

# NHS Pay Review Body

## 2019/20 pay round

### Written evidence from NHS Providers

#### About NHS Providers

NHS Providers is the membership organisation and trade association for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS foundation trusts and trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate.

NHS Providers has all trusts in membership, collectively accounting for £84 billion of annual expenditure and employing over one million staff.

#### Our submission

We welcome the opportunity to submit evidence to the Pay Review Body, on behalf of NHS trusts and foundation trusts to inform the 2019/20 pay round. For the purposes of this submission, we have drawn on several information sources, including:

- Feedback from member trusts<sup>1</sup>
- NHS Improvement guidance documents on Agenda for Change pay uplift
- National workforce data (NHSI, NHS digital)
- NHS Providers 2018/19 NHS Pay Review Body written evidence

#### Key messages

- NHS Providers welcomed the pay agreement reached between Agenda for Change (AfC) unions and the government earlier this year. The headline increase of over 2% per year for the considerable majority of trust employees on AfC contracts is an important step in improving the working lives of staff.
- Given the concerns of providers about the affordability of implementing the pay award if it was not funded, we welcomed the government's pledge of new funding to pay for the well-earned salary increases for AfC staff. This has, to some degree, mitigated affordability concerns around pay for NHS

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<sup>1</sup> In December 2018 NHS Providers ran an only survey of HR directors across all 227 Trusts in England to inform our submission to the DDRB. We had 56 responses representing 25% of the membership.

trusts. However uncertainty remains about the affordability of pay rises for those in posts not covered by this funding, and we would like to see these cleared up to aid trusts' financial planning.

- While the NHS long term plan acknowledges the significant workforce challenges facing the sector and commits to increasing the NHS workforce, it is disappointing that the national workforce strategy has been further delayed. The success of the NHS long term plan and the sustainability of the NHS are reliant on having sufficient staff numbers, access and funding for training and continuing professional development, and importance placed on the culture and staff wellbeing.
- The recruitment and retention of NHS staff will be instrumental in delivering the improvements expected in return for the £20.5bn funding settlement for the NHS. Member trusts have fed back that it is too soon to determine the impact of the AfC pay agreement on recruitment and retention, but it is clear that there are a number of factors which impact on this, of which pay is just one.
- We welcomed the targeting of the AfC pay settlement to ensure pay rises were directed proportionately more towards those who would benefit most. Although members supported this approach, feedback on the use of recruitment and retention premia (RRP) for staff in hard to recruit roles was split, so it will be essential for the provider sector to be closely consulted on any specific proposals to introduce national RRP.

## NHSPRB remit for 2019/20

In his remit letter to the NHS Pay Review Body, the Secretary of State for Health and Social Care confirmed that the government is not seeking a new pay recommendation, following the agreement of a three-year pay deal for Agenda for Change (AfC) staff in 2018/19. Instead the Department of Health and Social Care (DHSC) is asking the PRB "to monitor the implementation of the deal and its impact over the course of the agreement".<sup>2</sup>

The PRB is being "invited to make observations on evidence" with regard to implementation from all submitting parties. We note that the government specifically mentions the core areas of recruitment, retention and motivation, but also understand that the PRB is eager to hear views on wider issues to be measured when assessing progress of the pay award towards the end of its term.

We also note that the Department is looking specifically into any issues with the recruitment of IT staff, and again at the case for national recruitment and retention premia.

## AfC pay award 2018/19-2020/21

NHS Providers welcomes the pay agreement reached between AfC unions and the government. In our evidence last year, we called for an improvement to pay for staff which for several years had not kept up with inflation and the wider economy.

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<sup>2</sup> NHS Pay Review Body (November 2018), <https://www.gov.uk/government/publications/remit-letters-links-to-evidence-and-timetable-for-nhsprbs-2019-pay-round>

Our survey of NHS trust HR directors showed the vast majority (74%) in favour of a 2-3% pay rise, with only 9% supporting an increase below that level.<sup>3</sup> Therefore, the headline increase of over 2% per year for the considerable majority of trust employees on AfC contracts is an important step in improving the working lives of staff.

We also particularly welcome the tiered nature of the pay rises, ensuring that higher salary increases are being received by those on lower bands who benefit proportionally more from greater levels of pay.

However, there have been considerable difficulties with the funding and implementation of the award. We note that the pay increases have not been well communicated with staff in all instances, for example, with much of the nursing workforce being incorrectly informed that they would receive an immediate 3% pay increase.<sup>4</sup>

Some staff have also had much (or all) of their initial pay increase redirected towards higher pensions contributions.<sup>5</sup> Some trusts have told us that this has negatively affected the morale of employees in lower pay bands.

## Affordability of the pay award

Last year, our members told us that a pay award for NHS staff would be unaffordable unless new funding was provided by the government, with 66% of trusts responding to our November 2017 survey saying an increase above 1% would be "very unaffordable" and 27% saying it would be "fairly unaffordable" within existing budgets.

We were pleased to see the government pledging new funding to pay for the well-earned salary increases for AfC staff. This has, to some degree, mitigated affordability concerns around pay for NHS trusts. However, a number of issues have arisen as the result of both unclear and ultimately inadequate funding from central government in the first year of the pay deal, impacting trusts' ability to implement the pay rises without experiencing significant financial strain.

Following discussions with DHSC, the Treasury committed £800 million to cover the cost for trusts applying the pay uplift to staff in 2018/19. This allocation was found to be insufficient, partly because of changes related to the workforce baseline used, and also because it failed to capture several categories of staff, including those working for trust sub-contractors or in NHS wholly-owned subsidiary companies, and agency staff whose salaries are linked to AfC rates.

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<sup>3</sup> NHS Providers (November 2017), <https://nhsproviders.org/resource-library/submissions/written-evidence-to-the-pay-review-body>

<sup>4</sup> Royal College of Nursing (July 2018), <https://www.rcn.org.uk/news-and-events/blogs/nhs-pay-deal-not-what-you-expected>

<sup>5</sup> The Guardian (August 2018), <https://www.thetimes.co.uk/article/nurses-worse-off-despite-pay-increase-t7dgn8fjm>

We have been in ongoing discussions with NHS Improvement and DHSC to gain clarity on the status of staff in these categories. We understand that DHSC will provide additional funding beyond the £800 million to cover sub-contractors where staff are working on AfC terms and conditions "dynamically".<sup>6</sup> Crucially, pay uplift funding for staff in new or vacant posts was also not covered, making it difficult for trusts to recruit and fill vacant posts.

The cost of pay rises for staff within these uncovered categories has fallen on trusts, placing a significant additional financial burden on stretched provider budgets. The impact on affordability has been highlighted to us through direct feedback from trust chairs and chief executives, finance directors and HR directors.

While our engagement with trust leaders lead us to believe that providers are typically facing pay rise cost pressures in the region of £250,000-£500,000 (per organisation), the government has indicated that the total cost pressure is still unclear and unaccounted for. This is further exacerbating uncertainty within the sector.

It is important that these uncertainties are cleared up as soon as possible to aid trusts' financial planning. It is absolutely essential for confusion around the application of AfC pay rises in years two and three of the deal not to be repeated.

## Implementation

Last year, our submission to the NHS Pay Review Body warned of the need for a carefully considered communication and engagement exercise to ensure all staff fully understood the practicalities and timings around a new pay deal.<sup>7</sup> Unfortunately, it is clear from the experience of the past six months that mistakes have been made in the communication and implementation of the three-year agreement.

Specifically, trusts have informed us of:

- Communication issues around incremental progression and appraisals within the new deal causing "significant misunderstandings" for staff;
- a lack of (or delayed) technical guidance from national bodies on implementation;
- a lack of clear information on applying the deal in complex cases, for example where staff members had been promoted or were on secondment;

Our correspondence with trusts confirmed the challenges caused by poor communication with staff and trusts on the details of the pay agreement. One HR director said staff were "largely unhappy due to

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<sup>6</sup> This applies where staff on AfC contracts have been transferred from employment in an NHS body, to a non-statutory NHS subcontractor, but have retained the right to receive any future AfC pay uplifts or changes to other terms and conditions within their new contracts. See DHSC (July 2018), [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/729958/agenda-for-change-pay-deal-funding-for-2018-to-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/729958/agenda-for-change-pay-deal-funding-for-2018-to-2019.pdf)

<sup>7</sup> NHS Providers (December 2018), <https://nhsproviders.org/resource-library/submissions/written-evidence-to-the-pay-review-body>

expectations not materialising”, with another noting the difficulty of retaining strong staff morale within their organisation after “expectations had been set nationally”.

The impact on staff engagement has communicated to us by a number of trusts, with one HR director saying this had been particularly damaged by a general feeling of negativity in the national press, adding to the fact that the new agreement had clearly been “mis-sold” and “mismanaged”.

We have received some reports of staff receiving a significantly smaller pay increase than anticipated – or even being worse off than before the new agreement – due to their crossing a higher pensions contribution threshold. As we were not party to conversations between NHS Employers and health unions during negotiations, we are not aware of whether there was any misinformation provided to staff, from any party, over the impact of the new deal on pensions and take-home pay, however it is clear that the practicalities were not properly communicated.

Some trusts experienced other issues in their efforts to fully implement the pay rises, including national delays with updates to the Electronic Staff Records (ESR). The ongoing uncertainty over eligible staff groups discussed above rendered trusts unable to move past initial implementation quirks and queries, and these challenges must be promptly addressed and fully overcome ahead of the second year of the deal.

## Measuring impact: other workforce pressures facing the NHS

Pay and reward needs to be viewed alongside the other workforce challenges facing the sector. In respect to the three-year AfC pay agreement reached between the Government and unions in 2018/19, the Pay Review Body has informed stakeholders that it is seeking to set key baselines for measurement, ahead of making a new recommendation at the conclusion of this period.

We eagerly awaited the publication of the delayed long term plan, and it is positive that the commits to increasing the NHS workforce, however it is extremely disappointing that the national workforce strategy has been further delayed to later in 2019. The success of the long term plan and sustainability of the NHS depends on ensuring that staff and skills shortages are addressed effectively. It will therefore be imperative that the national workforce strategy will identifies clear and achievable measures to improve recruitment, retention and staff engagement as core tenets of a motivated and productive workforce.

We consider progress in the following areas over the next two years important in proving the success of the current pay deal, and essential for the day-to-day operation of NHS trusts, which need immediate support before the impact of the long-term plan begins to take hold:

### Recruitment and retention

Major progress in both recruiting and retaining staff will be essential to ensure improvements in patient access and the quality of care through the long term plan.

NHS Improvement's trust vacancy data shows over 40,000 full-time equivalent nursing (FTE) posts unfilled at the conclusion of Q2 in 2018/19 (11.6% of all posts) and over 100,000 total NHS vacancies.<sup>8</sup> There is evidence that the number of vacancies have been rising in recent months, with provider sector data showing an increase of over 2,000 unfilled nursing posts since NHS Improvement began recording vacancies in Q1 of 2017/18.

Staff retention adds to the significantly challenges currently facing NHS trusts, with 5,000 more nurses leaving NHS employment in 2016/17 than in 2011/12 and a net loss of 1,500 EU nurses and health visitors working within the service between July 2017 and July 2018.<sup>9</sup> Uncertainty about the impact of Brexit on the EU workforce has introduced further challenges around the recruitment and retention of EU staff.

A November 2018 report from The King's Fund, The Nuffield Trust and The Health Foundation warned that the total number of NHS staff vacancies could double, or even treble by 2030, if "the emerging trend of staff leaving the workforce early continues and the pipeline of newly trained staff and international recruits does not rise sufficiently".<sup>10</sup>

While these warnings are based on broad estimates in the unlikely event of no action being taken, they reflect an urgency across the sector to address workforce shortages both through immediate measures and sustainable long term sustainable solutions.

Member trusts have reported no discernible correlation between the implementation of the three year AfC pay agreement and improved recruitment or retention. Feedback from trusts has provided the sense that it is "too early to know" if pay increases for staff have had any measurable positive impact.

Instead, almost all trusts we have heard from in the process of preparing our evidence continue to list recruitment and retention issues within their top 3-5 concerns. Several trusts have mentioned difficulties caused by a lack of staff supply; an ageing workforce (particularly for nurses); and the slow pace of securing new employees, particularly in the case of international staff (both EEA and non-EEA).

The internal overhead costs of recruitment are also a recurring theme for members. One member – currently in special measures – told us that workforce costs is their greatest concern and added that they'd been presented with the "pressure of reducing costs and doing more with less people", as a result of their overall financial predicament.

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<sup>8</sup> NHS Improvement (November 2018), <https://improvement.nhs.uk/resources/quarterly-performance-nhs-provider-sector-quarter-2-201819/>

<sup>9</sup> The Nuffield Trust, The Kings Fund, The Health Foundation (November 2018), <https://www.nuffieldtrust.org.uk/research/the-health-care-workforce-in-england-make-or-break>

<sup>10</sup> Ibid.

## Staff experience

Pay reform is just one part of the measures needed to support a better resourced and more satisfied workforce. Data from the NHS staff survey and recent workforce statistics paint a picture of significant pressures on staff satisfaction compounded not only by rates of pay but also staffing levels, poor staff morale and work-related stress or poor work/life balance.

The recent (and persistent) cuts to continuing professional development (CPD) funds have been a particular source of frustration for nurses. Cuts to training budgets from £205m to £83m in the past 2 years has impacted on the nursing workforce's ability to maintain and progress their professional development, with a third of nurses managing fewer than 10 hours a year of training against the requisite 35 hours per year.<sup>11</sup> The importance of a strong funding settlement within the next comprehensive spending review in supporting a well resourced and motivated workforce cannot be understated.

The impact of providers' difficulties in recruiting and retaining sufficient staff numbers is significant. Two thirds of nurses say they cannot do their job properly due to understaffing<sup>12</sup>. Safe and effective staffing levels are crucial to maintaining morale as well as safe and effective care.

Members have cited other priorities in respect of recruitment, retention, morale and work-life balance for staff, including supporting flexible working, improving working condition, and staff wellbeing. NHS Staff Survey statistics show that more than a third (38%) of staff have experienced work-related stress, and more than half reported working unpaid overtime<sup>13</sup>.

Trusts tell us that they are developing programmes to address bullying and harassment staff wellbeing and the importance of these issues in determining the experience of staff should be recognised, and the decrease in staff engagement in the past year demonstrated by the NHS staff survey illustrates that despite the work provider trusts are doing to improve working conditions for their workforce, the increasing reliance on staff carrying out overtime due to chronic staff shortages is not sustainable in the long term, and work life balance is increasingly a primary reason for staff resignations in the NHS.<sup>14</sup>

Staff engagement correlates to productivity, staff turnover and sickness absence. The Keogh review of the quality of care and treatment provided by 14 hospital trusts in England recommended that all NHS organisations seek to understand the positive impact that happy and engaged staff can have on patient outcomes<sup>15</sup>. Feedback from trusts supports this, with many expressing concern that staff engagement has not been treated with serious concern among national leaders. An engaged workforce is consistently the

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<sup>11</sup> Royal College of Nursing (May 2018) <https://www.rcn.org.uk/professional-development/publications/pdf-007028>

<sup>12</sup> Royal College of Nursing (March 2018), <https://www.rcn.org.uk/news-and-events/news/service-under-strain>

<sup>13</sup> NHS Staff survey (March 2018), <http://www.nhsstaffsurveys.com/Page/1056/Home/NHS-Staff-Survey-2018/>

<sup>14</sup>NHS Digital (March 2018), <https://digital.nhs.uk/data-and-information/find-data-and-publications/supplementary-information/2018-supplementary-information-files/reasons-for-leaving/staff-leaving-due-to-work-life-balance-by-staff-group-january-2017-december-2017>

<sup>15</sup> NHS England (July 2013), <https://www.nhs.uk/NHSEngland/bruce-keogh-review/Documents/outcomes/keogh-review-final-report.pdf>

most predictive measure of overall success and addressing the core issues impacting on staff engagement must supplement any focus on pay for NHS staff if it is to have maximum impact.

## Targeting measures

We welcomed the targeting of the new pay deal to ensure that the greatest financial gains have gone to the staff whom will benefit the most. The new AfC pay structure largely rewards those at the lower points of each pay band, with staff at the first two points within bands 3-7 receiving earnings gains of over 20% by 2020/21.<sup>16</sup>

In a November 2017 survey completed by HR directors to inform our 2018 submission, 61% agreed with national targeting and 33% of respondents were opposed.<sup>17</sup> However, in a scenario where a targeted pay award for AfC staff was nationally agreed, HR directors suggested that the lowest paid staff, closely followed by those groups with the most difficult recruitment and retention, should be prioritised.

The government has asked the NHS PRB to consider the case for a national recruitment and retention premium (RRP) in 2019/20. NHS trusts vary in their approach to local RRP, and member feedback on a national system was equally split, with some favouring a national RRP system to support efforts in hard to recruit roles and others saying they did not support the use of this tool at a national level.

It is essential for the provider sector to be closely consulted on any specific proposals to introduce national recruitment and retention premia. While RRP has traditionally been used to allow flexibility according to local labour market conditions, a national system would require careful consideration over appropriate incentive rates, the type of roles supported and affordability implications for trusts.

## Further information

We would be pleased to respond to supplementary questions from the NHS Pay Review Body and would welcome the opportunity to discuss our evidence further at an oral evidence session.

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<sup>16</sup> NHS Employers (March 2018), <https://www.nhsemployers.org/your-workforce/2018-contract-refresh/framework-agreement>

<sup>17</sup> NHS Providers (December 2017), <https://nhsproviders.org/resource-library/submissions/written-evidence-to-the-pay-review-body>