sector and NHS workforces.

Table 2.G: Distribution of ethnicities for public sector and NHS workforces

Ethnicity	NHS Workforce	Public Sector
White	77%	87%
Mixed/Multiple ethnic groups	2%	1%
Chinese	0%	0.5%
Asian or Asian British	8%	6%
Black/African/Caribbean/Black British	6%	4%
Other ethnic group	6%	1.5%

Source: LFS Q1 2020 and NHS Digital

Religion Impact

- 2.41 An exemption for the NHS workforce is not expected to cause any unjust differential impacts on individuals with religious beliefs. Table 2.H shows the distribution of the different religion beliefs between the two workforces are similar, with marginally more Christians represented in the wider public sector than in the NHS.
- 2.42 Table 2.G sets out the distribution of individuals with different religious beliefs across NHS and public sector workforces.

Table 2.H: Religious distribution of NHS and public sector workers

	NHS	Public Sector
No religion or non-disclosure	49%	44%
Christian	45%	49%
Muslim	3%	3%
Hindu	1%	2%
Jewish	0%	0.5%
Sikh	1%	0.5%
Buddhist	0%	0%

Source: LFS Q1 2020 and NHS Digital

Age Impact

- 2.43 The distribution of ages across the NHS and public sector workforces are almost identical and as such we do not expect any disproportionate impact to any age group as a result of this exemption. Table 2.I sets out the age distribution of NHS and public sector workforces.

Table 2.I: Age distribution of public sector and NHS workforces

Age	NHS Workforce	Public Sector
Below 25	6%	6%
25-34	24%	23%
35-44	23%	24%
45-54	27%	28%
55-64	19%	18%
65 plus	2%	-

Source: LFS Q1 2020 and NHS Digital

Other Impacts

- 2.44 Due to data limitations we were not able to acquire data for both workforces for the protected characteristics; marital status, sexual orientation, gender reassignment and maternity.

2.45 These limitations mean we are unable to assess if excluding the NHS from pay restraint will have any unjust differential impacts under the Equality Act 2010 on workers with these protected characteristics.

Limitations

- 2.47 The table below shows the data collected and used for comparison with public sector data. It must be noted that all data is from a specific snapshot in time. This is not necessarily the point in time at which public sector pay policy applies. However, for the purposes of this analysis these sources of data provide us with some indication of the demographics of the relevant subsets of the public sector workforce.
- 2.48 Table 2.J sets out the data used for the analysis used in this impact assessment.

Table 2.J: Data used for analysis

Source	Workforce	Protected characteristics	Missing characteristics
Labour Force Survey, LFS Q1 2020	Whole Public Sector, Subset of Public Sector earning above and below annual median	Age, gender, ethnicity, disability, marital status/civil partnership and religious beliefs.	Sexual orientation, gender reassignment, pregnancy and maternity.
NHS Digital	NHS workforce	Age, gender, ethnicity, disability and religious beliefs.	Sexual orientation, gender reassignment, marital status and pregnancy and maternity.

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