



Fair Pay for a Quality Workforce - a briefing from All Together for the NHS

Executive Summary

All the trade unions within the health service, represented by the All Together for NHS campaign, are seeking urgent talks with UK governments to achieve a fair pay deal for NHS workers.

This means:

1. Full implementation of the NHS pay review body's recommendations this year (i.e. a 1% rise consolidated into the hourly rates of pay of everyone) and to pay the Living Wage.
2. An end to the pay freeze by committing to a cost of living increase for 2015.
3. Deliver fair pay in future that:
 - provides consistency across the UK
 - at least keeps pace with the cost of living
 - guarantees the independence of the NHS pay review body
 - begins to restore the value of NHS pay lost in the last five years
 - and enables NHS staff to benefit from the return of economic growth and their efforts in delivering better productivity in health services

These actions will require current and future governments to provide a sustainable funding settlement for the NHS that invests in quality services and a quality workforce for the benefit of patients.

In addition, the health unions are ready to discuss further measures to improve productivity in the NHS and keep the pay system up to date.

The health unions will campaign jointly to achieve these fair pay aims. This may take the form of a programme of ongoing industrial action as well as protest and other campaign activities.

Unions reject the government's imposed pay deal

The unions in the All Together for NHS campaign are in dispute over the government's rejection of the recommendations of the NHS Pay Review Body and the imposition of a two year pay deal which gives non-consolidated cost of living increases only to those at the top of the pay scale.

This pay policy has been uniquely imposed on the NHS in England, with different approaches adopted by the devolved governments. It is also divisive as it provides one off non-consolidated increases to just 40 per cent of the workforce. Unlike in Scotland, the pay deal also ignores the issue of low pay, with no commitment to paying a living wage.

We reject the government's arguments in the following ways:

- **NHS workers are facing a cost of living crisis** – by 2014 staff will have lost between 8 per cent and 12 per cent of the value of their wages based on their 2010 pay rates.
- **Low pay continues to be a problem** – the bottom two pay points in the NHS are below the national Living Wage of £7.65 an hour, around 21,000 workers directly employed by the NHS are paid less than this.
- **The NHS is facing a crisis of morale** – staff surveys show that morale is in decline, stress, restructuring, the falling value of take home pay and attacks on terms and conditions are all cited as key reasons for this.
- **Recruitment and retention is becoming a problem** – there are over 20,000 unfilled nursing vacancies in England and both Monitor and NHS Employers have highlighted the problems that will arise from unsustainable pay restraint.
- **There could be a damaging impact on patient care** – the Pay Review Body itself states that, if the government failed to deliver the expected 1 per cent pay rise for staff, “patients would be impacted through declining staff morale and engagement”.
- **Fair pay in the NHS is affordable** – investing in a high quality workforce is essential. At a time when the Department of Health is returning over £2bn in under-spend to the Treasury to plug the gap in public finances, it is wrong to assert that fair pay would compromise jobs and services. The government has also spent over £1.5bn on their top down reorganisation of the NHS.
- **Incremental pay progression is not a substitute for a cost of living increase** – progression is a performance-related process of reaching the agreed rate for the job, which is the top of the pay scale. As the Pay Review Body has pointed out previously, this should not be conflated with a cost of living increase. Using it as such, contravenes the government's intention to link progression more closely with performance.

- **The government is ignoring the Pay Review Body** - for the first time in the history of the independent NHS Pay Review Body, the government has chosen to ignore its recommendations. This has placed a growing pressure on industrial relations within the NHS and the perception among the workforce that the independence of the Pay Review Body has been compromised.
- **The NHS needs a sustainable funding settlement** – the NHS is heading to a critical financial position due to government under-funding. Using NHS England projections, public spending on the NHS will have fallen from 8 per cent in 2009 to 6 per cent by 2020. The government's failure to meet its commitment to properly fund the NHS is leading the service into a financial crisis. NHS workers are bearing the brunt.

Introduction

All Together for the NHS is the joint campaign group co-ordinated by the TUC which brings together unions from across the NHS. Unions representing workers in all parts of our health service have come together to jointly campaign for a fair deal for the NHS, including proper funding and investment in a high quality workforce that can continue to provide world class services.

This briefing sets out union concerns about the impact of the government's pay policy on NHS workers, the services they provide and the patients who rely on them.

Government pay policy for the NHS

In its 28th report in 2014, the independent NHS Pay Review Body made the following three recommendations for 2014/15:

- 1 per cent increase to all Agenda for Change pay points from 1 April 2014
- 1 per cent increase to the High Cost Area Supplement minima and maxima from 1 April 2014
- That the parties should take urgent steps to provide data on both long-term and short-term vacancies, to be available for consideration for our next review. We would expect the data available to allow us to identify whether there are any current and/or developing problems in specific geographies or sustained shortages in specific occupations.

In March 2014, the Secretary of State Jeremy Hunt announced that the government would ignore the recommendations of the NHS PRB and impose its own two year deal.

The government's imposed deal consists of:

- a 1 per cent non-consolidated¹ payment in 2014/15 for staff at the top of their pay bands who are not eligible for incremental pay progression
- no cost of living pay rise for staff on incremental progression
- the same approach for 2015/16 with a 2 per cent non-consolidated payment for staff at the top of their pay bands who are not eligible for incremental pay progression with a zero cost of living increase for staff on incremental progression
- As this is a two year deal, the PRB has been asked not to make a recommendation next year.

¹ It is a one-off payment which isn't added to the pay scales. It is also only added to basic pay, not to High Cost Area Supplements, overtime or allowances. It also means it is non-pensionable.

This will represent five years of pay restraint in the NHS, following pay freezes in 2011 and 2012, a 1 per cent cap in 2013 and the current offer extending into 2015/16.

The government's position was predicated on the following assertions:

- The NHSPRB's recommendations for a 1% consolidated rise for all staff, on top of automatic increments, are unaffordable and would risk the quality of patient care.
- It is not possible to maintain appropriate numbers of front line staff, give a general pay rise of 1% and pay for incremental progression.
- A consolidated 1% increase would be affordable if incremental progression was frozen for one year in 2015/16.

Devolved Nations

The government's approach varies from that of the devolved nations. To date, the following has been agreed:

- Scotland has agreed to implement the PRB recommendations in full and introduced a Living Wage.
- In Wales the Health Minister has said that he wishes to follow the broadly same approach as in England but is willing to talk to the unions about the possibility of distributing the award in a different way.
- In Northern Ireland the Minister has yet to make any announcement on the issue.

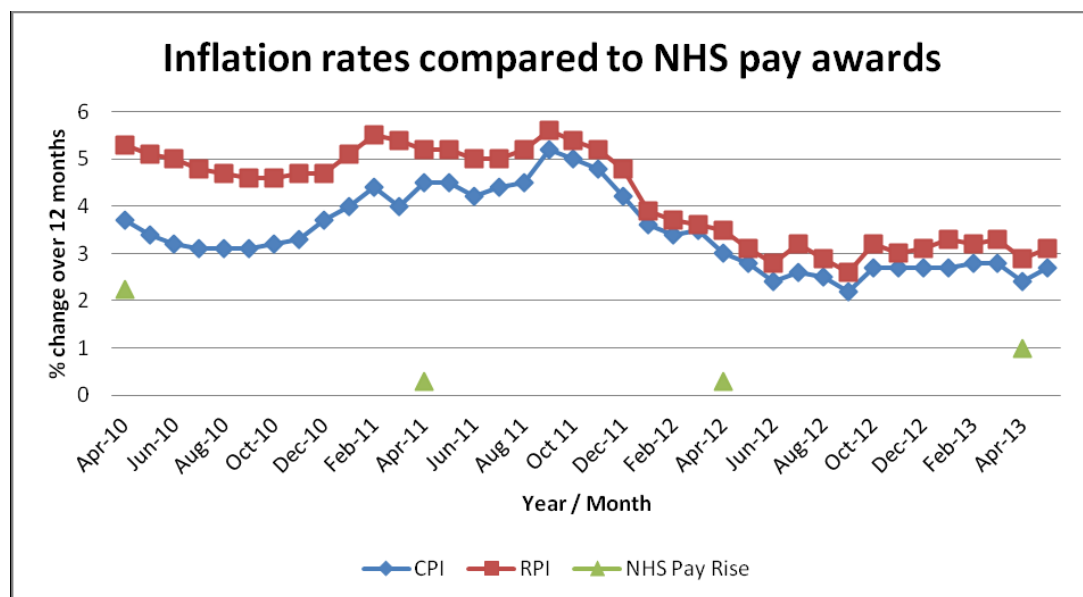
This means that for the first time there are different basic pay rates between the different countries of the UK.

What does this mean for NHS staff?

Living standards

- NHS workers have not had a real-terms pay increase since 2006, with the exception of one eight-month period when Retail Price Index (RPI) was negative.
- This means that by 2014, staff will have lost between eight per cent and 12 per cent of the value of their wages based on their 2010 pay rates².
- This is illustrated by the following table that maps NHS pay awards against both CPI and RPI from 2010.

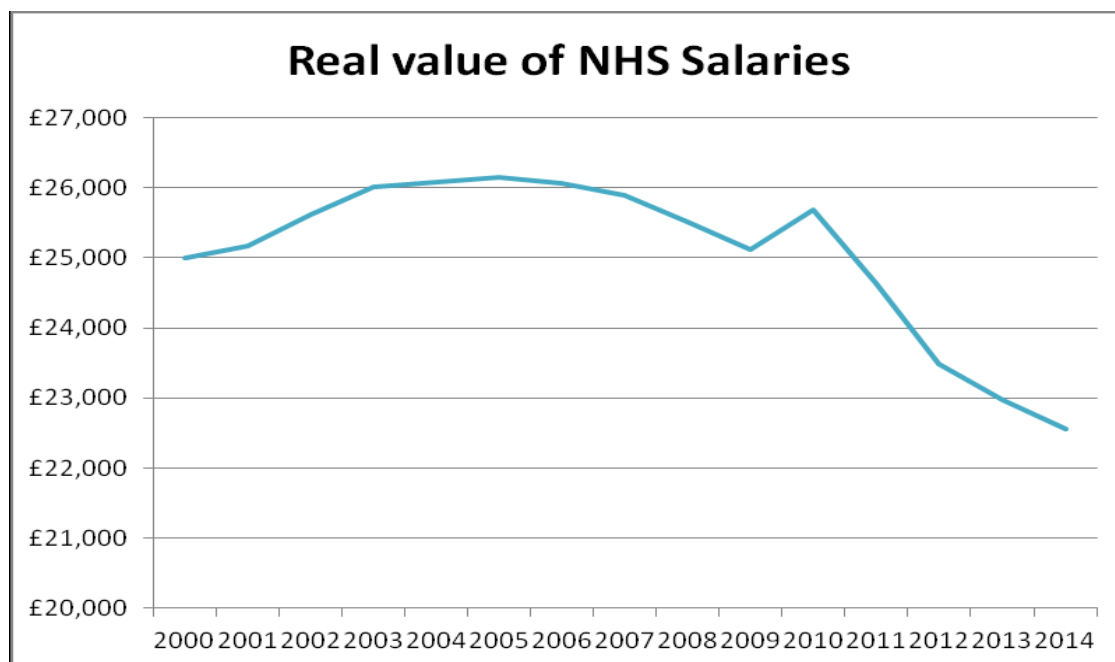
² Staff side submission to NHSPRB 2014/15, September 2013



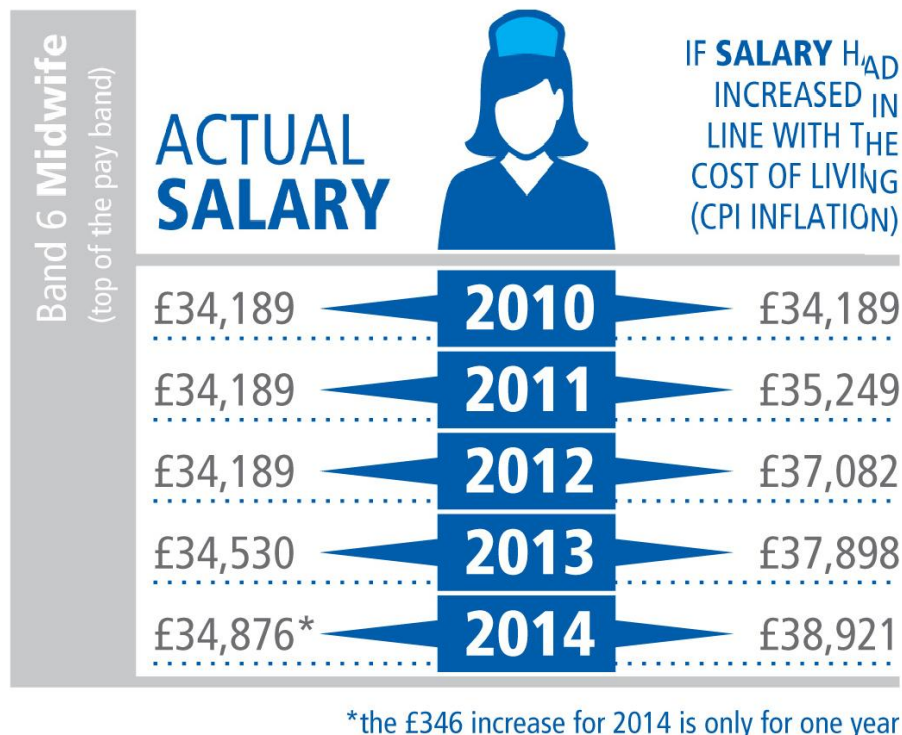
Source: ONS

The longer term impact on NHS wages is illustrated by the chart below, which takes a wage of £25,000 in the year 2000 and tracks the net impact of pay awards and inflation as an example of how its real value has grown and declined.

The exercise shows that the real value of the wage grew to a high of £26,146 by 2005, but the gap between inflation and the pay award has been so dramatic that the real value has now actually dipped below to £22,966 and this trend is set to continue into 2014.



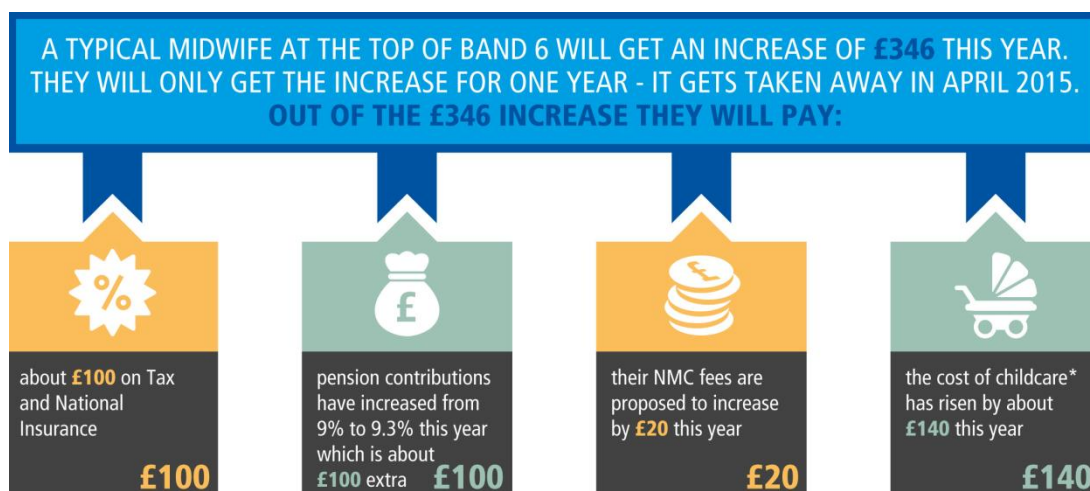
The graphic below shows the impact of government pay policy on a typical NHS worker, in this case a Band 6 Midwife at the top of their pay band who will be over £4,000 per year worse off due to their salary not increasing in line with inflation.



Source: RCM

These figures also do not include increased costs faced by NHS workers such as:

- Increase in pension contributions
- Increase in Nursing and Midwife Council fees



Source: RCM

This is clearly having a detrimental impact on the living standards of NHS workers, as union member surveys from 2013 show:

- 82 per cent of CSP members feel worse off than 12 months ago and 77 per cent feel their household finances have deteriorated
- 79 per cent of UNISON members in the NHS feel worse off than the previous year.
- 83 per cent of RCN members say their household income has stagnated or declined in the previous 12 months.
- 64 per cent of RCN members also say they are increasingly worried about their financial situation.

Low paid staff

The pay cap, changes to benefits and welfare payments and rising inflation are affecting all workers, but lowest paid workers are hardest hit.

The bottom two points (band 1 and 2) on Agenda for Change pay scales are currently below the national Living Wage figure of £7.65 per hour and the bottom three pay points (including bands 1, 2 and 3) are below the London Living Wage of £8.80 per hour. This means that there are around 21,000 workers directly employed by the NHS currently paid below the Living Wage³.

It would cost approximately £5.73m to implement the Living Wage across the NHS.

Integrating the Living Wage into Agenda for Change pay would maintain pay integrity across the UK and reduce current inconsistencies in the pay system. The Living Wage could also be achieved by removing pay point 1 and moving NHS staff on pay point 1 up to pay point 2 – this would cost approximately £7.53m and future-proof the Living Wage for successive pay rounds.

Morale and motivation

This unprecedented squeeze on the living standards of NHS workers comes at a time when they are faced with increasing demand, major restructuring, the drive for challenging efficiency savings and staff shortages.

Joint union surveys have consistently shown that members of staff in the NHS have been identifying year on year increases in workloads and stress attributed largely to vacancy freezes, redundancies and staff shortages.

In addition these surveys have also identified the decline in morale and motivation within the NHS workforce due to these increased workloads and pressure from managers to keep meeting annual financial and Government targets in an environment of dwindling resources.

³ UNISON submission to NHS Pay Review Body 2014/14, September 2013

A range of surveys indicate an alarming decline in the morale and motivation of NHS workers:

- Only 55 per cent of respondents to the 2013 NHS Staff Survey in England would recommend their organisation as a place to work.
- The UNISON membership survey 2013 found that 75 per cent of respondents believed morale was worse than 12 months ago.
- The Chartered Society of Physiotherapy (CSP) membership survey found that 66 per cent believed that morale had declined in the last 12 months, with 18 per cent saying it was “a lot worse”
- Unite’s 2013 membership survey found that morale and motivation was worse for 68 per cent of its members how work in the NHS.

The four main reasons outlined for this sharp decline in the Unite survey were:

- increased workplace stress (76 per cent)
- restructuring and reorganisation (64 per cent)
- the falling value of take home pay (61 per cent)
- attacks on terms and conditions (56 per cent).

The following chart from the Chartered Society of Physiotherapists shows how a combination of restructuring, work intensification, job insecurity and attacks on pay and conditions of work is leading to a crisis of morale.



This has been echoed by the National Audit Office which has warned that ‘sustaining the savings made through pay restraint may not be easy in the longer term and may have a detrimental effect on staff morale and productivity’.⁴

Recruitment and retention

This level of anxiety about work pressures, workloads, standards of living and job security is clearly impacting on how the NHS is viewed as a career choice. For example the Unite Survey showed that above half (56 per cent) of all respondents said that they would probably not or definitely not recommend their own occupation or profession as a career in the NHS.

Other surveys are just as negative, with just 39 per cent of RCN members and 34 per cent of UNISON members stating they would recommend their career or profession.

Other findings from the RCN survey show that while many continue to believe nursing is a rewarding career, there is a growing pessimism about nursing as a career in the NHS, with just a third (33 per cent) believing nursing would offer a secure job in the future, and only 38 per cent stating that they would not want to work outside nursing. In fact, just under two-thirds (62 per cent) of RCN members working in the NHS have considered leaving their job in the last year.

Looking at the UNISON survey, a similar number (61 per cent) have also considered leaving their jobs either ‘fairly’ or ‘very’ seriously. The main reasons cited by those who have considered leaving are the changing nature of the NHS (restructuring /reorganisation), staff shortages, feeling undervalued due to managers’ treatment of staff, and feeling undervalued due to levels of pay. Worryingly, half of the respondents stated they would leave to take up a position completely outside the NHS.

The NHS is already having problems recruiting and retaining staff, which make the findings of these surveys all the more significant.

Many trusts are failing to recruit nurses and other staff. A report from the RCN estimates that there are 20,000 nursing vacancies alone unfilled in England.⁵ The RCN points out that nurses are being recruited from abroad to trusts all around the country, which indicates a workforce in crisis. Many of those nurses who have been recruited from abroad are not staying in the UK long due to the difficult working conditions.

Nursing must be seen as an attractive profession not just to join but to remain in. Yet Professor Ian Cumming, Chief Executive of Health Education England has raised concerns

⁴ National Audit Office (2012), *Progress in making NHS efficiency savings*

⁵ *Running the Red Light*, RCN, November 2013

that the NHS is facing a drain of talent as staff look to more attractive offers in other health services.⁶

Monitor, the health service regulator, has recognised that the government's approach to pay is unsustainable and will potentially impact on productivity, recruitment and retention:

"Holding back wages is an approach consistent with many other countries. Health systems across Europe have contained health spending in recent years using top-down wage freezes or reductions rather than structural reforms to services. However, the impact on the quality of patient care of freezing wages poses a significant challenge to countries pursuing this policy. But we do not believe this is a sustainable strategy for improving productivity in the NHS. Periods of wage restraint are generally followed by periods of "catch up" with their trend level in subsequent years. Extended wage restraint also impairs recruitment and staff retention".⁷

This is reflected by NHS Employers also. Writing for the Health Service Journal, their Chief Executive Dean Royles commented:

"I know we, as employers, cannot go on asking for pay freezes year in, year out. It frustrates me when commentators say a pay freeze is easy. It's not. It can affect morale and values; it can widen pay gaps. It not easy to recommend and even harder to try and justify to staff who are working hard, all hours, to provide care and to make ends meet ... We can also learn from experience. Public sector pay has been like a pendulum. We erode and eat away at earnings until we get a recruitment and service crisis. So we throw money at it from the wrong side of the negotiating table (usually in ways that fail to value our staff, so we get no corresponding morale lift when we do award increases). The public then criticise overpaid public sector workers and the cycle starts all over again. We need to break out of it. We have to be creative and bold."⁸

What does this mean for patients?

Fair pay is needed to maintain a quality workforce, good patient care and sustainable services. Poor pay, and erosion of pay levels risk compromising quality and safety for patients. If staff do not feel valued they will not feel engaged. Staff engagement is seen as essential to patient care, so poor pay will affect patient care.

The Pay Review Body makes this clear:

"We recognise the connection between quality patient care and the morale and motivation of the staff delivering that care. Our conclusion was that Government statements have led

⁶ NHS could be 'stuffed' by mass exodus of nurses to US, HSJ, May 2014

⁷ Closing the NHS funding gap: how to get better value health care for patients, Monitor, October 2013

⁸ 'Break the cycle of pay freezes and service crises', Dean Royles, HSJ, February 2014

staff to expect a pay settlement this year of around 1 per cent. If these expectations were to be dashed, patients would be impacted through declining staff morale and engagement.”⁹

The Francis Inquiry and Keogh Review into 14 NHS Trusts in England have both intensified concerns over patient care. The Keogh Review into 14 Trusts identified concerns about skill mix, support for staff, a fear of raising concerns and staffing levels – all of which impact on patient care and safety.

The Francis Report detailed a culture in which the needs of patients are too often sidelined for the self interest of the system, placing financial balance above patient care. If nothing else, the Francis report should have alerted the government to the fact that staffing levels cannot be traded for quality. However there have been falling staffing levels and a dilution of skills mix across almost all parts of the NHS since 2010.

Poor care is never acceptable and trade unions do not defend any examples of bad patient care. But the lessons from the Francis Inquiry and the Keogh Review are clear: the NHS needs to employ enough trained staff and engage them. Staff need the necessary resources and support to do their job properly.

But as we have seen from the surveys quote above, increasing numbers of NHS workers are losing morale and motivation and are concerned about the standard of service they are able to provide at a time of financial stress and upheaval within the NHS.

Is fair pay in the NHS affordable?

The government contends that paying a 1 per cent consolidated increase to all staff is unaffordable unless incremental progression was frozen.

However, the report of the independent NHS Pay Review Body states that:

“On affordability, we are in no doubt that trusts and some of the Devolved Administrations are in increasingly difficult financial circumstances. On the other hand, the Department of Health and the Scottish Government told us that funding was being made available to employers to cover a 1 per cent rise this year”¹⁰

And the Pay Review Body clearly shows that the government is exaggerating the impact of incremental progression:

“The evidence we received from the Department of Health and NHS Employers implied that incremental progression cost 2 per cent per annum. However, we understand that the net cost was 0.6 per cent in 2012/13 and may well be lower this year as more staff reach the top of their pay band. Therefore, we do not consider incremental pay to be costly, in net terms,

⁹ NHS Pay Review Body 28th Report, March 2014

¹⁰ *ibid*

because of new staff being recruited to the bottom of the scale, replacing, in general, staff at the top point.”¹¹

The government states that full implementation of the PRB recommendation would cost £450m and that £200m a year is being saved through the pay freeze. However, the government is wrong to argue that NHS pay restraint is supporting jobs and services, it is being used to plug the gap in the public finances.

Department of Health accounts for 2012/13 reveal that the NHS under-spent by £2.2bn and that this was handed back to the Treasury in order to pay off the UK’s financial deficit rather than invest in the workforce or patient services. This follows £1.4bn which was handed back to the Treasury the previous year.¹²

At the same time, the government has diverted money from patient care into its massive top down re-organisation of the NHS. Even the government’s own conservative estimates put this cost at over £1.6bn.¹³

What is incremental progression?

The government states that all NHS workers will be getting a minimum 1 per cent pay rise as those staff not at the top of the pay band will continue to benefit from rising pay due to incremental progression. Around 60 per cent of NHS staff are not at the top of their pay band and will not therefore receive a cost of living increase.

But incremental pay progression is not a substitute for a cost of living increase. As the Pay Review Body has pointed out before, it is not appropriate to conflate pay progression with the annual cost of living increase.

Pay progression is merely a staggered way that workers progress to a given rate for the job, it is based on the accumulation of skills and experience and, since April 2013, has been explicitly linked to appraisal and competency. It is clearly linked to performance and not time served in the job. And it forms part of NHS workers’ contract.

As such, pay progression in the NHS is the fairest, most transparent and most cost effective way of managing performance and productivity in such a large and complex service and mirrors similar schemes employed in private sector firms like Fords, BAE Systems, E.ON and HSBC.

The government’s substitution of pay progression for a cost of living increase is contrary to its aims of encouraging a greater link between performance and pay in the NHS. Local partnerships have spent the last 12 months designing and implementing incremental pay

¹¹ NHS Pay Review Body 28th Report, March 2014

¹² ‘DH to hand billions of underspend to the Treasury’, Pulse, 21 August 2013

¹³ Hunt: reforms will cost up to £1.6bn, HSJ, October 2012

progression policies based on the link with performance. This is now being used as a replacement cost of living increase and staff feel misled.

A new funding settlement for the NHS

The NHS is heading for serious financial difficulties.

In their Quarterly Monitoring Report 2014, the Kings Fund reports that there is a growing pessimism about the overall financial health of the wider health and social care system, with over a third of finance directors “very pessimistic” about their financial position over the next year, the highest figure since their surveys began and 1 in 5 trusts operating a deficit by the end of the financial year.

The Kings Fund reports that:

More than one in five trusts and one in eight CCGs report a possible overspend by the end of this financial year. The NHS Trust Development Authority has reported that around 30 per cent (of 102) non-foundation trusts are planning a deficit for this financial year (NHS Trust Development Authority 2013) and Monitor reports that around 11 per cent (of 147) foundation trusts are forecasting a similar position (Monitor 2013)

The Kings Fund point out that the funding plans set out in the 2010 and 2013 Spending Rounds amount to a 0.1 per cent marginal increase per year to 2015/16, although lower than expected inflation resulting from prolonged economic stagnation has meant that this has been close to 0.5 per cent with a real terms decrease in 2010/11. This comes at a time when both demand for services and costs of treatment are rising. Traditionally the NHS has benefitted from an average of around 4 per cent increase in funding per annum.

The increasing gap in funding is expected to be plugged through greater efficiency savings. To date, savings have largely been achieved through the suppression of NHS pay. But a range of organisations including Monitor, Incomes Data Services, NHS Employers and the Public Accounts Committee have stated that this is unsustainable. And, in any case, it is unlikely that the NHS will be able to meet the funding gap through efficiencies alone.

The government needs to put the NHS on a sustainable financial footing.

The Wanless Review in 2002 remains the most sophisticated attempt to estimate the spending requirements in order to deliver a health service that would deliver better access, higher quality care and a more patient-centred service, including better patient safety, capacity and reduced waiting times.

The report concluded that delivering this vision for the NHS, while taking into account health care inflation rates and demographic change, would require increased funding from 7.7 per cent of GDP in 2002/03 to between 10 – 12 per cent by 2022/23.

Yet analysis from the Kings Fund¹⁴ shows that, using NHS England projections, government spending on the health service is likely to fall from 8 per cent in 2009 to just 6 per cent in 2020. That represents an under-spend of £35bn per year by the end of the decade.

The government cannot continue to starve the NHS of funds and expect NHS staff and patients to suffer the resulting burden.

Conclusion

NHS workers are bearing the brunt of the government's under-funding of the NHS.

Flat budgets and cash transfers to social care at a time of rising demand is leading to a funding crisis in our health service, with over a quarter of Trusts predicted to be in deficit next year.

The NHS has been asked to find unprecedented efficiency savings as part of the struggle to balance budgets. To date, most of this has been achieved through suppressing the pay of NHS workers.

Yet at the same time, the Department of Health is returning significant funds back to the Treasury in order to meet the government's arbitrary deficit reduction timetable.

The negative impact on the living standards and morale of NHS workers is troubling. And it is likely to have subsequent effects on effects for staff engagement, performance and patient care.

NHS workers deserve better. NHS patients deserve better. The All Together for NHS campaign for fair pay is based on respect for the Pay Review Body and a fair deal for the workforce.

We call on the government to deliver a fair pay deal for the NHS. This means:

- Full implementation of the NHS pay review body's recommendations this year (i.e. 1% rise consolidated into the hourly rates of pay of everyone) and pay the Living Wage.
- An end to the pay freeze by committing to a cost of living increase for 2015.
- Deliver fair pay in future that:
 - provides consistency across the UK
 - at least keeps pace with the cost of living
 - guarantees the independence of the NHS pay review body
 - begins to restore the value of NHS pay lost in the last five years
 - and enables NHS staff to benefit from the return of economic growth and their efforts in delivering better productivity in health services

¹⁴ The NHS Productivity Challenge, Kings Fund, May 2014