March 2011

I would like to thank the Equal Opportunities Committee for its report on the draft Budget submitted to the Finance Committee. The work of the committee over the Budget period has been extremely valuable and influential in the progress made around equality and the Budget. This letter provides the Scottish Government’s written response to the January report, which I now enclose as Annex A.

I would also like to thank you for your letter of 24 February which outlines the Committee’s plans for the Parliament’s Financial Scrutiny Unit to undertake a case study on the equality impacts of the Scottish Government’s approach to a pay freeze. I support this proposal and have therefore asked officials to discuss the scope and timing of this work with the FSU in order to inform our cooperation on this matter.

I look forward to seeing how the work of the new Committee progresses in the coming year.

JOHN SWINNEY
ANNEX A
EQUAL OPPORTUNITIES COMMITTEE REPORT ON THE DRAFT BUDGET 2011-12
SCOTTISH GOVERNMENT RESPONSE
MARCH 2011

The Scottish Government welcomes the Equal Opportunities Committee Report on the Draft Budget 2011-12 which was published on 20 January 2011. The report collates a range of evidence on equalities and the draft Budget. Within the report the Committee has provided comments and invited the Scottish Government to consider and explore some issues further. Our response to these issues has been grouped into four themes and are outlined below.

A) EQUALITY ANALYSIS IN THE BUDGET PROCESS

The Committee’s report noted the positive progress made through the Equality Statement on Scotland’s Draft Budget on helping to embed equality considerations into the Budget process. The report also raised some areas of concern around the approach to equality and the budget, including uncertainty over the extent to which spending decisions were informed and shaped by equality considerations and concern that there was a lack of detail in terms of equality impact analysis and examples provided in the published documents to demonstrate the impact. (paragraphs 42 – 44, 65 – 69)

The Scottish Government welcomes the positive comments in the Committee’s report on the progress made on embedding equality considerations into the Budget process and acknowledges the need to continue to improve upon this in the next Spending Review process.

The purpose of the Equality Statement was to provide a summary of the action that we had undertaken to ensure that equality has been considered within the Budget. It also attempted to provide a summary account of the high level equality impacts of the Scottish budget for 2011-12 by portfolio and by equality group.

The Committee however suggests that the Statement is unclear as to the extent to which spending decisions were informed by equality considerations and asks for further evidence of proposals not pursued as a result of the analysis undertaken.

While we are clear that the package of work over the year and individual sets of analysis did influence decision making, there were challenges in presenting the full range of work undertaken across Government centrally (with the core impact team) and locally (within Portfolios and policy areas) in the Equality Statement. We agree that we need to explore further with Equality and Budget Advisory Group (EBAG) how we can improve the future presentation and narration of this work.

One aspect of this learning is how to develop mechanisms to better capture and reflect in the Budget documents the impact of the evidence in helping to shape and inform decisions. This is highly challenging in a fast moving environment of a Budget process where decisions are taken at different levels of government and where Government must respond in its published budget material to a range of statutory, reporting and other obligations in a manageable and coherent way. It is also the case that the allocation of financial resources forms only one part of the Government’s efforts to deliver on its equalities obligations and objectives. The pursuit of equalities outcomes is mainstreamed across core Scottish Government and other public sector activities, policies and programmes, and is therefore embedded within the policy priorities articulated through the National Performance Framework, which has underpinned the decision making around Budget 2011-12 and budgets in previous years. We think that continuous improvement in this area will also be helped by developments more widely within the Scottish Government on the wider Budget process and with the ongoing equality impact assessment process more generally.

St Andrew’s House, Regent Road, Edinburgh  EH1 3DG
www.scotland.gov.uk
An example of where analysis influenced decisions was on possible changes to Education Maintenance Allowances (EMA), where the Scottish Government was presented with a decision around whether or not to follow the UK Government’s decision to abolish EMAs. EMA is targeted at young people, so clearly there is a potential impact in terms of age; and our analysis also showed an impact of EMA on gender and socio-economic groups. EMA was protected in the Budget to continue the support Scottish Government offered to the least well off students and families in Scotland. Protection of spend in the other areas, such as the Third Sector, were made with similar consideration of potential impacts on vulnerable groups.

However in order to demonstrate how equality analysis informed and shaped the spending allocations, it might be helpful if we explained in more detail the process and the range of work undertaken to embed equality into the 2011-12 Budget process at different levels of government, highlighting the critical interventions and where we can develop the approach in the next Spending Review.

**What has helped to inform the work around the Equality Statement and the budget?**

**External expertise and advice of Equality and Budget Advisory Group (EBAG)**

EBAG, and its 2010[1] report which was considered by the Cabinet Secretary for Finance and Sustainable Growth and the Cabinet early in the Budget process, played a key role in informing our approach to embedding equality into the process. The Committee’s report relates to many of EBAG’s recommendations. The Scottish Government looks forward to working closely with EBAG during the next spending review process.

**Preparation and Pre-Budget period**

**Mainstreaming equality**

Key improvements to internal processes this year related to the development of strategic links to the Budget process, through establishing equality links to key project boards on the Budget and building close relationships links between Equality, Strategy and Finance officials, in support of Scottish Ministers. This started at a very early stage from May 2010 onwards. Workshops with Directors were important in terms of raising confidence and capabilities within Scottish Government on the use of equalities data and analysis and provided an opportunity to share understanding of likely cumulative impacts at a critical time later in the Budget process. During this phase, there was an increased targeting of support by the Equality Unit to teams across Scottish Government. This included the development and circulation of Equality Resource Packs[2]. An Equalities Analytical Network was set up to support analysts to respond to requests for information and analysis in relatively short timescales.

**Strategic Intervention/Equality Analysis to influence decisions**

**Equality analysis**

Analysts played a key role in the Budget process, undertaking a consideration of equality impact of the challenges and choices facing Ministers. This was intended to provide a snapshot in time of the impact of early options based on the information available and reflected the first stage of an ongoing process. Analysis of the potential impact on equality groups of the final choices set out by Ministers in the Draft Budget proposals, in terms of impact as service users and as public sector workers, which was carried out after the UK Comprehensive Spending Review and within the development of the Budget itself, informed Chapter 2 and 3 of the Equality Budget Statement.

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2 [http://www.scotland.gov.uk/Topics/People/Equality/18507/13477](http://www.scotland.gov.uk/Topics/People/Equality/18507/13477)
More broadly, a range of evidence, including research undertaken on the impact of the recession on equality groups in Scotland\(^3\), and on the some internal analysis of the impact of the UK Government’s Emergency Budget and the Comprehensive Spending Review which also provided important context for Budget decisions and their implications for equality groups at the highest level.

The totality of the equality analysis undertaken centrally (by Equality Unit and Communities analysts and locally by policy areas) played a key role in informing and shaping decisions. However, the Scottish Government acknowledges the need to continue to improve the quality of equality analysis across Government and will focus efforts on ensuring there is localised analytical support to collect and consider equality evidence through improvements to equality analysis in the period before the next Spending Review. A challenge for the next Equality Statement will be to ensure we have mechanisms in place to capture and articulate how the equality evidence informs decision-making in a process that must by necessity take into account a very wide range of contributing factors. We want to explore further with EBAG how in future the Equality Statement could demonstrate the impact of equality analysis on key spending decisions.

Building on the progress made in both embedding equality in the core Budget process and improving the use and quality of equality analysis, the Equality Unit’s recent repositioning to the central Strategy and Performance Directorate (alongside the Office of the Chief Economic Adviser and the Strategy Unit) will play a key role in mainstreaming equality within the Scottish Government. Close collaboration with EBAG within this context will also be very important.

**B) GENDER AND EQUALITY**

The Committee’s report also outlines the recognition in the Scottish Government’s Equality Budget Statement that women are likely to be impacted both as users of services and as workers by the recession and the reduction in spending on public services. It comments on a perceived lack of progress on equal pay across Scotland’s public bodies, notes a lack of detail within the Draft Budget document on what resources and measures are being targeted at mitigating the impact on women as low paid workers beyond the £21,000 per annum threshold and asks the Scottish Government to undertake and publish an impact assessment of the pay freeze measure. The report also notes a lack of detail within the Draft Budget document as to how measures intended to enhance the human capital of Scotland’s workforce through investment in skills and education will tackle gender based occupational segregation thus improve women’s position in the labour market and requests fuller details of the resources allocated to programmes tackling occupational segregation. It asks how the impact of the public sector pay freeze will be monitored with specific reference to the gender pay gap. (paragraphs 128 – 132)

The Scottish Government believes that greater gender equality is important if we are to make progress on our Purpose and have a successful, competitive economy and a fair and inclusive society.

In Scotland, tackling gender stereotyping/occupational segregation - a major contributor to the gender pay gap - is a Ministerial priority for advancing equality of opportunity between women and men. The Scottish Government's Gender Equality Scheme annual report (April 2010) includes an update on our progress with partners in tackling this Ministerial priority and taking forward the recommendations of a cross-government report (August 2008). It also includes an update on our action to close the gender pay gap. More recently, Scottish Government published reports in July 2010, giving an overview of progress made by public authorities in tackling gender stereotyping/occupational segregation.

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\(^3\)Coping with Change and Uncertainty: Scotland’s Equalities Groups and the Recession  
The Committee’s report mentions the Scottish Government’s recognition that women are likely to be impacted by anticipated structural changes in the economy. To date, the deterioration in labour market conditions as a result of the recession has predominantly impacted men. For example, male employment rates (for the population aged 16-64) were 5.6 percentage points lower in October-December 2010 compared to the pre-recession peak in employment March – May 2008, while female rates were 1.6 percentage points lower. Female employment rates in Scotland still remain lower than male employment rates (68.3% and 74.0% respectively, October-December 2010).

As the economy continues to go through a period of restructuring, any future labour market adjustments may follow a different pattern and, since women account for approximately two thirds of public sector employment, reductions in public sector employment may impact on female workers more than males, which can have wider socio-economic impacts for individuals and families and wider economic impacts in terms of different spending patterns.

Scottish Government analysts undertook to provide evidence to help inform the Equality Budget Statement and the Budget by conducting early analysis into the impacts of the recession on equality groups to act as a foundation against which Budget decisions could be modelled. This analysis was widely distributed across Government portfolios and helped to inform many of the headline decisions.

The decision to introduce a pay freeze for public sector employees earning above £21,000 was made as a way to protect public sector employment and support the resilience of Scotland’s economy, in the context of the outcomes of the UK Comprehensive Spending Review meaning that the total resources available to the Scottish Government in 2011-12 are reduced by £1.3 billion. In taking decisions in this area, the Scottish Government had regard to equalities evidence and the expected equalities impact in general terms. In anticipation of potential impacts on women, the policy was developed to provide a minimum rise for lower-paid staff (through the provision of pay increases of at least £250 a year for staff earning under £21,000) and a floor of £13,900 a year (through the policy that no-one in full-time work will in future earn less than £7.15 an hour). These measures are expected to benefit more female staff than males, as 40% of women (compared to 25% of men) in the public sector earn less than £11 an hour. In addition, the Scottish Government policy to freeze pay (including increments) and bonuses for the highest paid staff will have less impact on women, who we understand are under-represented in these pay groups. We are aware of the potential impacts of the freeze on staff earning over £21,000, where there is likely to be a fall in take home real wages for staff generally (including women), as inflation continues to remain at elevated levels. Inflation is forecast to remain high, with the Bank of England’s February 2011 Inflation Report, predicting that over the course of 2011 Consumer Price Index (CPI) inflation in the UK could rise to between 4% and 5%. However, the decision to impose a pay freeze was driven by very sharp considerations of affordability and the need to protect jobs, and following detailed consultation with trade unions and public consultation on the recommendations contained in the report produced by the Independent Budget Review. In addition, there are a range of resources and measures to help mitigate the impacts on women through for example, tackling occupational segregation.

The committee suggests that there is a lack of detail in the Budget about these measures and more broadly how investment in skills and education will help improve women’s position in the labour market. Careful consideration was given to the level of detail to be included in the Budget and consequently focused on spending decisions at the higher level. The Budget included spending decisions around employability which integrated gender considerations, to help mitigate the impacts of the recession on women in the labour market. For example, our analysis showed an impact of the Education Maintenance Allowance on gender and EMA was protected in the Budget to continue the support Scottish Government offered to the least well off students and families in Scotland.

With regards to specific measures around occupational segregation, the Scottish Government’s Gender Equality Scheme (GES), which is current until end May 2011 – and GES annual reports, the most recent being published in April 2010, provide a more detailed account of how our spend promotes gender equality (including by tackling occupational segregation). The initiatives include

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4 See footnote 3
work with the Close the Gap campaign to raise awareness about the gender pay gap and its causes and encourage and support employers and employees to address the causes, such as occupational segregation, and close the gap. With regards to resources from the 2011-12 Budget, the Equality Unit intends to continue support to partners who are helping us to take forward our equality agenda. In addition, we have put in place work streams to monitor the impact of the Budget and spending decisions on equality within key policy areas. In order to strengthen links and understanding between EBAG’s work and the Scottish Government area that takes forward work on the Government’s Economic Strategy, there is now representation from the Office of the Chief Economic Adviser (OCEA) on EBAG. This was largely as a result of the recommendation within EBAG’s August 2010 report.

The Committee requested evidence of how the impact of the public sector pay freeze will be monitored with specific reference to the gender pay gap. As the Committee will be aware, Scotland’s public consultation on proposals for the new single equality specific duties took place between September and November 2010. The specific duties set a framework for delivery of the single equality duty in the Equality Act 2010. The proposals included a requirement that public authorities demonstrate how they have taken into account evidence of the impact on equality (including gender equality) in the design of key policy and service delivery initiatives, and a duty to report on equal pay and occupational segregation.

With regards to the request to undertake an equality impact analysis of the Scottish Government’s approach to a pay freeze, the Scottish Government recognises that there is an ongoing need to increase our understanding of the wider impact and implications for future policy into the next spending review. We therefore welcome the Committee’s suggestion on this issue and the Committee’s plans for the Financial Scrutiny Unit in SPICe to undertake a case study on the pay freeze. The Scottish Government would be happy to discuss the scope and timing of this work in order to inform our cooperation on this matter and would be very interested in the results of the analysis. We will also explore the topic in further discussion with EBAG.

C) ROLE OF PUBLIC SECTOR AND CHRISTIE COMMISSION

The Committee’s report comments that this is a ‘hugely challenging time’ for public bodies but also notes the ‘significant concerns about progress’ expressed with regard to how those bodies have, to date, responded to the equalities duties. It notes a concern that efficiencies may impact disproportionately on the services to the most vulnerable members of society, and is concerned that the pressure to deliver ‘short term gains’ will be at the expense of robust and transparent EQIA. It asks that the Scottish Government monitors progress in the context of the statutory equality duties (paragraph 79-81 and 96-98).

The Scottish Government agrees that this is an important time for the public sector. As reflected by EBAG in their report, during a period of tightening spend there may be an inclination to make expedient choices with budgets that are not committed or are ‘non-statutory’ being seen by public bodies as being easier to cut.

As the Equal Opportunities Committee has reported previously, programmes for equality groups traditionally sit on the outside of the mainstream spend and are therefore at greater risk. Cumulatively, such cuts and reductions could have a significant impact on equality groups, especially if it is not corrected by a refocusing or better targeting of mainstream spend.

In these crucial times, the Scottish Government would advocate the need for all public bodies to pay particular attention to their equality duties and in undertaking equality analysis of programmes, which have been identified for both cuts and priority spending areas, and for there to be efforts to look at the impact of decisions cumulatively.

Rather than marginal, the Scottish Government sees the role of equality analysis to be integral to decision-making and policy design. It is through the use of impact assessment that public bodies are able to avoid decisions that could negatively impact on Scotland’s longer term outcome of reducing significant inequalities. We are clear that stronger analysis and use of equalities evidence at the
beginning of policy development or service restructure also allows better targeting of spend, and therefore better enables efficient and effective choices to be made.

The Cabinet Secretary for Finance and Sustainable Growth agrees with EBAG that progress relies on the quality and use of data and on the capacity and capabilities of officials working within Scottish Government and within public authorities so that they are equipped for the new challenges. It is hoped that we, as a Scottish Government, are providing the necessary leadership through this phase by the importance we have placed on equality within our own Budget processes and with the publication of the Equality Budget Statement itself.

However, while Scottish Ministers impose the public sector equality duty specific duties and are themselves subject to those duties, equality legislation does not give Scottish Ministers enforcement powers; enforcement is a matter for the EHRC. However, it is planned that the new specific duties, which are expected to come into force in April 2011, will require public authorities to report on the progress that they are making on mainstreaming equality. This will help encourage transparency by authorities, who will need to publicly demonstrate that they are embedding equalities approaches in their work.

The Committee asks the Scottish Government to consider widening the remit of the Christie Commission to include a specific equalities dimension. (paragraph 113).

After careful consideration, this is already covered within the detail of the Christie Commission’s existing remit. This sets out our vision of Scotland’s public services. Two key factors included in that vision are that our public services support a fair and equal society and that they protect the most vulnerable in our society. The Commission has been asked to identify opportunities and obstacles that will help or hinder progress towards this vision and to make recommendations for change that will deliver us to our destination. It should also be noted that EHRC Scotland’s Commissioner, Kaliani Lyle, sits on the Christie Commission in a personal capacity. The Equality Unit will also explore with EBAG whether they would be willing to submit evidence to the Christie Commission.

D) EARLY INTERVENTION

The Committee asked the Scottish Government and public authorities to consider the extent to which early interventions can be made which can lead to longer term financial benefits and noted that the concerns about difficulties for longer term planning should not prevent consideration given by the Scottish Government to early intervention measures (paragraph 87,88).

The Scottish Government recognise that Preventative Spending has a key role to play in improving outcomes and has potential to reduce costs to the public sector, particularly over the longer term, and welcomed the Finance Committee Report into Preventative Spending which helped to raise the profile of this important issue.

The Scottish Government remains committed to early intervention and the 3 Social Frameworks; Equally Well, the Early Years Framework and Achieving Our Potential, which are central to the prevention agenda and are aimed at reducing disadvantage and inequalities. These frameworks advocate for the refocusing of services to ensure they meet the needs of groups most likely to experience poor outcomes and argue for the shift in resources to programmes that break the cycle of disadvantage. There is a strong economic case for doing so both for the individuals involved and for wider society.

The Scottish Government leads, funds and supports a wide range of ‘early’ or ‘preventative’ interventions across many policy areas, as set out in our evidence to the Finance Committee Inquiry into Preventative Spending. For example, it is estimated that annual spend on the early years amounts to around £1.5 billion across the public sector, including direct investment by the Scottish Government (such as £4 million to support the “Go Play” campaign.) The draft Scottish Budget includes £5 million for a new third sector early years/ early intervention fund.
Clearly resources are limited and we must focus our efforts on the most effective policies and programmes. Careful appraisal and impact assessment before committing to preventative programmes, and subsequent evaluation to assess expected and actual impacts, will be crucial to making well informed decisions on how resources might be most effectively deployed. Equality analysis forms an important part of the evidence base required for good decision making.

We acknowledge, in tight financial circumstances, that decisions to reduce spending on preventative services (for which there is not an immediate, evident demand) may present a tension when demand remains for services that treat, or respond to, a crisis.