



SECRETARY OF STATE
MINISTRY OF DEFENCE
FLOOR 5, ZONE D, MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone 020 7218 9000
Fax: 020 721 87140
E-mail: defencesecretary-group@mod.gov.uk

4.4.2.1

2 March 2021

Dear Peter,

I should first of all like to offer my thanks for the Armed Forces' Pay Review Body's (AFPRB) work over the past year for producing their 49th Annual Report and your recommendations for Pay Round 2020-21. The Government continues to value the independent expert advice and contribution that the AFPRB makes, and I was delighted to be able to accept your 2020 recommendations in full.

The timing of the Spending Review (SR) 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 AFPRB in relation to the 2021/22 Pay Round and to formally invite you to begin the Review Body process.

You will be aware of the Chancellor of the Exchequer's announcement that pay rises in the public sector will be restrained and targeted in 2021/22 at the SR. As the Chancellor set out, Covid-19 is having a very significant impact on 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 blanket, across the board pay rises, 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 Covid-19 continues to have an impact. We will be able to reassess this picture after 2021/22 when

Peter Maddison QPM
Chair of AFPRB
c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London
EC4Y BJX

the fuller impact of Covid-19 on the wider labour market will be clearer. This policy will apply to all members of the Armed Forces, regardless of their trade or profession. No member of the Armed Forces will experience a cut to their existing reward package and the pause will apply to headline pay uplifts only – other payments such as incremental progression and special allowances will continue as before, where appropriate.

HM Treasury have already set out the justification and evidence for this policy in more detail in the informal economic discussion, and the subsequent publication of the official economic evidence paper.

For 2021/22 the Ministry of Defence (MOD) will submit evidence for the Armed Forces in the usual way, including recommendations on service provided accommodation and food charges, covering the usual factors and in line with the pay policy announced at the SR.

Following the Chancellor's announcement of the public sector pay pause, the MOD will not be seeking recommendations from the AFPRB on pay uplifts for the Armed Forces in this Pay Round. Further details on how the MOD proposes to implement the Chancellor's £250 pay uplift for those earning £24,000 or below will be provided in the MOD's evidence. We very much welcome the AFPRB's view on the proposed approach and recommendations.

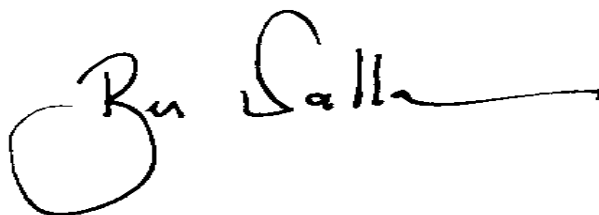
Whilst recognising that it has not been ideal, I am grateful that the AFPRB have been able to continue undertaking their annual visit programme, albeit virtually, to ensure that our Service Personnel have the opportunity to provide you with their thoughts, concerns and views on their pay and other related matters. I appreciate the flexibility of the Review Body Members throughout this unprecedented period.

I would be grateful if you could submit your report for the 2021-22 Pay Round in May 2021.

Finally, I would like to thank you again for your invaluable contribution to our Armed Forces, and for supporting our Service Personnel. I look forward to continuing our dialogue.

I am copying this letter to the Chancellor, Chief Secretary of the Treasury and Cabinet Secretary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Wallace', with a long horizontal flourish extending to the right.

THE RT HON BEN WALLACE MP