

Dame Angela Eagle MP
House of Commons
(via email)

23 December 2022

Dear Dame Angela,

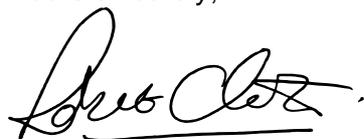
Thank you for contacting us with your concerns about two figures that have been used by Government Ministers to describe the potential cost to households of public sector pay increases, namely that “if everyone in the public sector had a pay rise in line with inflation, it would cost an extra £28 billion, an extra £1,000 per household” (cited, for example, by Health Secretary Steve Barclay MP on 7 December 2022).

The Chief Secretary to the Treasury explained in reply to a Parliamentary Question a week later, on 15 December, how these figures had been calculated¹. The £28 billion was calculated by taking the 2021-22 public sector pay bill, increasing it by around 5 per cent to reflect pay awards this year and then adding a further 11.1 per cent uplift for 2023-24, reflecting the increase in consumer prices in the year to October 2022. The calculation was also adjusted for the impact of pay drift and workforce growth. The aggregate gross cost calculated on this basis was then divided by the number of households in the country to give the figure of £1,000 per household

As a number of commentators – including from the Institute for Fiscal Studies and Full Fact – have pointed out, these calculations include a number of judgements and assumptions that others might wish to debate, including the choice of inflation adjustment, whether to include the impact of increased tax and national insurance payments by public sector workers, and whether it is appropriate to quote an average sum across all households when the impact would be felt differentially depending on household income and other factors. (In this context, you point out that the pay increases could be funded partly from taxes on business, but it is important to remember that all taxes are ultimately paid by individuals and households).

Given the judgements and assumptions involved, it would clearly have been desirable – and in line with the Office for Statistics Regulation’s principles of intelligent transparency² – for the Government to have explained clearly and accessibly how such a high-profile number had been calculated as soon as it was put into the public domain, allowing MPs and commentators to debate them in an informed way from the outset. My office has engaged with the Treasury to make this point.

Yours sincerely,



Sir Robert Chote
Chair

¹ [House of Commons written answers and statements](#), Hansard, 15 December 2022

² [Regulatory guidance for the transparent release and use of statistics and data](#), Office for Statistics Regulation, 2 February 2022