

Options to support appropriate approaches to wage growth for police officers in Scotland from 2025-26 onwards

February 2025

Executive Summary

This report, commissioned by the Police Negotiating Board Scotland (PNBS), examines options for supporting appropriate wage growth mechanisms for police officers in Scotland from 2025-26 onwards. The intention is to create a shared evidence base that facilitates collaborative pay negotiations.

Key aspects considered include the unique nature of police work, the prohibition on strike action, comparisons with UK and international wage-setting mechanisms, and stakeholder engagement to ensure robust conclusions.

Context and measurement

Chapter 3 explores the mechanisms for measuring police pay growth, analysing both pay scale growth and actual earnings data from the Annual Survey of Hours and Earnings (ASHE). The importance of looking at pay scales is that these reflect the outcomes for pay of negotiations between the relevant parties, and are not impacted by the composition of the workforce in terms of grade mix.

Actual earnings, however, takes into account average pay and career progression as well as changes to the composition of the occupation. It also includes the costs of overtime and shift allowances, where relevant.

Both of these measures are important when we consider police wage growth.

The average nominal growth of the points in the comparator public sector pay scales examined has been 34.7% between 2009-10 and 2023-24, which is higher than growth for the police pay scales included, at 31.9%. Cumulative growth for those earning more than £50,000 in 2023-24 has been 33.0%, whereas the growth in police for those earning over £50,000 has been 32.1%.

The ASHE earnings analysis reveals that the overall increase in average police officer (sergeant and below) earnings (30%) has lagged behind the public sector average of 43%.

The chapter highlights the influence of public sector pay policy, inflationary pressures, and compositional changes within the police workforce, including the impact of increased recruitment at entry levels. The issue of changing composition in the workforce can make overall earnings figures difficult to interpret across different professions, and the composition of different public sector professions and the impact this has on earnings may be an area for future research.

The Scottish Government Public Sector Pay Policy (PSPP) has always provided context for wage setting through pay review bodies or collective bargaining. In the most recent year, this has become more explicit, with the Cabinet Secretary for Finance, Shona Robison, saying "My expectation is that

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all public sector employers will negotiate multi-year deals with trade unions and staff representatives within the parameters set out in this policy."

The rest of the report examines three options for wage setting: collective bargaining, pay review bodies, and index-linked pay.

Collective Bargaining

Chapter 4 assesses collective bargaining as a wage-setting mechanism. Used widely across public sector occupations in Scotland, collective bargaining allows unions to negotiate directly with employers on pay and conditions. For police officers, this mechanism has delivered nominal pay growth aligned with public sector norms but has struggled to fully address inflation's impact.

Benefits of collective bargaining include structured negotiations, inclusivity, and the ability to consider non-pay benefits like workplace conditions. However, challenges include increased costs, the potential for industrial disputes, and limited responsiveness to sudden economic changes. Globally, collective bargaining is the preferred model for public sector pay-setting, though arbitration is often used to resolve impasses.

Pay Review Bodies

Chapter 5 examines the role of independent pay review bodies, such as the Police Remuneration Review Body (PRRB) in England and Wales. These bodies provide impartial recommendations on pay adjustments based on economic conditions, recruitment challenges, and affordability constraints. While their independence enhances transparency and trust, their recommendations are nonbinding, leaving governments with the ultimate authority.

Evidence shows pay review bodies often deliver modest outcomes constrained by government spending limits. Internationally, similar bodies exist but are less common than collective bargaining frameworks. The chapter highlights the trade-off between independence and reduced control for direct negotiations by affected parties.

Index Linked Pay

Chapter 6 evaluates index-linked pay, where wage increases are tied to macroeconomic indicators like inflation or average earnings. Historical modelling suggests that had police pay in Scotland been linked to Consumer Price Inflation (CPI) since 2010, officers' earnings could have been £3,500-£4,500 higher in 2023. This is not unique to the police, however. It is generally true across the board for all but a few exceptions in terms of public sector jobs, and certainly the case for most positions with levels of pay comparable to that of police officers.

Indexation offers predictability and fairness, reflecting real-time economic conditions. However, it reduces flexibility and risks over- or under-compensating employees during volatile economic periods. Examples from countries like Belgium, where wages are indexed to inflation, demonstrate potential benefits but also highlight fiscal challenges during high-inflation periods.

Conclusion

In conclusion, the report underscores the complexity of designing a wage-setting mechanism that balances fairness, affordability, and operational sustainability. Collective bargaining offers inclusivity but lacks agility; pay review bodies enhance transparency but are constrained by affordability remits; and index-linked pay provides predictability but limits flexibility.

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Therefore, different approaches to wage setting can have their benefits and limitations, and all approaches have potential merits that both workers and employers in sectors may find attractive.

The reasons for different approaches in different sectors can be historical, cultural and of course legislative, if particular routes are blocked by law to employees in particular occupations.

What this report demonstrates is that there is not necessarily an optimal approach that can be identified through analysis of the outcomes in terms of pay scales and wage growth. Many factors can influence the outcomes on pay, including the overall fiscal stance of the UK Government, and the Public Sector Pay Policy that is set by the Scottish Government, which can provide the context and parameters for any discussions on pay, whichever mechanism is used.

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Disclaimer

The analysis in this report has been conducted by the Fraser of Allander Institute (FAI), with support and guidance from the Scottish Centre for Employment Research (SCER) at the University of Strathclyde. This report was commissioned in Summer 2024 by the Police Negotiating Board Scotland.

The research, analysis and write up of the results has been undertaken independently by the University of Strathclyde. FAI and SCER are committed to the highest quality analytical advice and analysis. We are therefore happy to respond to requests about methods or sources used in this report. Any technical omissions or errors in this report are those of the FAI as project leads.

1. Introduction and remit of the report

This report is in fulfilment of lot 1 of the police officer pay and benefits independent review/research commissioned on behalf of the Police Negotiating Board Scotland (PNBS). An independent review was a commitment of the 2023-24 police officer pay agreement.

The intention of the review is to provide a shared evidence base to support collaborative working and collective bargaining with regards to future pay negotiations.

The pay agreement provided high-level direction for the scoping of the research. More detailed specification of the research has been agreed by a steering group comprising the chair of the PNBS, representatives of the Official Side, Staff Side, University of Strathclyde, the independent organisation conducting the review (hereafter referred to as the "steering group").

This Report relates to lot 1 and focusses only on wage growth. The Report is intended to inform 2025-26 pay negotiations and outline potential mechanisms/options that could support appropriate approaches to wage growth for police officers in Scotland from 2025-26 onwards.

There are a number of specific elements for consideration in this review:

- the unique nature of the police officer role in society, in particular the prohibition on strike action;
- examples of approaches to wage growth mechanisms within the UK and internationally;
- the benefits and risks of each option to support PNBS consideration and the strength or otherwise of the evidence base; and
- engagement with key PNBS and other relevant stakeholders.

2. The Police Negotiating Board for Scotland and pay setting for police officers in Scotland and the rest of the UK

The Police Negotiating Board for Scotland (PNBS) is a public body in Scotland as of 17 August 2023 and is classed as an 'other significant national body'. The PNBS replaced the Police Negotiating Board, which negotiated pay for police officers across the UK and from 2014, only for Scotland.

The PNBS negotiates agreements on the terms and conditions of officers of Police Scotland. It considers matters affecting police constables (other than special constables) and police cadets, all in accordance with sections 55B(1) and 55C(1) of the Police and Fire Reform (Scotland) Act 2012 including:

- a) pay, allowances and expenses;
- b) public holidays and leave;
- c) hours of duty;
- d) draft regulations;
- e) draft determinations;
- f) governance, administration and conditions of service.

The PNBS, within its remit of police officers' pay, terms and conditions undertakes the following activities as and when required:

- **Negotiation** of Claims (submitted by the Staff Side) or Proposals (submitted by the Official Side) to the PNBS.
- **Discussion of issues** that may be raised by any member through the Joint Secretariat (Official, Staff and Independent Secretariats). Discussion may occur at the PNBS or a subgroup thereof (i.e. Technical Working Group).
- **Guidance** Interpretation of extant terms and conditions may be sought by a member through the Joint Secretariat. Clarification and guidance would then be provided by the PNBS.

The PNBS may have other functions as required by statute per its constitution, which is accessible via the Scottish Government website.¹ Further information about the role, membership and processes of the PNBS can be found in its operations guide.²

In England, Wales and Northern Ireland the process in which police officer pay is set differs. This is because, like some other public sector bodies across the UK, pay recommendations are provided by an independent pay review board – the Police Remuneration Review Body (PRRB). The PRRB is responsible for making recommendations on pay, allowances, conditions of employment and other benefits for police officers in England, Wales and Northern Ireland.³

The PRRB do not hold overall control of final pay and conditions. They provide recommendations to the UK, Welsh and Northern Ireland governments, who in turn can choose to accept, reject or alter the recommendations provided.

¹ <u>https://www.gov.scot/publications/constitution-police-negotiating-board-scotland/</u>

² <u>https://www.gov.scot/publications/police-negotiating-board-scotland-pnbs-guide/</u>

³ <u>https://www.gov.uk/government/organisations/police-remuneration-review-body/about/terms-of-reference</u> 8

The PRRB collects evidence from various representatives and organisations including unions, government departments, police officers and other external stakeholders, and considers economic and earnings data, in providing its independent recommendation to government on pay and conditions of employment.

3. Setting the scene

3.1 Context of the negotiations and the review

The structures and approaches to pay determination for police officers in the UK and Scotland have varied historically, including in response to multiple Parliamentary and government Committees and Commissions that in various ways have recognised the distinctiveness of the police officer role relative to other occupations. Following the Committee of Inquiry on the Police (Edmund-Davies Committee) in the late 1970s, police pay increases in the UK were, until the mid-2000s, calculated in relation to wider economic indices. Thereafter, collective bargaining delivered UK wide pay rises until 2014 when pay setting for the service in England, Wales and Northern Ireland shifted to an independent pay review body), though collective bargaining has continued for Scottish officers, under the auspices of the Police Negotiating Board for Scotland since 2023.

From our initial interviews, it is clear that key stakeholders vary in their preferences for a pay setting mechanism and the measures that might be used to assess police pay rises. The Scottish Police Federation are supportive of deploying a pay index within the context of collective bargaining. Others see a pay index as inconsistent with collective bargaining.

Beyond the issue of a pay index, there are differences of opinion over the best economic indicators (that is, measures of price and wage inflation) and the appropriate occupational comparators to take into consideration when assessing police pay rises, as well as the role and impact of public sector pay policy. The current research represents an effort by all PNBS stakeholders to develop an independent but shared evidence base from which to conduct future pay negotiations.

The protracted nature of the 2024 pay negotiations underlines the importance of establishing a shared understanding of relative police pay. While an agreed evidence base on police pay does not elide the need for discussion, bargaining and agreement, it may help underpin a more strategic approach to pay, reward and conditions that goes beyond a focus on the annual pay rise. There is strong stakeholder commitment to achieving this outcome.

In Phase 2 of this work, we will conduct a review of the whole package of pay and benefits of police officers, including the value of deferred compensation to officers and the uniqueness of the role of police officers in society.

Phase 1 seeks to inform 2025-26 pay negotiations and outline potential mechanisms/options that could support appropriate approaches to wage growth for police officers in Scotland from 2025-26 onwards.

3.2 The context of public sector pay policy & the wider fiscal environment

This report focuses on a part of the workforce that is in the public sector but not subject to the Scottish Government's Public Sector Pay Policy (PSPP)⁴. Generally, the comparators which are most relevant for Police Scotland are likely to be those who come to negotiated settlements through

⁴ See, for example, the policy for 2025-26 - <u>https://www.gov.scot/publications/scottish-budget-2025-2026-public-sector-pay-policy/</u>

mechanisms like collective bargaining or pay review bodies, which are discussed extensively in this document.

However, the wider PSPP can also influence the outcomes achieved by these other mechanisms, by providing the context and parameters which sets out the realities of the wider fiscal environment, including the inflationary context and the overall fiscal stance of the UK and Scottish Government. Indeed, in the latest policy presented alongside the Budget in December 2024, the Cabinet Secretary for Finance, Shona Robison, said "My expectation is that all public sector employers will negotiate multi-year deals with trade unions and staff representatives within the parameters set out in this policy."

Research from the time of austerity would support this (see, for example, OECD, 2012⁵). They say, for example in reference to the collective bargaining process in many countries post financial crisis, that "the employer's ability to pay has now become a consideration that often overrides the arguments for salary increases".

A summary of the PSPP for different years is included in Table 1 below (the column for civil servants). Particularly in years 2011-12 to 2017-18, when inflation was low and relatively stable, we can see the influence the parameters set out in the policy were having on the negotiated settlements by other parts of the public sector.

Financial Year	Summary of Public Sector Pay Policy
2010/11	0%
2011/12	0%
2012/13	0%
2013/14	1%
2014/15	1%
2015/16	2%
2016/17	1%
2017/18	1%
2018/19	3% (below £30k), 2% (30-80k), £1,600 cap (above 80k)
2019/20	3% - below £36.5k, 2% - between 36.5k and 80k, £1,600 cap above £80k
2020/21	£750 – below £25k, 3% - below £80k
2021/22	£800 (below £25k), 2% (25-40k), 1% (40-80k)
2022/23	£775 (below £25k), £700 (£25-£40k), £500 (£40k+)
2023/24	£1,500 (below £25k), no specific rates above this except that the average pay bill increase will be 3.5%, with a floor of 2% and a ceiling of 5%.

Table 1: Public Sector Pay Policy, 2010-11 to 2023-24

Source: Scottish Government

3.3 Measures of pay growth

There are two main ways that can be used to look at pay growth for police officers. One way is to look at pay scales, which are schedules of how much an individual at a particular rank and seniority is

⁵ Sector Compensation in Times of Austerity. (2012). France: OECD Publishing.

paid. The importance of looking at pay scales is that these reflect the outcomes for pay of negotiations between the relevant parties, and are not impacted by the composition of the workforce in terms of grade mix.

The other is to look at actual data on how much officers are paid. This takes into account average pay and career progression as well as changes to the composition of the occupation. It also includes the costs of overtime and shift allowances, where relevant. This is more directly related to the cost of employment, as it contains a weighted average of staff at different grades. Data relies on surveys of employers, which generate data used by the Office for National Statistics (ONS).

The most commonly used source of pay data is the Annual Survey of Hours and Earnings (ASHE), outputs from which are Accredited Official Statistics as defined by the Office for Statistics Regulation (OSR), which assesses compliance of these statistics against the Code of Practice for Statistics.⁶ ASHE is a broadly recognised metric: for example, it is one of the main data sources used by the Police Remuneration Review Board in England and Wales in assessing police pay.⁷

We have analysed data on both pay scale growth and earnings growth (measured using relevant ASHE data) in this research.

As already mentioned, there is a compositional effect over time (i.e. the numbers of staff at different grades are changing over time), which means that actual earnings are always likely to differ from pay scale growth. This clearly has an effect for the police, but also for all other professions and sectors, and it is impossible to know from the data we have access to exactly how these are moving in all professions.

Anecdotal evidence suggests that in recent years, the composition of the police workforce has changed, with many experienced officers moving into retirement, and being replaced by new Probationary Constables in the force. Having a larger share of the force in entry level positions will likely shift the average salaries downwards, with new probationers on lower annual salaries relative to more experienced police officers.

The composition issue can be mitigated somewhat by focussing on particular occupations in ASHE (for example, focussing as we have on Police officers (sergeant and below)), but this will not take into account compositional effects in the grades that sit within one occupational code.

Where relevant for different professions, the extent of overtime and shift allowances will also mean that pay scale growth and actual earnings are different over time. The ASHE data include such payments. The extent to which this is a factor is the overall benefits package for police officers will be explored more in phase 2 of this research, as it is possible to use more detailed ASHE data to extract such payments.

3.3.1 Data sources and definitions of pay scale growth in Scotland

Table 2 below summarises the agreed pay deals included in the analysis. These are the headline pay agreements, which – especially in recent years – have included uplifts that have not always been

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⁶ The OSR states that "Accredited Official Statistics are official statistics that have been independently reviewed by OSR and confirmed to comply with the standards of trustworthiness, quality and value in the Code of Practice for Statistics. Accredited official statistics are called National Statistics in the Statistics and Registration Service Act 2007." (https://osr.statisticsauthority.gov.uk/accredited-official-statistics/) ⁷ See Appendix E of the <u>2024 PRRB report</u>.

uniform across pay bands in terms of percentage growth. It is, therefore, difficult to compare pay growth directly both across time and across different parts of the public sector.

	Police	NHS Agenda for Change	Teachers	Fire	Civil Servants ⁸	Local Government
2010/11	2.55% ⁹	2.25%	2% ¹⁰	0%	0%	0.65% ¹¹
2011/12	0%	0%12	0%	0%	0%	-
2012/13	1% ¹³	0%14	0%	1%	0%	-
2013/14	1%	1%	1%	1%	1%	1% ¹⁵
2014/15	1%	1%16	1%	1%	1%	1%
2015/16	1%	1%17	1.5%	1%	2%	1.50%
2016/17	1%	1%18	1%	1%	1%	1%
2017/18	1%	1%	2%	1%	1%	1% ¹⁹
2018/19	6.5% ²⁰	3.00%	3%	2%	3% (below £30k) 2% (30-80k) £1,600 cap (above 80k)	3.5%
2019/20	-	2.80% ²¹	7% ²²	2%	3% - below £36.5k 2% - between 36.5k and 80k £1,600 cap above £80k	3%
2020/21	-	2.95%	3%	2%	£750 – below £25k, 3% - below £80k	3%

Table 2: Agreed pay deals for different public sector occupations in Scotland

⁸ Following the Public Sector Pay Policy except in 2023-24. See footnote 27 for more details about 2023-24.

⁹ Part of a three-year pay settlement from 2008/09

¹⁰ Part of a multi-year deal set in 2008.

¹¹ Imposed pay deal by local government, 0.65% in 2010 with a two year pay freeze thereafter.

 $^{^{\}rm 12}$ NHS Staff earning less than £21,000 were awarded a flat rate of £250.

¹³ This was accompanied by an £800 increase for senior officers.

¹⁴ NHS Staff earning less than £21,000 were awarded a flat rate of £250.

¹⁵ Further two-year imposed pay deal of 1% each year.

¹⁶ NHS Staff earning less than £21,000 were awarded a flat rate of £300.

¹⁷ NHS Staff earning less than £21,000 were awarded a flat rate of £300.

¹⁸ NHS Staff earning less than £22,000 were awarded a flat rate of £400.

¹⁹ £350 (below £35k), 1% (above £35k).

²⁰ Pay uplift was paid upfront and applied for 31 months.

²¹ Staff at the top of their Band earning £80,000 and above will receive a flat rate £1,600 uplift.

²² In addition, as a result of the Scottish Government policy intervention to restructure the main grade scale and to revalue all other pay points, all SNCT pay scales will increase by a further 4% (no cap) from 1 April 2019. This award will be backdated to 1 April 2019.

2021/22	£700 ²³	4% ²⁴	1.5%	1.5%	£800 2% (25-40k) 1% (40-80k)	£800 (less than £25k) 2% (25k-40k) 1% (40k-80k) £800 (80k+)
2022/23	5%	7.5% ²⁵	7%	7%	£775 (below £25k) £700 (£25-£40k) £500 (£40k+)	£1,925
2023/24	7%	6.5% ²⁶	5%	5%	6.50% ²⁷	5% or £1,925, whichever higher

Sources: Police Negotiating Board²⁸, Police Negotiating Board for Scotland²⁹, NHS Scotland³⁰, Scottish Negotiating Committee for Teachers³¹, Fire Brigades Union³², Scottish Government³³, Scottish Joint Council and Convention of Scottish Local Authorities³⁴

Table 3 shows pay growth at selected representative pay points in the scales of different public sector organisations in Scotland. This allows for the comparison of growth for different occupations when

²³ Amount applied to all pay spines. A one-off discretional payment of £250 was also paid to police officers during this period as recognition of their work during the COVID-19 pandemic.

²⁴ Bands 1-4: a flat uplift of £1,009

Bands 5-7: a 4% uplift

Bands 8A to 8C: a 2% uplift

Bands 8D to 9: a flat uplift of £800

The above represents an overall average uplift of 4% in Agenda for Change pay.

²⁵ "A flat cash uplift of £2,205 for pay Bands 1, 2, 3, 4, 8B, 8C, 8D and 9.

A series of escalating flat cash uplifts covering Bands 5, 6 and 7. Specifically:

^{£2,280} for points 1 and 2 of Band 5.

^{£2,450} for the top point of Band 5 and points 1 and 2 of Band 6.

^{£2,550} for the top point of Band 6 and points 1 and 2 of Band 7.

^{£2,660} for the top point of Band 7.

A 5% uplift for Band 8A.

 $^{^{26}}$ Under the agreement, most staff will receive a consolidated uplift of 6.5%, with a floor of £1,548 and a cap of £3,755. In addition to the consolidated uplift, staff will also receive a one-off non-consolidated addition ranging between £387 and £939, depending on an individual's place on the Agenda for Change pay matrix.

²⁷ It is not clear exactly how pay metrics were changed at different levels of pay within the civil service in this year. The only public information is that the average growth across the public sector was around 6.5%, so it is likely that the 5% ceiling set out in Table 1 was breached, but we don't know the what extent.

²⁸ PNB annual report 2009-10 and PNB circulars for subsequent year. Full list available in annex.

²⁹ PNBS circular for 2023-24, linked in annex.

³⁰ NHS Agenda for Change. Full list in annex.

³¹ SNCT handbook and previous iterations for each year.

³² FBU distribution of the National Joint Council for Local Authority Fire and Rescue Services' pay circulars. Full list in annex.

³³ Scottish Government pay settlements. Full list in annex.

³⁴ SJC and COSLA announcements of pay deals. Full list in annex.

pay growth has been different at different points in the pay distribution, which has been the case especially in recent years.

Service and pay point	Salary in 2009-10	Salary in 2023-24	2009-10 to 2023-24 cumulative growth
Police, Constable point 2	26,787	35,330	31.9%
Police, Sergeant point 2 ³⁵	38,064	49,878	31.0%
Police, Inspector point 2 ³⁶	48,198	62,948	30.6%
Police, Chief Inspector point 2 ³⁷	51,516	67,223	30.5%
Police, Superintendent point 2	63,255	83,229	31.6%
Police, Chief Superintendent point 2	74,607	101,177	35.6%
NHS, Band 5, point 20 ³⁸	23,345	37,664	61.3%
NHS, Band 7, point 31 ³⁹	34,410	48,010	39.5%
NHS, Band 8b, point 40 ⁴⁰	47,905	67,285	40.5%
NHS, Band 9, point 53 ⁴¹	86,800	111,595	28.6%
NHS, Consultant pay point 5, seniority point 9	83,829	107,846	28.6%
NHS, Specialist registrar (full, point 4)	37,077	51,680	39.4%
NHS, Salaried GP (minimum)	53,249	69,993	31.4%
Teachers, Main grade point 3	28,119	40,247	43.1%
Teachers, Principal teacher point 4	40,941	58,606	43.1%
Teachers, Headteacher point 11 (job-sized) ⁴²	56,181	80,419	43.1%
Teachers, Music instructor point 3	26,004	37,226	43.2%
Teachers, Ed psychologist point 3	42,192	60,397	43.1%
Teachers, QIO point 2	51,063	73,099	43.2%
Fire, Firefighter, competent	28,199	36,226	28.5%
Fire, Crew manager, competent	31,263	40,161	28.5%
Fire, Watch manager, competent A	32,827	42,170	28.5%
Fire, Station manager, competent A	37,456	48,116	28.5%
Fire, Group manager, competent A	43,138	55,415	28.5%
Fire, Area manager, competent A	50,642	65,056	28.5%
Civil Service, B1 Grade	23,732	30,499	28.5%
Civil Service, B2 Grade	28,367	35,966	26.8%
Civil Service, B3 Grade	35,703	43,999	23.2%
Civil Service, C1 Grade	46,779	57,484	22.9%
Civil Service, C2 Grade	59,086	72,468	22.6%
Civil Service, C3 Grade	66,750	81,799	22.5%
Local Government, Grade G point 48	23,845	32,344	35.6%

Table 3: Police officer nominal pay scales and growth at selected points in the distribution

³⁵ Point 1 from 2020.

³⁶ Point 3 from 2020.

³⁷ Point 1 from 2020.

³⁸ E.g. Therapeutic radiographer. Band 5, point 5 from 2018. Band 5, point 3 from 2021.

³⁹ E.g. High intensity therapist. Band 7, point 30 f/ 2010. Band 7, point 5 from 2018. Band 7, point 2 from 2021.

⁴⁰ E.g. Head orthoptist. Band 8b, point 39 from 2010. Band 8b, point 3 from 2018. Band 8b, point 1 from 2021.

⁴¹ E.g. Podiatric consultant (surgery). Band 9, point 52 f/ 2010. Band 9, point 4 f/ 2018. Band 9, point 1 f/ 2021.

⁴² Average school roll is 284, which would put the headteacher of the average school roll on band 11.

Local Government, Grade H point 57	27,240	36,357	33.5%
Local Government, Grade K point 79	37,812	48,852	29.2%

Source: FAI analysis of data from Police Negotiating Board, Police Negotiating Board for Scotland, NHS Scotland, Scottish Negotiating Committee for Teachers, Fire Brigades Union, Scottish Government and Falkirk Council⁴³

The average nominal growth of the points in the pay scales shown in Table 3 has been 34.7%, which is higher than growth for the police pay scales included, at 31.9%. Cumulative growth for those earning more than £50,000 in 2023-24 has been 33.0%, whereas the growth in police for those earning over £50,000 has been 32.1%.

Chart 1 shows the growth for police pay scales in nominal terms relative to the other occupations in this analysis.

Chart 1: Cumulative growth in nominal pay scales from 2009-10 to 2023-24 for different occupations (police in red, others in grey)

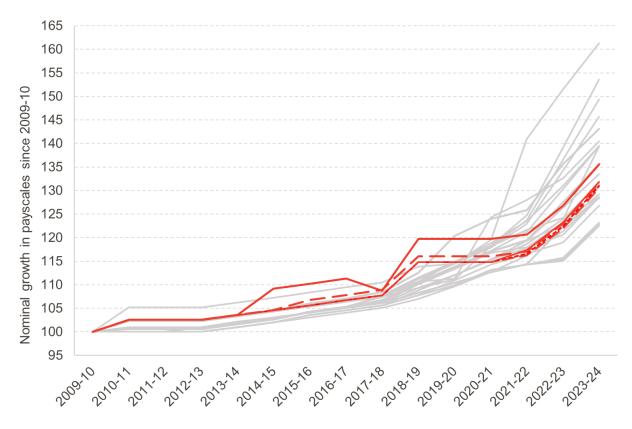


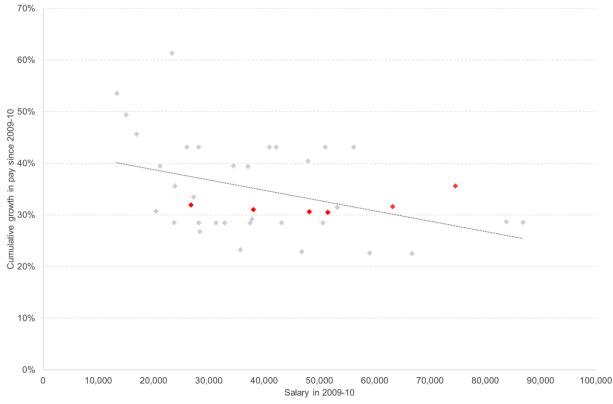
Chart 2 puts pay growth in context of the starting salary. It shows that growth in pay has been much stronger for salaries that were lower in 2009-10. It also illustrates that pay scale growth for police officers (shown in red) has been very similar across the grades, generally maintaining their relative position in the distribution.

⁴³ Falkirk Council used as the source as all pay points are publicly available going back to 2009. Pay is negotiated jointly for all Scottish councils.

This has not been the case for other areas of the public sector where there has been significant compression of the distribution, with pay scales at the bottom end⁴⁴ increasing much more quickly and therefore narrowing the intervals between grades.

This has been true of the NHS agenda for change settlements in recent years, but also the core SG PSPP, which since 2018-19 has awarded larger pay deals to those at the bottom of the pay distribution (see Table 1 for details).

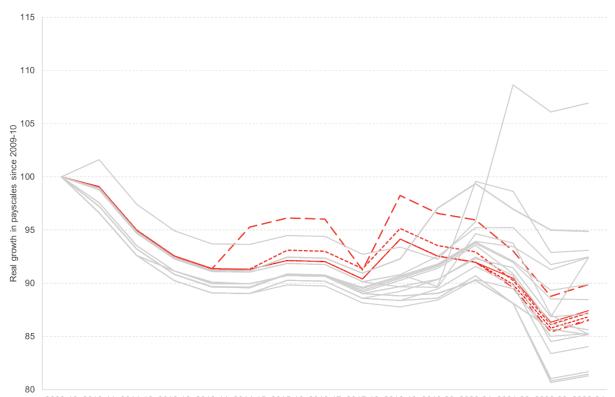


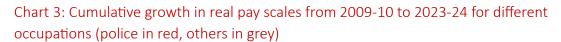


Source: FAI analysis

Chart 3 shows the growth for police pay scales in real terms relative to the other occupations in this analysis. This shows that all of the police-related professions have seen an erosion in the spending power of their pay scales since 2009-10, but that this has been the case for all but 1 of the spine points shown in Table 2.

⁴⁴ As well as the decisions taken in the PSPP, some of these effects might be explained by rises in the national minimum wage and national living wage – although none of the occupations included in the analysis were at minimum wage, a rise in the minimum wage tends to lead to workers just above it also seeing their wages rises. See https://obr.uk/box/national-living-wage/.





2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24

Source: FAI analysis

3.3.2 Data sources and definitions of earnings growth

Table 4 below summarises relevant occupation codes used from The Office of National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE), which, where available, we have used to compare to relevant sectors, particularly to analyse earnings growth from different parts of the public sector.

Table 4: Occupation codes fo	notice related and relevant	nublic coctor occupations
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support officers code in the analysis given		support officers		code in the analysis given
sample size issues in ASHE				sample size issues in ASHE
(it is suppressed)				(it is suppressed)

Source: ONS ASHE

We go into occupational comparisons in more detail in section 4, but chart 4 summarises pay growth from ASHE of earnings for police officers and the whole of the public sector in Scotland over the years 2010 to 2023.

In ASHE, ONS uses the National Accounts definition of the public sector. In practice, this includes central and local government employees working in Scotland, including executive agencies, public bodies and public corporations.

Any organisation classified by ONS to the public sector for the purposes of National Accounts (that is, owned or controlled by government) is counted as public sector in ASHE. All other employing bodies are classified as private sector.

On this ASHE basis, police earnings (sergeant and below) in Scotland have increased by around 30% in nominal terms since 2010, below the 43% increase registered by the average public sector employee.

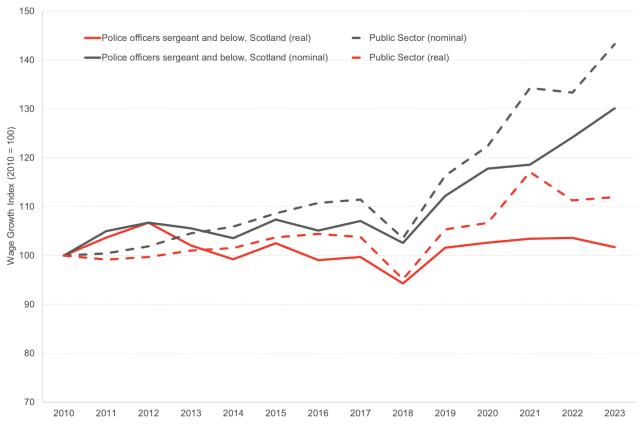


Chart 4: Nominal and real earnings growth, police officers (sergeant and below) vs public sector, Scotland, 2010-2023

Source: ONS ASHE, FAI Calculations

It is, of course, important to note the heterogeneity of the public sector workforce in terms of education, qualification, skills and tenure, such that higher earnings growth may be influenced in part by distinctive human capital factors.

As covered extensively in the introduction to this section, there is also a compositional effect over time (i.e. the numbers of staff at different grades are changing over time), which means that this is always likely to differ from pay scale growth. The ASHE data will also include other payments, such as overtime and shift allowances, where relevant.

Despite these limitations, these data are seen as high-quality evidence, and derived from actual records of how much people have been paid.

3.4 The uniqueness of the police officer's role in society, prohibition of striking and possible impact on wages

Police officers in Scotland have a wide remit, which is set out in the Police and Fire Reform (Scotland) Act 2012. Section 32⁴⁵ of that Act states that the policing principles are:

"(a) that the main purpose of policing is to improve the safety and well-being of persons, localities and communities in Scotland, and

(b) that the Police Service, working in collaboration with others where appropriate, should seek to achieve that main purpose by policing in a way which—

(i) is accessible to, and engaged with, local communities, and

(ii) promotes measures to prevent crime, harm and disorder."

There are restrictions on industrial action that can be taken by a police officer. Police officers are not allowed to go on strike, though may engage in other forms of industrial action short of strike.⁴⁶ The prohibition on police officers striking was initially introduced in the Police Act 1919⁴⁷ and is currently governed by the Police Act 1996,⁴⁸ which specifically separates the police federation from the role of a trade union and therefore disapplies the option to go on strike under the Trade Union and Labour Relations (Consolidation) Act 1992.⁴⁹

The prohibition on striking is not universal across the world, though our research indicates that it is more common for it to be in place (see table 5).

Country and Police Force	Right to Strike?
Canada	×
New Zealand	×
Australia	\checkmark
	(certain police forces i.e. New South Wales)
Spain	×
Poland	×
Portugal	×
Republic of Ireland	Disputed
Norway	\checkmark
	(heavily circumscribed by the requirement to maintain public safety)
Belgium	\checkmark
	(allowed relative to certain conditions)

Table 5: Right to strike by country

Source: FAI analysis

⁴⁵ <u>https://www.legislation.gov.uk/asp/2012/8/section/32</u>

⁴⁶ See for example withdrawal of good-will from the Scottish Police Federation in 2022 (<u>https://spf.org.uk/jcc-circular-21-of-2022-police-pay-2022-withdrawal-of-goodwill/</u>) and 2024 (<u>https://spf.org.uk/jcc-circular-11-of-2024-pay-update-2024-25-information/</u>).

⁴⁷ R. E. Harris, The Police Federation in Britain, 36 J. Crim. L. & Criminology 121 (1945). https://scholarlycommons.law.northwestern.edu/jclc/vol36/iss2/8

⁴⁸ <u>https://www.legislation.gov.uk/ukpga/1996/16/data.xht?view=snippet&wrap=true</u>

⁴⁹ <u>https://www.legislation.gov.uk/ukpga/1992/52/data.xht?view=snippet&wrap=true</u>.

In general, withholding the right to strike is inconsistent with many of the employment frameworks set out by the International Labour Organisation (ILO). However, the need to balance a right to strike with upholding public safety makes this a complex issue for police services (Litor, 2023).⁵⁰ This has been litigated in some recent cases, including in the 2014 Judicial Tribunal of the Council of Europe case which upheld that the prohibition on strike for An Garda Síochána in the Republic of Ireland contravened the European Social Charter.⁵¹ This is has not been directly actioned by the Irish Government, but there have been several instances since then of Gardaí threats of strike action (see for example 2016⁵² and 2023⁵³).

The prohibition of striking is unusual in the wider labour market and removes from police officers a mechanism that has the potential to impact on pay growth. It is therefore important to consider existing evidence on the effect of striking on pay negotiation and whether it affects outcomes. This is explored below.

A range of academic evidence suggests that wages are higher in situations in which workers have the right to strike. Delaney (1983)⁵⁴ uses data on teachers from two US states (Illinois and Iowa) and estimates that either the legal or *de facto* right to strike increases salaries by around 10%. This positive effect of striking on wages corroborates earlier studies by Sparks and Wilton (1971)⁵⁵ which used Canadian multi-sectoral data, and by Riddell (1980)⁵⁶, also using Canadian data.

The evidence is equivocal, however. Some studies such as Lacroix (1986)⁵⁷ and Card (1990)⁵⁸ find no significant effect of striking on wage settlements, which is consistent with the idea that strikes may be accidental breakdowns in relations rather than strategic decisions (Siebert and Addison, 1981)⁵⁹.

Evidence from Stengos and Swidinsky (1990) uses a model that takes into account the fact that strike action tends not to be random, but rather depends on a number of factors such as pre-strike offers of wage settlements, the state of relations between management and labour representatives, and union and management attitudes. When they apply this to Canadian data, they find strikes have a positive effect on wages of around 0.36 percentage points per year – still positive, but significantly lower than in previous studies.

As can be seen from the discussion above, much of this research draws on Canadian data, in particular a dataset on Canadian labour contracts that is very comprehensive and allows for the

 ⁵⁰ Litor L. (2023) Collective labour rights of police officers: Global labour constitutionalism and militaristic labour constitutionalism. Global Constitutionalism. 12(1):174-213. <u>https://doi:10.1017/S2045381722000235</u>.
 ⁵¹ <u>https://www.coe.int/en/web/european-social-charter/processed-complaints/-</u>

[/]asset_publisher/5GEFkJmH2bYG/content/no-83-2012-european-confederation-of-police-eurocop-v-ireland. ⁵² https://www.bbc.co.uk/news/uk-northern-ireland-37835594

⁵³ <u>https://www.ahcps.ie/wp-content/uploads/2023/10/IRN-28-Sept-2023-Ban-on-Gardai-industrial-action-as-hard-to-enforce-as-ever.pdf</u>

⁵⁴ Delaney, J. T. (1983). Strikes, Arbitration, and Teacher Salaries: A Behavioral Analysis. ILR Review, 36(3), 431-446. <u>https://doi.org/10.1177/001979398303600308</u>.

⁵⁵ Sparks, G. R., & Wilton, D. A. (1971). Determinants of Negotiated Wage Increases: An Empirical Analysis. Econometrica, 39(5), 739–750. <u>https://doi.org/10.2307/1909576</u>.

⁵⁶ Riddell, C. W. (1980). The Effects of Strikes and Strike Length on Negotiated Wage Settlements. Relations Industrielles / Industrial Relations, 35(1), 115–120. <u>http://www.jstor.org/stable/23071287</u>.

⁵⁷ Lacroix, R. (1986). A Microeconometric Analysis of the Effects of Strikes on Wages. Relations Industrielles / Industrial Relations, 41(1), 111–127. <u>http://www.jstor.org/stable/23072992</u>.

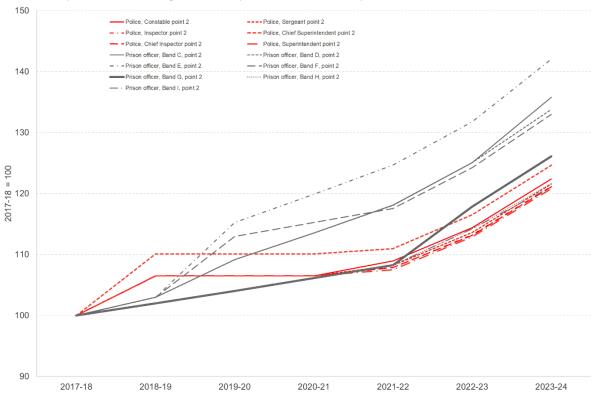
⁵⁸ Card, D. (1990). Strikes and Wages: A Test of an Asymmetric Information Model, The Quarterly Journal of Economics, Volume 105, Issue 3, Pages 625–659, <u>https://doi.org/10.2307/2937893</u>.

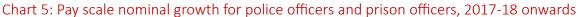
⁵⁹ Siebert, W. S. & Addison, J.T. (1981), Are Strikes Accidental?, The Economic Journal, Volume 91, Issue 362, Pages 389–404, <u>https://doi.org/10.2307/2232592</u>.

implementation of detailed models of why striking happens. This has advantages in terms of the factors that can be incorporated in any analysis, and Lacroix (1986, referenced above) shows that not using this type of methodology can lead to implausibly high effects of striking on wages.

It is important to acknowledge that there is no settled evidence base on the impact of strike action on wages. Many powerful groups of workers do not need to strike to have significant bargaining power. Conversely, less powerful groups of workers may be unable to improve their bargaining power even through strike action. Crucially, there is no direct evidence on the impact of the prohibition of striking for police officers in Scotland or elsewhere, meaning that any application of the above evidence base could only be by analogy.

There has, however, been a recent change to restrictions on striking for prison officers in Scotland. Since 2015, they have been able to strike, something which was forbidden under Section 127 of the Criminal Justice and Public Order Act 1994.⁶⁰ This opens up the possibility over time of future research to estimate the effect of a prohibition on striking on wages, particularly as the prohibition remains in force in England and Wales. Charts 5 and 6 show the evolution of police and prison officer pay by comparison, but of course, this is simply a plotting of pay agreements and ASHE data, and cannot be taken to imply a direct effect of lifting of the prohibition on striking. Given the multiple factors that impact both the propensity to strike and the effectiveness of strike action, as well as the multiplicity of factors that affect pay settlements, a specific academic evaluation of all of these factors would be required to establish causation.





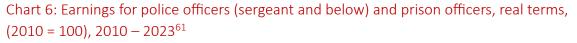
Source: FAI analysis of Scottish Prison Service FOI responses and PNB/PNBS circulars

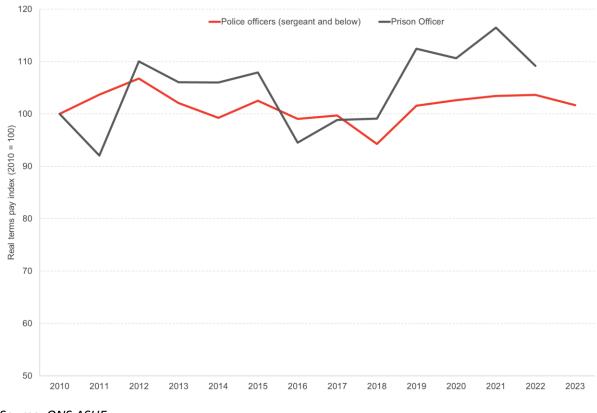
⁶⁰ https://www.legislation.gov.uk/ukpga/1994/33/section/127.

Table 6 below sets out police and prison officer pay scales for 2023-24, to aid comparison of particular grades.

Police Grade	Scale midpoint	Prison Grade	Scale Midpoint
Constable	25.220	С	28,811
Constable	35,330	D	36,457
Corgoont	40.979	E	43,226
Sergeant	49,878	F	49,939
Inspector	62,948	G	57,929
Chief Inspector	67,223	Н	69,149
Superintendent	83,229	I	83,649

Source: Police (As Table 2), Prison Officers – FOI Response







⁶¹ 2023 estimates of annual pay for prison officers are not available in provisional 2023 ASHE data.

3.5 Summary on the time series of pay growth and the unique role of the officer

Through this section, we have summarised what has happened to police pay since 2010, as well as how it might be affected by the unique role that a police officer plays in society.

We have discussed two main ways of assessing how pay has grown over time. The first is to look at pay scale growth, which assesses how pay for each grade has evolved over time, and what is negotiated by relevant parties. In terms of pay scale growth, police pay has grown by 31.9% in nominal terms since 2009-10 at the lower end of the distribution and by 30.5% at the higher end. This is not out of kilter with other public sector occupations, and similar to firefighters, higher than civil servants and comparable to more highly paid local government workers. It has however been lower than most NHS occupations, particularly at the lower end, where pay growth has been much faster.

The second way of assessing pay growth is to look at data on actual earnings, which includes compositional effects in terms of length of service and seniority. It also includes earnings in addition to basic pay, like overtime payments and shift allowances. See the introduction of section 3.3 for an extensive discission of this.

On the actual earnings basis, police earnings in Scotland (for Police Officers (sergeant and below) have increased by around 30% in nominal terms since 2010, below the 43% increase registered by the average public sector employee.

We have also considered the evidence about the prohibition of strike action by police officers and whether that might impact pay settlements. Although there might be a perception that the ability to strike might lead to higher pay, the evidence base is not settled. There is some evidence from Canada that supports it, but also evidence from other sources that show a much more complex relationship. Crucially, there is no direct evidence on the impact of the prohibition of striking for police officers in Scotland or elsewhere, meaning that any application of the above evidence base could only be by analogy.

3.6 Structure of the remainder of the report

Throughout the remainder of the report, we discuss three identified mechanisms for wage setting: collective bargaining, pay review bodies and index-linked pay.

We follow a similar structure for each mechanism, exploring what it is, how the mechanism interacts with wage growth, what the evidence suggests on the effectiveness of this mechanism for determining wage growth, current public sector bodies that use each mechanism and how they compare. We also outline the benefits and drawbacks of each as a mechanism for wage growth.

4. Collective bargaining

One of the most common practices in setting public sector pay deals globally is through collective bargaining, the process in which employees, typically represented by a trades union, negotiate with their employer to establish terms and conditions of employment.

Union representation and collective bargaining is common for public sector workers in Scotland and globally. Table 7 highlights that most public sector bodies, with the exception of the armed forces – whose pay deals are set at a UK-level via a pay review body – engage in collective bargaining to arrive at annual pay and conditions deals in Scotland. The remainder of the public sector is covered by the Scottish Government's Public Sector Pay Policy (PSPP).

As we set out in section 3.2, while the bodies below are not covered by the PSPP, the parameters and context set by this is likely to be relevant to all the parties involved in the collective bargaining process.

Public sector body	Collective Bargaining?
Police	✓
Fire (service is devolved, but bargaining is UK- wide)	\checkmark
Armed Forces (reserved)	
Doctors and Dentists	\checkmark
NHS	\checkmark
Prisons	\checkmark
Teachers	\checkmark
National Crime Agency staff (reserved staff)	
Local government	\checkmark

Table 7: Identifying collective bargaining by public sector body, Scotland

Source: FAI Analysis

One of the key benefits of collective bargaining is that it can give effective voice to workers – through their union - in the determination of their pay and conditions and can therefore better reflect their needs to employers.⁶² Workplaces with collective bargaining are likely to have better pay and non-pay benefits.⁶³

Zywsen and Drahokoupil (2024)⁶⁴ highlight this associated wage premium, analysing the evolution of collective bargaining coverage in European countries between 2002 and 2018. They find that collective bargaining is associated with higher wages, although the premium – that is, the difference between the pay of workers covered by a collective agreement and that of similar workers not covered – is higher for countries where relatively fewer people are covered by agreement. They also find no evidence of changes to these premia over the period of their data.

Nominal wage growth for police officers at sergeant level and below has grown steadily since 2010, with average growth of 2%. Despite this, once accounting for inflation, real terms growth in police earnings has been flatter, with average real terms wage growth of 0.2% (see chart 7).

⁶² See International Labour Organisation (2015) and UNI Europa (2023).

⁶³ TUC (2019) A stronger voice for workers. Available at: <u>https://www.tuc.org.uk/sites/default/files/2019-</u>09/Astrongervoiceforworkers.pdf.

⁶⁴ Zwysen, W. and Drahokoupil, J. (2024). Collective bargaining and power: Wage premium of collective agreements in Europe 2002–2018. British Journal of Industrial Relations, 62(2), pp.335-357.

Police officers' earnings have lagged overall public sector earnings growth, both in nominal and real terms, in recent years, highlighting that officers pay has not kept pace with growth in the overall public sector (see chart 7).

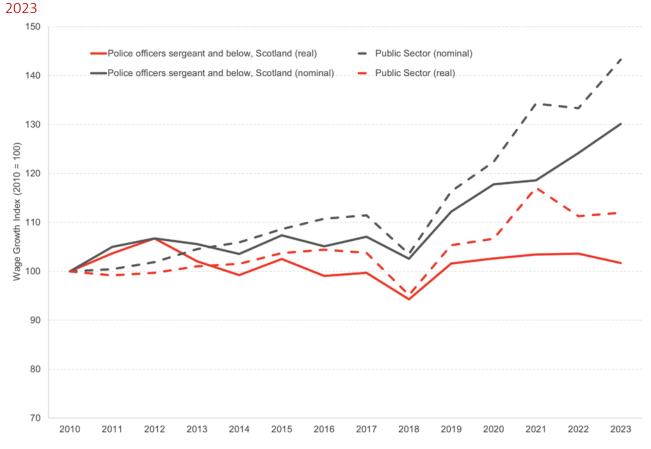


Chart 7: Nominal and real earnings growth, police officers vs public sector, Scotland, 2010-

NB: Chart is the same as Chart 4

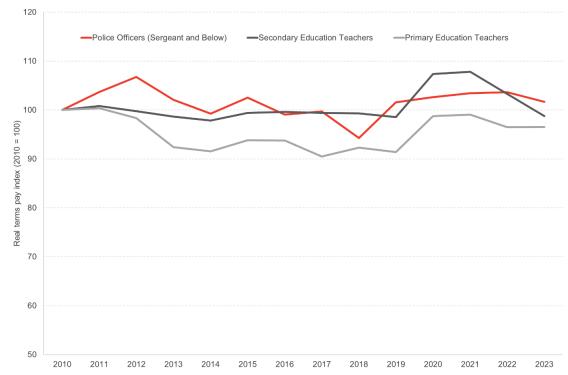
Source: ONS ASHE, FAI Calculations

It is, of course, important to note the heterogeneity of the public sector workforce in terms of education, qualification, skills, and tenure, such that higher earnings growth may be influenced in part by distinctive human capital factors.

To explore the relative position of police officer pay in the public sector further, we use ONS ASHE data to compare earnings growth across some public sector workforces. As mentioned before, most public sector bodies in Scotland engage in collective bargaining agreements to negotiate pay and working conditions including NHS workers, teachers and the firefighters, but the mere presence of collective bargaining may not drive uniform increases in earnings. Rather, factors such as availability of required skills, levels of unionisation, propensity to engage in industrial action and management-union relationships – as well as distinct contextual factors – shape bargaining power.

Charts 8 and 9 show real terms growth in earnings for police officers relative to primary and secondary school teachers and firefighters in Scotland.

This shows that despite slightly lower historical earnings for both primary and secondary teachers relative to police officers' salaries, pay growth has been similar for teachers and police officers since 2010.





Source: ONS ASHE

Real term earnings for firefighters have fluctuated in Scotland since 2010 compared to relatively stable earnings growth for police officers. Despite this, real terms growth was 2%, on average, between 2010 and 2023, compared to 0.1% for police officers.

This suggests that the presence of collective bargaining does appear to lead to relatively similar levels of pay growth across some of Scotland's public sector bodies.

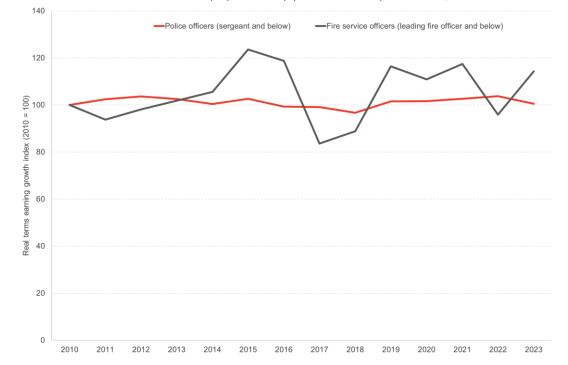


Chart 9: Real terms mean⁶⁵ annual pay index by public sector profession, 2010 – 2023

Source: ONS ASHE

Analysing average earnings only explores how average levels of earnings across all pay spines has evolved and does not account for the composition of the workforce. It also includes earnings in addition to basic pay, like overtime payments and shift allowances. See the introduction of section 3.3 for an extensive discission of the impact of compositional effects.

To better contextualise pay growth, we explore real term earnings based on pay deals awarded inyear across set pay spines within several public sector occupations.

Charts 10 to 14 show real terms growth in earnings for police officers relative to teachers and firefighters in Scotland, taking into account pay deals set at different spine points of pay.

When comparing employee pay at similar levels of experience, real terms earnings for teachers has grown more in recent years, likely due to higher cumulative awarded pay deals between 2018/19 and 2020/21. Despite this, real terms pay scale-based earnings growth between police officers and firefighters has remained at relatively similar levels since 2010-11 across all levels of pay spines.

⁶⁵ Note the change to mean annual earnings due to median firefighters' annual earnings being suppressed for multiple years.

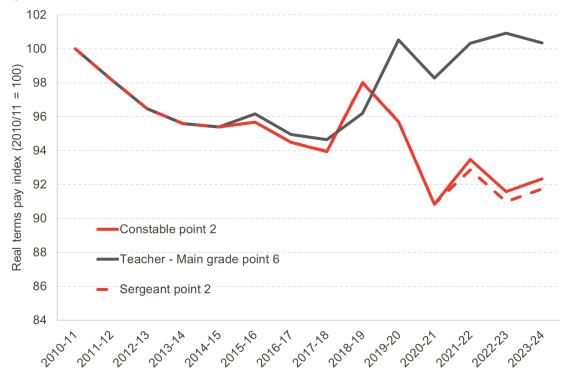


Chart 10: Real terms pay scale growth, Police Constable vs Main Grade Teachers, 2010/11 – 2023/24

Source: Police Negotiating Board, Police Negotiating Board for Scotland, Scottish Negotiating Committee for Teachers

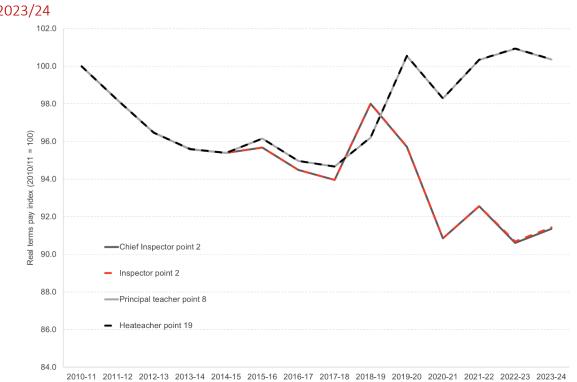


Chart 11: Real terms pay scale growth, Senior Police Officers vs Senior Teachers, 2010/11 – 2023/24

Source: Police Negotiating Board, Police Negotiating Board for Scotland, Scottish Negotiating Committee for Teachers

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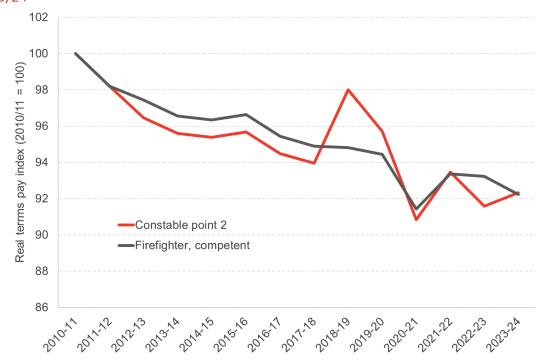


Chart 12: Real terms pay scale growth, Police Constable vs Competent Firefighter, 2010/11 – 2023/24

Source: Police Negotiating Board, Police Negotiating Board for Scotland, Fire Brigades Union





Source: Police Negotiating Board, Police Negotiating Board for Scotland, Fire Brigades Union

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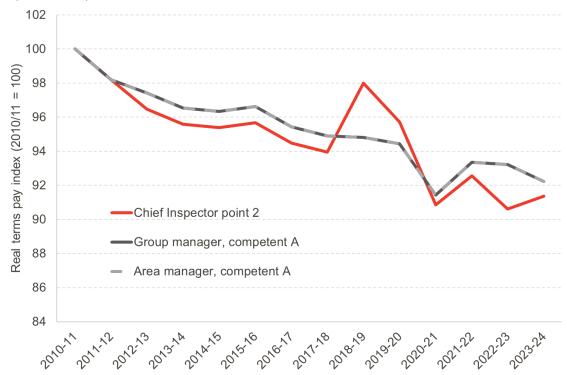


Chart 14: Real terms pay scale growth, Chief Inspector vs Fire Group and Area Managers, 2010/11 – 2023/24

Source: Police Negotiating Board, Police Negotiating Board for Scotland, Fire Brigades Union

When comparing employee pay at similar levels of experience, real terms earnings for teachers has grown more in recent years. The main divergence has happened since 2018-19, when teachers agreed a higher cumulative multi-year pay settlement that amounted to over 14% in nominal terms over three years – the same period for which police officers agreed a 6.5% increase paid upfront. This has since been maintaining due to pay scale growth being similar.

Relative to firefighters, police pay scales grew slightly more slowly until 2017-18, but are now very close in terms of cumulative growth since 2009-10. Some of the differences since then year-to-year have been due to different timings of pay agreements and whether they have been paid year-to-year (in the case of firefighters) or in some cases paid upfront (in the case of the police).

4.1 How common is collective bargaining?

The use of collective bargaining as a mechanism to negotiate pay deals for police officers is a common practice globally, with the process involving negotiation with all relevant parties, and final decisions made by respective governments.

This includes countries like Canada, which operate a very similar approach to that in Scotland. Levels of pay and working conditions are primarily set through a process of collective bargaining, with police associations and unions negotiating directly with relevant government bodies.

Despite this, Canada operates several different branches of its police forces, including municipal police, provincial police and federal police (the Royal Canadian Mounted Police). All these bodies still engage in collective bargaining, however each of these bodies are represented by different unions and/or organisations. For example, the Municipal Police, of which there are 137 forces across

Canada, enter negotiations between the local police associations and local government or municipal boards who oversee the police department.

For Provincial Police, of which there are 3 in Canada, negotiations occur between the union representing the officers and the respective provincial government. This includes forces such as the Ontario Provincial Police, who are represented by the Ontario Provincial Police Association on negotiations covering wages, benefits and working conditions.

Finally, the Federal Police, or Royal Canadian Mounted Police, have negotiations between the National Police Federation, which represents the RCMP and the federal government. Historically, RCMP pay was set by the government with no union involvement until the establishment of the NPF in 2016.

Notwithstanding the method of wage setting process (collective bargaining) disputes and disagreements do tend to occur. At this point, in Canada there is an option to appoint independent binding arbitrators to act on behalf of each of these forces where agreements cannot be made through routine negotiations – like the provisions for arbitration available to the PNBS in its constitution.

The process in both New Zealand and Australia is also very similar. In New Zealand, police pay and conditions are determined through a combination of negotiations between the Police Association, the union representing officers, and the New Zealand Government. These negotiations engage in collective bargaining, with the Police Association advocating for employees on issues related to pay, bonuses and conditions of employment.

In Australia, it is the Australian Federal Police who negotiate with the Australian Public Service Commission and federal government on issues related to pay, bonuses and working conditions.

Similar to Canada, both Australia and New Zealand have the option of engaging in arbitration in the instance of deadlocked disputes on pay deals. However, whilst in New Zealand it is often an independent arbitrator who is appointed, in Australia, the designated arbitrator is the Fair Work Commission (FWC). The FWC's role, whilst not to set pay directly, involves providing dispute resolutions mechanisms such as arbitration or conciliation when agreements can't be reached to bring both parties to a consensus on the appropriate pay uplifts, benefits, and condition of employment packages.

In Europe, the process of collective bargaining for setting police pay deals is also common.

This includes Spain, with negotiations taking place between the National Police and Civil Guard to negotiate directly on behalf of officers with the Ministry of the Interior regarding pay, working conditions and benefits. In some cases, there is also scope for regional governments to negotiate separately on pay deals, particularly for autonomous police forces in both Catalonia and the Basque Country.

In recent years, the Spanish government has faced criticism regarding inconsistences in pay rises across different police forces, with the government choosing to offer periodic pay raises to different forces to help alleviate some of the disputes.

Other countries also operate some form of collective bargaining, however unions representing officers have less influence in the final wage setting process. This includes European countries like Portugal, Poland, Norway and Belgium, as well as other countries such as Brazil and Japan.

These countries still tend to engage in processes with some collective bargaining, as unions are

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involved in the overall process of negotiating pay deals. However, salaries are still subject to the overall public sector salary scales determined by national and local governments. This means that there is reduced scope to bargain for higher pay deals in periods of worsened economic conditions as salaries are capped based on seniority and comparable levels of pay across the public sector.

4.2 Potential benefits of collective bargaining

- Structured negotiation process: Collective bargaining offers a formal and structured process for negotiating pay which helps to avoid unilateral decision making by government and/or police management to ensure police officers feel included in decisions about their pay and working conditions.
- Better pay and condition deals: Collective bargaining agreements can lead to higher pay and benefit deals than what might be set at a unilateral level. This means that what is agreed tends to be more representative of officer's demand and needs relative to what might have occurred if a broadbrush approach was undertaken.
- May place more emphasis on conditions and benefits beyond pay: Collective bargaining processes provide more opportunity for unions or other bodies, on behalf of employees, to secure important protections related to job security, workplace safety and anti-discrimination policies. This means that deals set are potentially more considerate of the unique role of a police officer when compared to a scenario in which pay deals are set unilaterally across the public sector.

4.3 Potential issues and risks with collective bargaining

- Increased costs for government: Increased wages and benefits negotiated through collective bargaining can raise operational costs for employers, which can lead to budget cuts in other areas, reduced hiring and increases in prices for other goods and services, or higher taxes to pay for the increased costs. Of course, as mentioned at the beginning of the chapter, the parameters and context set by the Public Sector Pay Policy is likely to be relevant even to the collective bargaining process.
- Higher likelihood of industrial action: Despite not having the ability to strike, actions such as the withdrawal of goodwill are still available to police officers. The process of collective bargaining is relatively adversarial and tends to bring together multiple different parties, all of which emphasize certain factors more than others. This can lead to a higher likelihood of conflicts and disputes and heighten the probability of need for further steps in the case of the PNBS, move towards arbitration.
- Loss of flexibility: Collective bargaining agreements can create more rigid work rules and pay structures to ensure equity across pay bands. This can make it difficult for employers to respond quickly to changing business needs and economic circumstances – for example, it restricts the ability to react to high inflationary pressures in the economy, which affects the overall perception of the package agreed due to pressure on household budgets.

4.4 Summary

Collective bargaining is used across a number of occupations in the public sector in Scotland. We have shown that growth in police pay, which is set through collective bargaining in Scotland, has grown by around 30% since 2010 regardless of whether we look at pay scale growth or earnings data using ASHE.

The average nominal growth of the points in the comparator public sector pay scales examined has been 34.7% between 2009-10 and 2023-24, which is higher than growth for the police pay scales included, at 31.9%.

The ASHE earnings analysis reveals that the overall increase in average police officer (sergeant and below) earnings (30%) has lagged the public sector average of 43%, but is similar to occupations such as firefighters.

Collective bargaining is a more balanced structure and negotiation power when setting pay deals, which can in turn help enhance morale and boost fairness in the process of setting wages. It can also serve as a way of setting wider conditions than just pay such as job security and non-pay benefits continue to be important. Collective bargaining outcomes often balance pay and non-pay elements. Understanding better the full reward package of police officers relative to other workers will be the focus of the second part of this research.

Some of the issues with collective bargaining include the potential for higher costs for the government. As a relatively adversarial system, it can increase the likelihood of conflicts and disputes, and heighten the probability of industrial action – even if it is short of strike in the case of police, as that option is not available – and of moving towards further steps such as arbitration. It can also create a less responsive system in which agreements are more rigid and therefore can react less quickly to economic circumstances.

5. An independent pay review body

An independent pay review body is a body responsible for providing impartial recommendations on pay levels for various public sector professions and occupations. The main aim of these boards is to assess appropriate pay increases or adjustments, and accounts for factors including economic conditions, recruitment and retention, and inflation, and to advise on the appropriate levels of pay.

The presence of an independent review body reduces the role or scope for traditional collective bargaining. This is because the independent pay review board, whilst still accepting of evidence from trade unions, retains the overall control of pay deal recommendations, thus limiting the control of unions on behalf of their workers and, arguably, the scope for employers to shape pay deals.

In England and Wales, vast majority of public sectors pay deals are proposed by independent pay review boards, whose recommendation are set out publicly in a report. But the UK Government still holds the overall control, with pay recommendations by independent pay bodies only advisory, alongside other recommendations for workers' terms and conditions. The government can then choose to accept, reject, or alter some or all recommendations.

The key trade-off with any independent pay review body is between the improvements in impartiality and objectivity relative to the loss of control over negotiations for the direct parties to the employment relationship – workers/unions and employers.

This means that the government find themselves trying to find the appropriate middle ground between the need to prudently manage public finances and the workforce desire for their say in the compensation they receive for working as well as the associated conditions they work under. It might also mean that employers are required to deliver a higher pay deal than they may have preferred, with implications for the non-pay elements of their budgets.

Across England, Wales and Northern Ireland there are currently 8 independent pay review bodies⁶⁶:

- Armed Forces' Pay Review Body (AFPRB)
- Review Body on Doctors' and Dentists' Remuneration (DDRB)
- NHS Pay Review Body (NHSPRB)
- Prison Service Pay Review Body (PSPRB)
- School Teachers' Review Body (STRB)
- Review Body on Senior Salaries (SSRB)
- National Crime Agency Remuneration Review Body (NCARRB)
- Police Remuneration Review Body (PRRB)

5.1 What do pay review bodies consider when making recommendations?

Pay review bodies (PRBs) must consider multiple factors when making recommendations on pay and conditions. This includes macroeconomic and job-specific factors, such as the current and future economic conditions, comparative levels of public sector pay, workforce productivity and performance, as well as recruitment and retention in the profession or occupation.

Whilst these capture the general principles considered by pay review bodies, the nature of many

⁶⁶ The AFPRB also cover Scotland as this is a reserved matter. The NCARRB covers the National Crime Agency, which is a reserved body with some jurisdiction in Scotland. We have included the SSRB in the list but have excluded it from the analysis as it covers a very diverse number of very senior roles that we have judged to be less relevant to this review.

public sector professions means many of the considerations are entirely unique to the profession. Given this, pay review bodies will also collect significant evidence from multiple sources. These include employers and employees, trade unions, government agencies, academic researchers, and other economic data sources.

It may be expected that in making recommendations, independent pay review bodies would consider similar factors to those considered in collective bargaining when negotiating pay deals. These include factors related to:

- Economic conditions;
- Job quality and worker experience;
- Inflation;
- Recruitment and retention/barriers to entry;
- Affordability;
- Pay Growth.

These factors, among others, are key features of PRBs recommendation reports, highlighting the commonality in what is considered when setting future year pay and condition deals.

However, the unique nature of public sector roles means that consideration of specific issues related to these roles will often also be referred to. For example, the review body for Doctors and Dentists highlights that pay deals must be set within the context of the wider NHS, including the Long-Term Workforce Plan set in England by the UK Government and current pressures facing the NHS. The DDRB also state explicitly that they consider the differences in geographical regions when recommending pay deals.

For the Police Remuneration Review Body, these unique factors relate to police pensions, the safety and morale of officers, and legal obligations relevant to employment changes for police officers in England and Wales.

These considerations, however, are relatively uniform globally, with very similar factors considered by pay review bodies in countries such as Ireland. In their most recent pay deal recommendations for police officers, factors such as the cost of living, recruitment and retention, economic conditions and affordability were all common factors.

Beyond this, recommendations were based on more specific factors such as the complexity and responsibilities of police officers as well as the impact of additional hours and overtime.

The unique nature of the public sector means that the motivation for choosing to work in public sector professions may also differ relative to choosing to work in the private sector. This public sector ethos is something that is considered when setting public sector pay deals, with more cynical commentators suggesting it keeps pay down.⁶⁷

The simplest form of this is explained by the idea that unlike the private sector, earnings may not be the sole motivation for working in the public sector. This means that the direct pay uplift recommended may not be the most important mechanism, particularly through a retention and recruitment lens, with other factors equally important for PRBs to consider when making recommendations.

⁶⁷ John, P., Johnson, M., Park, A. (Ed.), Curtice, J. (Ed.), Thomson, K. (Ed.), Phillips, M. (Ed.), & Clery, E. (Ed.) (2008). Is there still a public service ethos? In British Social Attitudes: the 24th Report (pp. 105-125). Sage Publications Ltd.

Individuals may choose to work in the public sector for a variety of personal reasons that align better to their own morals and beliefs. This could include the desire to want to make a difference in their role, motivated by the positive impact they could have on their communities or on society.

Job security is also a key motivation for public sectors workers, with job stability far stronger in public sector, particularly during times on economic uncertainty. Beyond this, more personal decisions related to work-life balance, training and development goals and improved pensions schemes all likely play a role in the motivations for individuals to work in the public sector.

For the Pay Review Board, these motivations create further considerations on factors related to recruitment and retention, particularly because police are far more likely to be a lifelong profession relative to other jobs across the economy (although perhaps not compared to other public sector roles like teaching). This also includes other public sector bodies such as the armed forces. Given this, often the PRB will consider the impact of pay deals for different groups of individuals in their respective public sector body.

For example, in the police force and armed forces, recruitment will primarily centre on entry level and junior roles, looking to attract younger people into these occupations and therefore, other factors and motivations must be considered. However, through a retention lens, this will focus more on remunerating more senior officers, in order to ensure pay deals remain competitive for individuals to stay within the police service.

5.2 What are the effects of pay review bodies?

One of the scepticisms of pay review bodies relates to the idea that despite offering an independent voice for pay and conditions across the public sector, the government still holds the overall decision power.

This creates a scenario in which the PRB must primarily consider the current budget landscape and henceforth the affordability of the recommendations, to provide the best possible scenario for the government to accept. This means that some argue that a PRB simply advocates for the best possible pay deal given affordability as opposed to the pay deal that best reflects the appropriate remuneration for public sectors workers.

Dolton et. al (2014) highlight the importance of this. Their research explores the impact of public sector pay review bodies in the UK between 1993-2007. They find that there is some stability in the relationship between earnings and different pay groups in year suggesting that PRBs do not exert an independent influence on pay. They instead suggest that PRBs pay recommendations may instead track other public sector pay, or that the PRBs act as the leader in setting pay for the remainder of the public sector.

More recent public sector pay deals, particularly in England and Wales, help to support this hypothesis, with most pay uplifts across the eight PRBs at relatively modest levels for the past few years, as shown in Table 8.

When a pay review body makes a recommendation, the UK Government can either choose to accept it in full, partially accept with some alterations or reject the pay deal.

Table 8 also highlights the acceptance of pay review body recommendations. For the most part, pay deals recommended by pay review bodies are accepted by the UK Government (green-shaded cells). Yellow-shaded cells show partially accepted pay awards.

Table 8: Pay Review Body Recommendation vs Acceptance of pay recommendation, 2018/19 – 2023/24

Pay Review						
Body	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Police				£250 (only for those earning		
(PRRB)	2%	2.50%	2.50%	below £24,000 included in remit)	£1,900	7%
	2% awarded (with 0.9% or £300 consolidated payment					
Armed	made					
Forces	following			£250 (only for those earning		
(AFPRB)	year)	2.90%	2%	below £24,000 included in remit)	3.75%	5%
		Not all specified				
		groups				
		received				
		2.5%				
Doctors		including				
and		doctors in				
Dentists		training				
(DDRB)	2%	who got 2%	2.80%	3%	4.50%	6% (plus £1,250)
NHS						/
(NHSPRB)				3%	£1,400	5%
Prison						
Service				£250 (Pay award not included in		Deal agreed across
(PSPRB)	2.75%	2.20%	2.50%	remit)	4% ⁶⁸	pay bands
School						
Teachers	/		/	£250 (only for those earning		
(STRB)	3.50%	2.75%	2.75-5.5%	below £24,000 included in remit)	5%	6.5%
	1%	1%	Grade 1-2:	£250 (Pay award not included in	+£1,900	7%
			2.5%	remit)		
			Grade 5-6:			
			4.25-4.5%			
NCA						

Source: FAI analysis of Pay Review Body Circulars (Data sources in Annex A) and Institute for Government⁶⁹

Despite this, there are still instances in which the UK Government have chosen to partially accept headline pay recommendations. These partial acceptances may mean that pay awards are still accepted, but delivered through a different mechanism that what was being recommended.

For example, in 2018-19 the Armed Forces pay Review Body recommended an uplift of 2.9% for those working in the armed forces, the UK Government instead opted to deliver this as a 2% uplift in pay, with a 0.9% or £300 consolidated payment made in the following year.

⁶⁸ 12 out of 13 recommendations agreed; Band 12 (prison group directors) increased by 3% rather than the recommended 5%.

⁶⁹ https://www.instituteforgovernment.org.uk/explainer/pay-review-bodies

Beyond this, the UK Government may choose not to partially accept some of the recommendations on pay and reject others. This occurred in 2019-20 for Doctors and Dentists, with a 2.5% pay uplift recommended. Whilst this was accepted for most groups of Doctors and Dentists, doctors in training were instead awarded 2%, highlighting the partial acceptance of pay recommendations in that year.

Pay Review Bodies are also bound by the remit imposed upon them each year by the UK Government, meaning in some instances headline pay recommendations are not included. 2021 was one such case for both the National Crime Agency Remuneration Review Body (NCARRB) and Prison Service Pay Review Body who did not have headline pay recommendations include as part of their remit.

This highlights that whilst pay review bodies are independent from the government they seek to advise; they are still bound by the remits given to them.

The timing of the decision of the PRB is also important, with a first-mover system creating a benchmark which other public sectors PRBs broadly follow for their own pay recommendations.

Dolton et al. (2014) also highlight that stable relationship between earnings for different pay groups in year may result from the common factor facing both the government and pay review bodies – the Treasury and its spending limits. They conclude that their results highlight that if the government were instead to set uniform pay rises across the public sector, it would be unlikely to yield significantly differing results to the current situation in which pay review bodies recommend pay uplifts.

In fact, many European countries already choose to operate uniform pay increases across the public sector, including France. Pay increases and increments are determined based on seniority, with pay uplifts offered depending on grade across all public services.

It is worth noting that the independent standing of the PRBs means that although they take broadly similar evidence, it is perfectly reasonable for different members to interpret and weigh the same set of evidence in different ways. This means that the outcomes may be less predictable than it would appear at first, even if they tend to move broadly in the same direction.

There have been a number of calls for reform of PRBs, especially with regards to the considerations of affordability in the short run that the UK Government impose on them.⁷⁰ Russo (2023) finds that the institutional setup of PRBs and the fact that they report after departmental budgets are already set means they are likely to recommend lower pay awards than they otherwise would if they were not constrained. Russo points out that while affordability is key to decisions on pay, it is unclear that it should form part of advice on pay, and that there could be a role for PRBs to consider the effect of lower pay awards on issues such as recruitment, retention, and morale.

However, in the most recent years, particularly in such a high inflationary environment, the recommendations of PRBs have tended to overshoot previously set government spending limits, given the evolution of rates of inflation compared to what was expected (i.e. as part of the 2021 spending review).⁷¹

⁷⁰ See for example <u>Russo (2023)</u> and <u>Dolton (2023)</u>.

⁷¹ See, for example, <u>https://ifs.org.uk/publications/pressures-public-sector-pay</u>

5.3 Do other countries use independent pay review bodies?

Pay review bodies are a far less common mechanism for pay deal negotiation globally, with police pay and conditions deals in majority of countries set via collective bargaining. But some countries such as the Republic of Ireland utilise pay review bodies as an independent mechanism for pay negotiations.

In the Republic of Ireland, the Independent Body on Garda Pay and Allowances (IBGPA) controls recommendations on police pay, benefits and conditions of employment. Similar to the evidence presented throughout this section, the IBGPA collects evidence from a number of sources, including bodies representing police officers such as the Garda Representative Associations and Association of Garda Sergeants and Inspectors, to inform their recommendations.

The Irish Government can then choose to accept, alter, or reject the recommendations and retain overall control on the final pay and conditions deal offered to officers.

Whilst not an independent pay review body, some countries operate a decentralised approach to police pay deals globally, helping to give independence and objectivity to local governments when negotiating pay uplifts, benefits and working conditions. For example, in Germany, the process for setting police pay and conditions is unique. This is because, police pay and conditions are managed at the state level, with each of the 16 German states determining the salary scales, benefits, and employment terms for their police officers.

These specific pay and benefit structures can, therefore, differ from state to state based on the cost of living, experience, seniority and regional priorities in that state.

This decentralised approach helps German states tailor their remuneration packages to the local cost of living and law enforcement needs and therefore results in differing levels of pay rates and benefits being offered to officers depending on where they are based.

This is a similar process to what happens in Mexico. Whilst federal police pay deals are negotiated and set by the federal government, it is local governments who have control over state police salaries, with funds allocated for pay deals via the state budget process. This also includes municipal police forces, of which there are around 1,800.

Mexico also offers an interesting case study, given that police forces are not heavily unionised in the same way that other countries are. Whilst labour organisations do advocate for police officers pay and working conditions, especially in large municipalities or at the federal level, they seek more to influence pay levels through negotiations, but do not hold direct bargaining power.

Whilst collective bargaining appears to be the most common means through which police pay and conditions are negotiated, many countries still allow for independent arbitrators to step in during periods of dispute. For most countries, this involves appointing an independent arbitrator, however for countries like Australia, the Fair Work Commission is deemed the designated arbitrator, often stepping in to offer independent dispute resolution negotiations to get parties to agree to final pay deals.

It is, therefore, clear that independent pay review bodies are an uncommon mechanism for reviewing and setting pay deals globally, with most countries opting instead for government-led negotiations involving collective bargaining and union representation to ensure the best possible pay deals for police officers.

5.4 Potential benefits of an independent pay review body

- Independence of the political process: Pay review bodies are independent from government control which can help make recommendations more transparent. This also means that they are a step removed from the process, and decisions are primarily made based on evidence presented and collected. This can prevent political influence in the decision-making process and seeks to recommend the best possible pay deal given the information available.
- Transparency in the evidence considered: Pay review bodies are required to set out the evidence they have used and the judgements they have made in order to arrive at a final recommendation. They also take formal evidence, increasing the visibility over the different representations of the parties concerned, which would increase trust in the process. If seen as fair, this can help to avoid disputes that arise with inconsistent bargaining power between different parties.
- Reflective of current pay and conditions: The independence of a pay review board means that during periods of negotiation and consideration, they will often consult experts and comprehensive data and evidence, that may otherwise not be considered in collective bargaining processes. This means that recommended pay deals may be more reflective of current pay deals within the context of the wider public service and reflect conditions that better depict the nature of the role of a police officer.

5.5 Potential issues and risks with an independent pay review body

- Recommendations are non-binding: Despite gathering evidence and making informed recommendations, the government is under no obligation to follow the recommendations, even if the experience in recent years shows that it has in most cases done so.
- Agreement is still required: Whilst pay review bodies are designed to provide independent advice, ultimately they can only provide recommendations to the government, which can then accept them or not. They also require workers and their collective representatives to take a view on whether to agree to the government's offer or take some form of industrial action. Therefore, having a pay review body is not as different from collective bargaining as it might appear at first.
- The government-set remit limits the types of questions pay review bodies can answer: The government retains a significant amount of control over the process, including level of funding it tells the pay review bodies there will be and even whether or not to consider a pay award at all (as happened in 2021). There is some evidence⁷² that the consideration of affordability in particular has an effect on what the pay review bodies ultimately recommend, and that the Treasury's spending limits act as a binding constraint on it. In the Scottish context, this includes the influence of the Scottish Government's PSPP.

5.6 Summary

Pay review bodies are relatively rare outside the UK but have been used across a number of public sector occupations in the UK – with particular prevalence in England, Wales and Northern Ireland, although some reserved occupations do also affect workers in Scotland.

Pay review bodies are bound by their remit and institutional setup to consider a wider range of evidence, including affordability, and to publish evidence and analysis to support a recommendation. This can improve transparency in the process, and their independence can also increase trust, as well as judgement over current pay and conditions.

However, their recommendations are non-binding – even if they are almost always accepted for the review bodies we considered – and there is some evidence that this constrains their behaviour. But they also form just one part of the process, and their recommendations can either be fully or

⁷² Russo (2023) and Dolton (2023), as above.

partially accepted by the government, or outright rejected. This only forms the start of the process however – there must be agreement on the recommendation being fair in the round from all parties involved, which makes it less dissimilar to collective bargaining than it might appear at first.

6. Index-linked Pay

Where there may not be scope for negotiations via collective bargaining or a pay review body, pay deals may be set relative to a pay index. Put simply, this is where pay is agreed to rise, relative to some other macroeconomic factor. This may include inflation, average weekly earnings, and in some case average earnings for all public sector workers.

Whilst pay indexing is a mechanism for wage growth, sometimes an index can be the result of a collective bargaining process. Often if a pay index is the decided mechanism for pay growth, the process for choosing the appropriate indicators will be decided though a collective bargaining process involving government and unions/workers' representatives. This ensures that when the decision is made to link pay growth to an index, all parties are involved in the process of making the decision, deciding upon the appropriate set of indicators, and agreeing on a backward- or forward-looking approach.

As an example, Members of the Scottish Parliament have pay set relative to average earnings. From 2016 onwards, the average growth in the previous year's ASHE average earnings for the public sector was used, and this was changed to average weekly earnings (AWE) from the Monthly Wages and Salaries Survey for this year.⁷³ MSP salaries have increased by a cumulative 14% since 2015-16 (the period in which has not been linked to Westminster MPs' pay), below the 32% inflation in that period, although this includes points at which MSPs declined pay increases they were entitled to.

Direct Indexation of wages (such as via CPI or average wage growth) is rare across public sector professions, primarily due to budget constraints and public perception – and particularly during periods of high inflation in the economy. Higher inflation rates mean pay would increase at much higher levels than normal years, and thus puts more strain on budgets in order to fund them.⁷⁴ The effect of perception is important – although the Scottish Parliament Corporate Body proposed increases, in 2021-22 MSPs declined to take up their entitlement to a 5.1% increase.⁷⁵

Pay indexing, if linked to a widely available macroeconomic indicator, is simple to implement – it merely involves applying the figure to the pay scales. But it takes control away from all parties in the negotiations. This is particularly acute for the government, weakening the ability to set pay deals that are affordable given current budget settlements.

Throughout this section we explore the option for setting pay relative to a pay index, highlighting differences in pay that may have occurred had historical police pay deals been set relative to a variety of possible macroeconomic indicators.

When considering indexing anything to a macroeconomic indicator, there are two main decisions to consider. One is what the macroeconomic indicator is, and the other is whether to take a backward-or forward-looking approach. Put simply, this means whether one will choose to use historical data

⁷³ See

https://webarchive.nrscotland.gov.uk/20240326224356/https://archive2021.parliament.scot/msps/mspsalaries.aspx and

<u>https://webarchive.nrscotland.gov.uk/20240309173422/https://www.parliament.scot/msps/msp-salaries</u> for archived data. Current salaries are available at <u>https://www.parliament.scot/msps/msp-salaries</u>.

⁷⁴ For example, Scottish ministers have voluntarily declined to take up their full entitlement to additional responsibility pay.

⁷⁵ The SPCB mentioned perception as a reason for this in their appearance at the Finance and Public Administration Committee: <u>https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/FPA-10-01-2023?meeting=14082&iob=127535</u>

to inform future pay decisions or forecast data to account for future changes in the economy and required pay.

The choice of macroeconomic indicator remains relatively consistent, with most common indicators including:

- Consumer Price Inflation (CPI);
- ASHE public sector Average Earnings Growth (ONS);⁷⁶
- Monthly Wages and Salaries Survey Average Weekly Earnings Growth for the public sector (ONS)⁷⁷.

One of the common indices across the public sector are those linked to consumer price inflation, the measure of rising prices in the economy. This includes income streams such as pensions, including the state pension as part of the triple lock, with police pensions also indexed link to CPI for those aged 55 and over. CPI is also generally used to index minimum wage rates and benefit income payments for households. As a measure of general consumer prices, CPI also provides a direct link to whether real wages are increasing or not, and therefore what is happening to the purchasing power of workers, on top of being an internationally comparable statistic whose definition has been stable for decades.

6.1 Using historical data to inform future decisions

There are a number of benefits related to using historical data to inform future pay decisions.

Most importantly, understanding historical trends in pay helps to map how different economic and social factors have an impact on pay including the impact of varying economic cycles and conditions, inflation and other sector specific challenges posed in different years. The indicators mentioned above (measures of inflation and average earnings growth) are all Accredited Official Statistics, meaning that there is a high degree of confidence and trustworthiness associated with them.

Using historical data also allows those setting pay deals to adopt a benchmarking approach to compare current levels of pay to past pay deals and evaluate if adjustments are consistent and reasonable with previous years.

When comparing the existing real term pay growth for police officers in Scotland to a counterfactual scenario in which earnings were to rise in line with CPI, we can see that police earnings would likely have risen significantly faster than they did. This is regardless of whether the choice of indexing point was the inflation rate in September of the preceding year, as per many current inflation indexes, or average annual inflation.

⁷⁶ This is the most comparable with the police pay index mentioned in the <u>History of Police Officer Pay</u> <u>Framework</u>, as the New Earnings Survey then used was the predecessor of ASHE. However, we do not have enough detail other than the statement that it was "linked to the monthly index of average earnings of the New Earnings Survey index" – this could either be levels or growth rates. We also do not know at what point the indexation occurred and what timeframe it related to.

⁷⁷ Average Weekly Earnings (AWE) is the lead monthly measure of average weekly earnings per employee. It is calculated using information based on the Monthly Wages and Salaries Survey (MWSS), which samples around 9,000 employers in Great Britain. AWE for any given month is the ratio of estimated total pay for the whole economy, divided by the total number of employees. As a result, AWE is not a measure of rates of pay and can be affected by changes in the composition of an enterprise's workforce.

Our modelling suggests that, for police officers (sergeant and below), if pay was linked to CPI from 2010 onwards, real terms earnings would be around £4,000 higher in 2023 than is currently the scenario under pay deals (Chart 15).

Particularly between 2013 and 2019, where real terms earnings growth had fluctuated without significant growth for police officers, indexing to CPI would likely have led to more sustained earnings growth. This is not unique to the police, however. It is generally true across the board for all but a few exceptions in terms of public sector jobs, and certainly the case for most positions with levels of pay comparable to that of police officers.

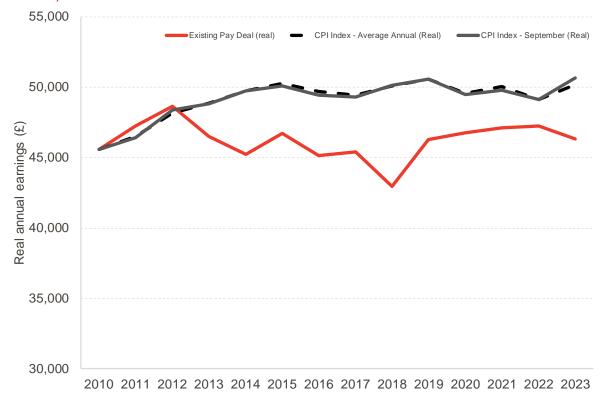


Chart 15: Police officer (sergeant and below) earnings, real terms vs CPI index linked, Scotland, 2010 – 2023

Source: ONS, FAI Calculations

There is also a similar finding when modelling earnings growth based on in-year pay deals awarded to police officers in Scotland. If instead, earnings were to be linked to CPI from 2010 onwards, real terms earnings would be around £2,300 higher for constables in 2023, and around £4,500 for chief inspectors. The average difference in earnings, looking across all highlighted pay spines, would be approximately £3,500, had police pay been linked to CPI (chart 16).

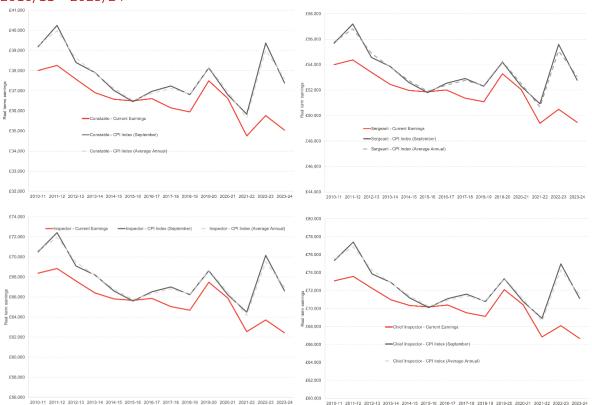
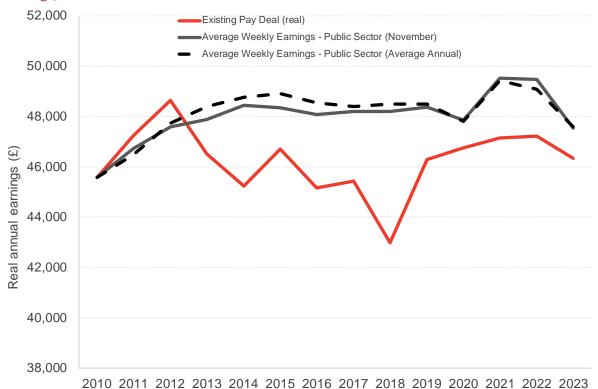


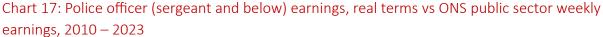
Chart 16: Police officer earnings at different spine points, real terms vs CPI index linked, 2010/11 – 2023/24

Source: ONS, FAI Calculations

As mentioned above, another indexing approach involves linking pay deals to the level of average earnings in the public sector – known as AWE, or average weekly earnings. This is currently the approach taken for determining pay deals for Members of the Scottish parliament.

Indexing police officer pay to average weekly earnings yield similar results to CPI indexed pay, with modelled earnings estimated to be higher than current real terms pay growth, although by less than using inflation. AWE-linked pay would be around £1,200 higher in 2023 than existing pay levels, and ASHE average earnings-linked pay would have been £1,500 higher in 2023 than existing pay levels (Chart 17).





Source: ONS, FAI Calculations

When looking at pay growth relative to in-year pay scales, had police pay been indexed to average weekly earnings, pay growth may not have been too dissimilar than what has occurred across most of the police pay spines.

Whilst real terms earnings would likely have been around £1,200 higher for a constable, and £2,300 for a chief inspector for 2023-24, the trend in real terms earnings linked to AWE would likely have been similar to what has occurred in police earnings (Chart 18).

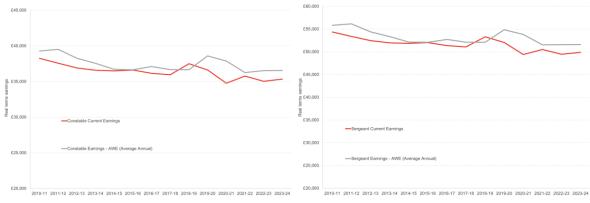
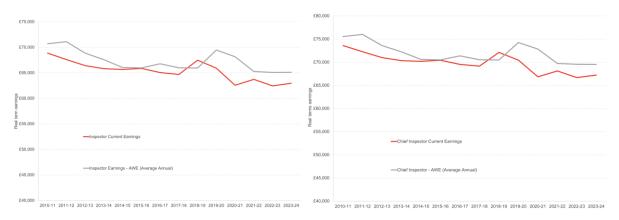


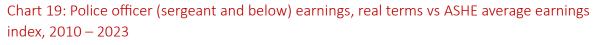
Chart 18: Police officer earnings at different spine points, real terms vs AWE index linked, 2010/11 - 2023/24

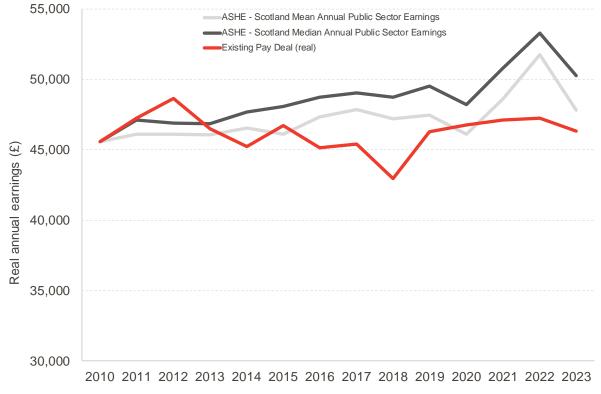
OFFICIAL



Source: ONS, FAI Calculations

When indexing to the ASHE data, our modelling suggests that despite higher real term earnings of around £3,000 on average across pay scales for 2023-24, real term earnings would have likely fluctuated far more over the past decade (Charts 19 and 20).





Source: ONS, FAI Calculations





Source: ONS, FAI Calculations

These results suggest, unsurprisingly, that if police pay deals had been indexed, this would have resulted in higher pay deals than those actually implemented. This is far from being unusual for most public sector workers.

Using historical data to inform future pay decisions can lead to more informed decisions, however, and can help the government, or those controlling pay deals, to adjust pay rates in a way that reflects economic conditions, whilst maintaining competitiveness. It might create a more accurate and robust way of accounting for how different factors may affect wage growth.

Whilst an uncommon approach, linking wages to prior inflation does exist in some parts of the world. In particular, Belgium currently links both public and private sector earnings to inflation annually. Each year, firms are obliged to adjust wages upwards alongside rises in the cost of living. Wages are tied to 'the smoothed health index' which is calculated based on the average of the previous four months inflation rates. This indexation is also automatic, meaning employees do not have to request this pay rise.⁷⁸

The index operates in either a fixed format, meaning pay is uplifted in January of each year, or a variable format, where pay uplifts are timed relative to an inflation threshold, usually 2%. This means

⁷⁸ See <u>Geis, André. 2023. "Wage Indexation and International Competitiveness in Belgium: An Uneasy</u> <u>Coexistence: Belgium", International Monetary Fund Selected Issues Paper No. 2023/015.</u>

that when inflation breaches this threshold, called a 'pivot index', then uplifts in pay are triggered. This is the more common mechanism for both civil servants and health sector workers.

Despite the obvious benefits for employees in terms of certainty, many firms and employers have campaigned against the automatic indexing mechanism, arguing that during periods of high inflation, as per recent years, the mechanism imposes a heavy cost burden on businesses and challenges Belgium's economic competitiveness.⁷⁹

6.2 Using forecasts to inform future decisions

Despite the obvious benefits of using existing data to inform future decisions on pay, many argue that awarding pay deals based on historical information means that when decisions are made on pay levels, they are out of sync with prevailing conditions. This means that instead of addressing potential needs of workers during times of harsher economic conditions or high inflationary periods, pay deals are implemented too late to help with short-term pressures facing workers.

The most prevalent example of this came in 2022, with Russia's sudden invasion of Ukraine, and subsequent spike in energy and food prices leading to high levels of inflation over the following two years. Any pay deal indexed to CPI inflation at that time would have likely considered the inflation rate in the latter months of 2021.

For example, at present police pensions for those aged 55 and above are index linked and uprated in April relative to the inflation rate in September of the previous year.

If we consider a similar hypothetical mechanism for police pay to be uprated in April 2022, a CPI index linked pay deal would uprate earnings at 3.1% (based on September 2021 inflation), at a time when the Consumer Price Inflation rate was 9% - a 5.9 percentage point difference. This means that pay increases could be below current inflation levels and thus lead to a real-terms cut in earnings.

The reverse of this would also incur in scenarios where pay was uprated based on periods of high inflationary pressures, such as September 2023, and uprated in months when inflation had fallen (April 2024), as shown in Chart 21.

This would lead to a scenario in which higher pay deals may be funded than required, and thus more pressure placed on budgets, than may otherwise have been required given falling inflation.

⁷⁹ See <u>Geis, André. 2023. "Wage Indexation and International Competitiveness in Belgium: An Uneasy</u> <u>Coexistence: Belgium", International Monetary Fund Selected Issues Paper No. 2023/015</u>.

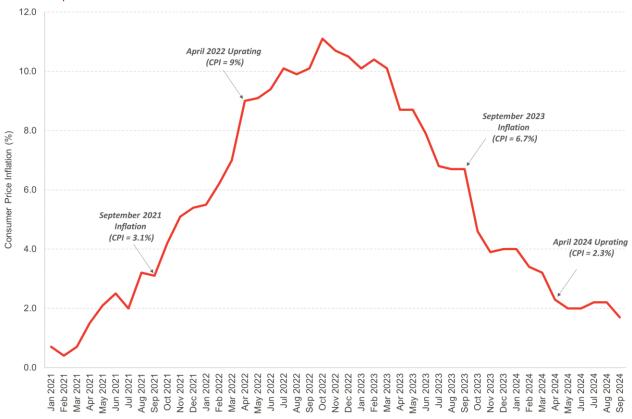
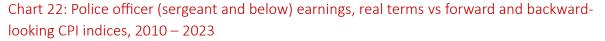
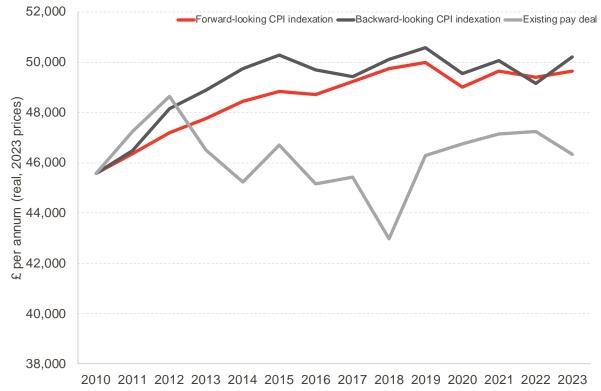


Chart 21: Consumer Price Inflation Rate (%) and hypothetical index linked pay deals, January 2021 – September 2024

Source: ONS, FAI Calculations

Instead of using backward-looking information – for example, average 2024 inflation to set 2025 pay deals, a pay index could use a trusted forecast source set the 2025 pay deal in line with forecast inflation for that year. The Office for Budget Responsibility or Scottish Fiscal Commission would be the most obvious places to start, and they already use common CPI forecasts. A number of tax bands and rates are set on this basis, and it would be possible to calculate. On the other hand, this would be subject to uncertainty, and may lead to unexpectedly high or low pay deals depending on what outturn is. Chart 22 illustrates the difference that using forecasts and outturn data would make – in either case, while there would be differences, the conclusion that police pay would have been significantly higher remains true.





Source: ONS, OBR, FAI calculations

6.3 Benefits of a backward-looking pay index

- Analysing pay trends and benchmarking: Historical data can help to identify long-term trends in earnings and cost of living, which can help guide future decisions on the appropriate levels of pay that reflect the true economic conditions over time. This also allows government and/or employers to analyse pay progression for similar roles and across seniority and can benchmark salaries relative to previous pay deals and other pay deals across the public sector.
- Lessons learned informs future decisions: Using historical data related to changes in economic conditions or previous pay deals can help to identify how certain factors were affected by changes in pay or other working conditions. When coupled with other data sources, this method can allow for government and employers to estimate the impact on factors like recruitment, retention and officer satisfaction.
- Certainty: Using historical data, especially for indices such as CPI which do not get revised, brings a more objective stance to negotiations and improves transparency around the decisions being made on officer pay and employment conditions. This could build trust between the employer, government and employees given that negotiations are grounded on official data.

6.4 Potential issues and risks with a backward-looking pay index

 Inflexibility and uncertainty to adapt to changing circumstances: Relying on historical data can create an inflexible pay structure making it more difficult to adapt to sudden changes in the job market, job expectations and the emergence on new skills and duties. This can lead to pay

policies that lag behind market trends or not satisfy officer needs in times of economic downturn, leading to issues with factors such as recruitment and retention.

- Potential to reflect previous rather than current government policy: Using historical data to
 inform future pay decisions means that decisions may be made relative to data covering periods
 of where certain external factors may have been present. For example, during periods of
 austerity, earnings growth will likely be lower, therefore if more emphasis is placed on historical
 data, future decisions may be biased towards budgetary constraints and not adjust for present
 day budgetary environment.
- Less weight on employees' satisfaction and expectations: Data on economic conditions is likely timelier and more objective than data related to employee satisfaction and wellbeing. Given this, future expectations may place too much weight on pay adjustments, rather than adjustments to conditions of employment, then this could lead to employee dissatisfaction and poorer trust in the negotiation process.

6.5 Potential benefits of a forward-looking pay index

- Allows for better budget control: Using forecast data, like CPI, can help employers anticipate the cost of future pay adjustments enabling them to budget more accurately and help to control expenses if economic conditions change suddenly.
- Better alignment with economic conditions: Inflation is good way to align earnings growth with cost-of-living pressures, particularly for employees. The employees then have clear expectations about pay adjustments in future years and can feel more confident that pay deals will remain fair relative to their living costs. For the employer, having an earnings-linked forecast can allow pay setting bodies to remain consistent with other public sector bodies and ensure employees feel the process for determining remuneration is transparent.

6.6 Potential issues and risks with a forward-looking pay index

- Forecast Uncertainty: The process of forecasting comes with a significant degree of uncertainty and can sometimes be inaccurate, particularly during periods of sudden changes in economic volatility. In recent years, the Covid-19 pandemic, the Ukraine war and high inflation are all events that made forecasting a significantly harder challenge. Using forecast data, therefore, will always come with a significant degree of uncertainty.
- Potential for under-or over commitments: This degree of uncertainty means that sometimes forecasts may significantly under or overestimate the future levels of inflation and/or earnings growth in the economy. In a similar manner as to using historical data, wrong forecasts could lead to the government committing more or less funding than is required to future pay deals which can lead to pay deals to satisfying the current cost of living for police officers in Scotland.
- Need to account for what happens if outturn data turns out differently: The simplest approach if the actual data turned out differently to the forecast would be to do no accounting reconciliation, but that could lead to perceptions of unfairness if the differences ended up being very large. In particular, if prices increase very quickly and unexpectedly within a year but then grow at slower levels subsequently, this means that pay would never be increased at that fast rate and instead at the lower forecast rates looking forward. But any accounting reconciliation is likely to be much more complex.

6.7 Summary

Although rare, implementation of pay index would be relatively simple, especially if backwardlooking and linked to a widely available macroeconomic indicator such as CPI. This is the type of indexation that happens to a number of government payments and pensions. It has a high degree of transparency and certainty, but it also means it is inflexible and puts less weight on current government policy and on current economic conditions or wider benefits.

Using forecast data would make it more responsive to economic conditions, but it would also introduce uncertainty, potential for under- or over-commitments and an agreement as to what would happen in the case of large deviations between forecasts and outturn data.

7. Conclusion & summary of options

The Report is intended to inform 2025-26 pay negotiations and outline potential mechanisms that could support appropriate approaches to wage growth for police officers in Scotland from 2025-26 onwards.

Police Scotland is in the public sector but not subject to the Scottish Government's Public Sector Pay Policy (PSPP). The comparators which are most relevant for Police Scotland are likely to be those who come to negotiated settlements through mechanisms like collective bargaining or pay review bodies, which are discussed extensively in this document.

However, the wider PSPP can also influence the outcomes achieved by these other mechanisms, by providing the context and parameters which sets out the realities of the wider fiscal environment, including the inflationary context and the overall fiscal stance of the UK and Scottish Government. Indeed, in the 2025-26 Public Sector Pay Policy, the Scottish Government have explicitly said that "all public sector employers will negotiate multi-year deals with trade unions and staff representatives within the parameters set out in this policy". In considering all three options that are discussed below, the constraints and context set by the overall fiscal environment generally and the PSPP specifically must be borne in mind.

In this report, we discuss three identified mechanisms for wage setting: collective bargaining, pay review bodies and index-linked pay.

7.1 Collective Bargaining

Collective bargaining is used across a number of occupations in the public sector in Scotland. We have shown that growth in police pay, which is set through collective bargaining in Scotland, has grown by around 30% since 2010 regardless of whether we look at pay scale growth or earnings data using ASHE.

The average nominal growth of the points in the comparator public sector pay scales examined has been 34.7% between 2009-10 and 2023-24, which is higher than growth for the police pay scales included, at 31.9%.

The ASHE earnings analysis reveals that the overall increase in average police officer (sergeant and below) earnings (30%) has lagged behind the public sector average of 43%, but is similar to occupations such as firefighters.

Collective bargaining is a more balanced structure and negotiation power when setting pay deals, which can in turn help enhance morale and boost fairness in the process of setting wages. It can also serve as a way of setting wider conditions than just pay such as job security and non-pay benefits continue to be important. Collective bargaining outcomes often balance pay and non-pay elements. Understanding better the full reward package of police officers relative to other workers will be the focus of the second part of this research.

Some of the issues with collective bargaining include the potential for higher costs for the government. As a relatively adversarial system, it can increase the likelihood of conflicts and disputes, and heighten the probability of industrial action – even if it is short of strike in the case of police, as that option is not available – and of moving towards further steps such as arbitration. It

can also create a less responsive system in which agreements are more rigid and therefore can react less quickly to economic circumstances.

7.2 Pay Review Bodies

Pay review bodies are relatively rare outside the UK, but have been used across a number of public sector occupations in the UK – with particular prevalence in England, Wales and Northern Ireland, although some reserved occupations do also affect workers in Scotland.

Pay review bodies are bound by their remit and institutional setup to consider a wider range of evidence, including affordability, and to publish evidence and analysis to support a recommendation. This can improve transparency in the process, and their independence can also increase trust, as well as judgement over current pay and conditions.

However, their recommendations are non-binding – even if they are almost always accepted for the review bodies we considered – and there is some evidence that this constrains their behaviour. But they also form just one part of the process, and their recommendations can either be fully or partially accepted by the government, or outright rejected. This only forms the start of the process however – there must be agreement on the recommendation being fair in the round from all parties involved, which makes it less dissimilar to collective bargaining than it might appear at first.

7.3 Index-linked pay

Although rare, implementation of pay index would be relatively simple, especially if backwardlooking and linked to a widely available macroeconomic indicator such as CPI. This is the type of indexation that happens to a number of government payments and pensions. It has a high degree of transparency and certainty, but it also means it is inflexible and puts less weight on current government policy and on current economic conditions or wider benefits.

Using forecast data would make it more responsive to economic conditions, but it would also introduce uncertainty, potential for under- or over-commitments and an agreement as to what would happen in the case of large deviations between forecasts and outturn data.

7.4 Conclusion

As we can see from the analysis above, different approaches to wage setting can have their benefits and limitations, and all approaches have potential merits that both workers and employers in sectors may find attractive.

The reasons for different approaches in different sectors can be historical, cultural and of course legislative, if particular routes are blocked to employees in particular occupations.

What this report demonstrates is that there is not necessarily an optimal approach that can be identified through analysis of the outcomes in terms of pay scales and wage growth. Many factors can influence the outcomes on pay, including the overall fiscal stance of the UK and Scottish Government, and (as has been mentioned many times throughout this report) the Public Sector Pay Policy that is set by the Scottish Government.

Annex A: Data sources for analysis

8th November 2024

Pay Deal Awards Evidence – Scotland

Police

Year	Reference
2010-11	
2011-12	
2012-13	
2013-14	[ARCHIVED CONTENT] 2013 circulars
2014-15	[ARCHIVED CONTENT] 2014 circulars
2015-16	[ARCHIVED CONTENT] 2015 circulars
2016-17	[ARCHIVED CONTENT] PNB circulars
2017-18	[ARCHIVED CONTENT] Federated Ranks Pay Final
2018-19	PNB+circular+-+pay+agreement+-+2018.pdf
2019-20	
2020-21	
2021-22	Police Negotiating Board circular - 2021-01 - non-consolidated payment - gov.scot
2022-23	Police Negotiating Board: Pay Agreement 2022/03
2023-24	Police Negotiating Board for Scotland: circular 2023-01 pay agreement - gov.scot

NHS

Year	Reference
2010-11	PCS(AFC)2010/2 - Pay and conditions for NHS staff covered by the Agenda for Change
	agreement
2011-12	PCS(AFC)2011/5 - Pay and conditions for NHS staff covered by the Agenda for Change
	agreement
2012-13	PCS(AFC)2012/3 - Pay and conditions for NHS staff covered by the Agenda for Change
	agreement
2013-14	SE Health Department NHS, MEL
2014-15	pcs2014-afc-01.pdf
2015-16	SE Health Department NHS, MEL
2016-17	SE Health Department NHS, MEL
2017-18	pcs2017-dd-01.pdf
2018-19	https://www.publications.scot.nhs.uk/files/pcs2019-afc-01.pdf
2019-20	
2020-21	
2021-22	https://www.msg.scot.nhs.uk/wp-content/uploads/2021-2022-Pay-Circular-AfC.pdf
2022-23	Pay and conditions for NHS staff covered by the Agenda for Change agreement

2023-24 Pay and conditions for NHS staff covered by the Agenda for Change agreement

Teacher

Year	Reference
2010-11	Microsoft Word - SNCT0704 2008 Pay Award.doc
2011-12	https://www.snct.org.uk/library/1331/SNCT%2011-
2012-13	24%20Agreement%20on%20Pay%20and%20Conditions%20of%20Service.pdf
2013-14	https://www.snct.org.uk/library/1695/SNCT-14-41.pdf
2014-15	
2015-16	https://www.snct.org.uk/library/2101/Part%202%20Appendix%202%201%20-
2016-17	<u>%20Revised%201015.pdf</u>
2017-18	Microsoft Word - SNCT 17-61 Pay Agreement 18 Dec 17 (v2.3)
2018-19	https://www.snct.org.uk/library/2659/SNCT19-70.pdf
2019-20	
2020-21	
2021-22	SNCT Pay Agreement 2021 – 2022
2022-23	https://www.snct.org.uk/library/3162/SNCT%2023-
2023-24	<u>93%20Pay%20Agreement%202022-2024.pdf</u>

Fire

Year	Reference
2010-11	https://www.fbu.org.uk/pay-rates/pay-settlement-2010
2011-12	https://www.fbu.org.uk/pay-rates/pay-settlement-2011
2012-13	https://www.fbu.org.uk/pay-rates/pay-settlement-2012
2013-14	https://www.fbu.org.uk/pay-rates/pay-settlement-2013
2014-15	https://www.fbu.org.uk/pay-rates/pay-settlement-2014
2015-16	https://www.fbu.org.uk/pay-rates/pay-settlement-2015
2016-17	https://www.fbu.org.uk/pay-rates/pay-settlement-2016
2017-18	https://www.fbu.org.uk/pay-rates/pay-settlement-2017
2018-19	https://www.fbu.org.uk/pay-rates/pay-settlement-2018
2019-20	https://www.fbu.org.uk/pay-rates/pay-settlement-2019
2020-21	https://www.fbu.org.uk/pay-rates/pay-settlement-2020
2021-22	https://www.fbu.org.uk/pay-rates/pay-settlement-2021
2022-23	https://www.fbu.org.uk/pay-rates/pay-settlement-2022
2023-24	https://www.fbu.org.uk/pay-rates/pay-settlement-2023

Civil Servants

Year	Reference
2010-11	
2011-12	
2012-13	
2013-14	
2014-15	
2015-16	
2016-17	
2017-18	<u>00511647.pdf</u>
2018-19	Public Sector Pay Policy 2018-19
2019-20	Public sector pay policy 2019-2020 - gov.scot
2020-21	Scottish Public Sector Pay Policy 2020 to 2021
2021-22	Scottish Public Sector Pay Policy 2021-22
2022-23	https://www.gov.scot/binaries/content/documents/govscot/publications/advice- and-guidance/2021/12/public-sector-pay-policy-2022-2023/documents/public- sector-pay-policy-2022-23/public-sector-pay-policy-2022- 23/govscot%3Adocument/public-sector-pay-policy-2022-23.pdf
2023-24	

Local Government

Year	Reference
2010-11	UNISON Scotland Local Government Pay Campaign 2010
2011-12	
2012-13	
2013-14	https://www.lgcplus.com/politics/scottish-councils-impose-pay-award-28-10-
2014-15	2013/
2015-16	https://www.unison-scotland.org.uk/localgovt/pay2015/index.html
2016-17	
2017-18	20151104
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