Cabinet Secretary for Finance, Employment and Sustainable Growth
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Dear Geoff

LOCAL MARKET FACING PAY

Thank you for your letter of 22 March and your response to the points I raised in my earlier correspondence.

You will be aware of our position on this issue as I have already indicated that the Scottish Government is opposed to the introduction of market facing pay. Our opposition is based on a number of factors including the potential impact on public services, economic activity and on equity grounds.

We have carried out our own analysis of the evidence published by HM Treasury at the time of the 2012 UK Budget and the attached submission details the key points that inform our position. In particular, we consider that:

- There is insufficient evidence that crowding out of the private sector by the public sector is the key concern in most areas
- Recent estimates of the public sector – private sector pay differential are likely to be inflated due to differences in the timing of wage adjustments in the two sectors.
- Reducing public spending in certain areas risks suppressing local economies
- Methodological challenges exist, including making comparisons on a like-for-like basis (e.g. for specific occupations).

I would be grateful if you could circulate this to the Chairs of each of the pay review bodies.

I am copying this letter to the Convener of the Scottish Parliament's Finance Committee.

Yours sincerely

JOHN SWINNEY