

NHS Pay Review Body Thirty-Second Report 2019

Chair: Philippa Hird

NHS Pay Review Body

The NHS Pay Review Body (NHSPRB) is independent. Its role is to make recommendations to the Prime Minister, the Secretary of State for Health and Social Care, the First Minister and the Cabinet Secretary for Health and Sport in Scotland, the First Minister and the Minister for Health and Social Services in Wales, and the First Minister, Deputy First Minister and Minister for Health in Northern Ireland, on the remuneration of all staff paid under Agenda for Change and employed in the National Health Service (NHS)¹.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

the need to recruit, retain and motivate suitably able and qualified staff;

regional/local variations in labour markets and their effects on the recruitment and retention of staff;

the funds available to the Health Departments, as set out in the Government's Departmental Expenditure Limits;

the Government's inflation target;

the principle of equal pay for work of equal value in the NHS;

the overall strategy that the NHS should place patients at the heart of all it does and the mechanisms by which that is to be achieved.

The Review Body may also be asked to consider other specific issues.

The Review Body is also required to take careful account of the economic and other evidence submitted by the Government, Trades Unions, representatives of NHS employers and others.

The Review Body should take account of the legal obligations on the NHS, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief, and disability.

Reports and recommendations should be submitted jointly to the Prime Minister, the Secretary of State for Health and Social Care, the First Minister and the Cabinet Secretary for Health and Sport in Scotland, the First Minister and the Minister for Health and Social Services in Wales, and the First Minister, Deputy First Minister and Minister for Health in Northern Ireland².

Members³ of the Review Body are:

Philippa Hird (Chair) Richard Cooper Patricia Gordon Neville Hounsome Stephanie Marston Professor David Ulph CBE Professor Jonathan Wadsworth

The secretariat is provided by the Office of Manpower Economics.

¹ References to the NHS should be read as including all staff on Agenda for Change in personal and social care service organisations in Northern Ireland.

² In the absence of a First Minister, Deputy First Minister and Minister for Health of the Northern Ireland Executive, the report is submitted to the Permanent Secretary of the Department of Health, Northern Ireland.

³ Neville Hounsome and Stephanie Marston were appointed on 17 December 2018. Richard Cooper was appointed on 1 March 2019.

NHS PAY REVIEW BODY 2019 REPORT

Executive Summary

1. This is the first of our reports since the implementation of the three-year Agenda for Change (AfC) pay agreements in 2018 which cover over 1.3 million AfC staff and a pay bill of around £40 billion. The agreements are the most significant change to pay arrangements in the NHS since the introduction of the AfC structure in 2004. Our report does not make pay recommendations, as the pay rates are set under the agreements, but it does assess the evidence against our standing terms of reference and considers the way in which these inform our monitoring of the implementation and impact of the agreement through to 2020/21.

Our overall conclusions

- The NHS faces a range of challenges and there is widespread recognition that the NHS workforce challenge is among the most significant. A Workforce Implementation Plan to be published later this year is intended to underpin major service changes set out in the NHS Long Term Plan for England published in 2019.
- There has been investment to reform AfC pay. The three-year agreement is designed to support the planned workforce developments and the 2018 NHS Staff Survey in England indicated that levels of satisfaction with pay had increased over the previous year.
- Our approach to monitoring the implementation and impact of the AfC pay agreement is based on the core issues in our standing terms of reference, specifically affordability, recruitment, retention and motivation.
- Affordability considerations include securing sufficient ring-fenced resource for necessary workforce developments and investment in training and development budgets, and avoiding the diversion of these resources to meet financial crises elsewhere in the NHS.
- The workforce gap we recognised in our last report persists and continues to create unsustainably high levels of vacancies, work pressures and potential risks to patient care. There are plans in place to bridge the gap but these contain significant recruitment and retention risks. The recruitment risks are pre-registration entrants, EU recruits and the development of new roles, such as nursing associates and apprenticeships. The retention risks to the plans are workload, flexible working opportunities and leadership capacity.
- The trends in the nursing workforce are a particular concern with increasing nursing vacancy rates and substantial declines in the number of people applying for nursing degrees in the last two years in particular from mature students who represent 60% of entrants.
- Workforce planning needs to be informed by requirements for services and transformation, NHS funding constraints and expected productivity improvements. The accountability for workforce planning continues to be dispersed across a number of bodies despite the need for system-wide solutions.
- The NHS Long Term Plan identifies productivity improvements to come from developing new technology, changes to skill mix and improved ways of working. For NHS staff to contribute to these improvements effectively, it is important that they are fully involved in the way in which these are planned and delivered.

- Bank working has allowed trusts to cover the workforce gap and has delivered flexibility for some staff. More work is needed to clarify the role to be played in the long term by NHS banks as part of the overall resourcing strategy.
- Despite current economic uncertainty, a tightening labour market is increasing the competition for talent. The NHS has a reformed AfC pay structure which needs to be supported by effective entry routes, new roles and career pathways and by ensuring that existing staff work in a supportive and well-managed environment and so are able to act as advocates for AfC roles.

Our remits

2. The AfC pay agreements in England, Scotland and Wales were finalised and implemented during 2018. In Northern Ireland, a 2018/19 pay award for AfC staff was announced in December 2018. The 2019/20 remit letters for England, Wales and Northern Ireland did not seek our pay recommendations but invited us to monitor the implementation and impact of AfC pay agreements. The Scottish Government told us that it had not been able to identify substantive issues for a remit for 2019/20. For England, the Secretary of State asked us to consider the difficulties recruiting and retaining IT staff. The Permanent Secretary of the Department of Health, Northern Ireland asked us to consider any issues raised regarding difficult to fill nursing specialisms.

NHS context

- 3. The NHS continues to operate under significant pressures with challenges from increasing demand and the need to transform services. There appears to be consensus among NHS organisations, the UK Government and external commentators, that the challenges in delivering service change, for instance through the NHS Long Term Plan in England, will require more productive systems, and an appropriately staffed and reconfigured NHS workforce.
- 4. The workforce gap is widely recognised as a leading challenge for the NHS. A Workforce Implementation Plan is expected to be published later in 2019. We have yet to see clear estimates of workforce demand, which assess requirements for services and transformation, NHS funding constraints and expected productivity improvements. The five-year NHS funding settlement and the Barnett consequentials for the Devolved Administrations need to provide sufficient resource to deliver the necessary workforce development. The new service models and integration with social care highlighted in the NHS Long Term Plan will require new NHS roles with wider responsibilities, improved career structures and pathways, and effective supporting pay arrangements. Adequate funding is required for new and reconfigured roles, supported by investment in training and development.

The parties' evidence and our analysis

- 5. The main points from the evidence (Chapter 3) and our conclusions (Chapter 4) are:
 - <u>Economy and labour market</u> while current economic conditions are uncertain, there are signs of a tightening labour market as evidenced by increasing employment rates and upwards revisions to forecasts for average earnings. These could have implications for AfC recruitment, retention and motivation. The Joint Staff Side continued to focus on both the recent period of pay restraint relative to inflation and the way in which inflation will influence their approach to AfC pay once the agreement has been fully implemented; (Paragraphs 4.2 to 4.16)

- <u>AfC earnings</u> for nurses, we note that starting pay has lost value between 2009 and 2017, particularly compared with RPI inflation, and to a slightly lesser extent relative to full time employee earnings growth. Some of that value has been recovered as a result of the AfC pay agreement in 2018/19. The most significant effects of the agreement will be felt as the structural changes work through in 2019/20 and 2020/21. Data on graduate pay show that NHS professions, particularly nursing, were ahead of the median earnings of graduates a year after graduation and they remained above median earnings after five years, but after 10 years they fell just below the median for graduates as a whole. We consider that assessing pay across an NHS career will become an increasingly important part of our evidence-base as AfC roles and careers develop; (Paragraphs 4.17 to 4.33)
- <u>Total reward</u> the parties all recognise the importance of the total reward package and we heard from AfC staff that security of employment was important, and that the value of different elements of the package would vary depending on individual circumstances and their point in an NHS career. NHS pensions could also be more flexible at different stages; (Paragraphs 4.34 to 4.40)
- <u>Service transformation</u> without service transformation rising demand for services will continue to impact on AfC staff through increased workload, additional paid and unpaid overtime, an increased need to cope with vacancies and a growing reliance on the continued goodwill of staff. We await the Workforce Implementation Plan later in 2019 to understand the workforce developments needed to support the proposals in the NHS Long Term Plan; (Paragraphs 4.41 to 4.51)
- <u>Integration</u> Integrated Care Systems are planned to be in place in all areas by 2021. We saw on our visits that new ways of working were being developed locally and further evidence should be provided on the way in which integration might influence the skill mix, any changes to AfC roles, any developments on employment arrangements and the implications for pay; (Paragraphs 4.44 to 4.45)
- <u>Productivity</u> AfC staff can see and are supportive of the overall need to improve productivity but they are not always clear about the way in which they contribute in teams and as individuals to the productivity and efficiency measures used across the NHS. A major feature of productivity improvements will be a differently configured workforce. Understanding the drivers and definitions of productivity would allow NHS staff to be involved effectively in making change happen. Staff, managers and organisations need to be clear about which productivity improvements derive from the benefits of developing new technology, process improvement, changing the workforce skill mix and improved ways of working. For NHS staff to contribute to these improvements effectively, it is important that they are fully involved in the way in which these are planned and delivered. It is widely recognised that improving staff morale, motivation and engagement can be effective in contributing to enhanced productivity; (Paragraphs 4.46 to 4.51)
- <u>NHS affordability and efficiency savings</u> while the AfC pay agreement is funded for three years, we remain aware of the overall position on affordability in the NHS so that we can build a picture over the period of the agreement. Notwithstanding the additional overall NHS funding over the next five years, there is a continued risk to the effective implementation of the NHS Long Term Plan and the expected Workforce Implementation Plan from the financial challenges faced by trusts; (Paragraphs 4.52 to 4.55)
- <u>Workforce strategies and workforce numbers</u> the approach to workforce planning continues to be dispersed across a number of bodies. We consider that estimates of workforce demand should be informed by requirements for services and transformation, NHS funding constraints and expected productivity improvements; (Paragraphs 4.56 to 4.68)

- <u>Vacancies and shortage groups</u> NHS organisations and external commentators agree that the emerging NHS Improvement data are improving the understanding of the size of the workforce gap. The vacancy data indicate that the total volume in England is a continuing concern to the parties. While the overall number of vacancies has varied between 2017 and 2018, there has been an increase in the nursing vacancy rate and a steady decline in the vacancy rate for other non-medical staff. The data also suggest an unequal distribution of vacancies in terms of geography and specialty. Shortages affect the workload of staff since the NHS relies on their goodwill and their willingness to do paid and unpaid overtime. These issues could impact on staff motivation and morale, their retention, their willingness to recommend the NHS as a career, and on services to patients; (Paragraphs 4.72 to 4.78)
- <u>Supply and recruitment</u> the dispersed accountability for delivering the required number of entrants makes it difficult to reconcile trends and the way in which they might match rising service demand. We have seen no assessment of the potential impact of each of the proposed solutions separately to improve the number of qualified people available and willing to work in the NHS. Further evidence is needed on the effect of moving to the standard student loan system in England, increasing clinical placements, actions to reduce attrition rates during training, the introduction of new roles and apprenticeships, and the impact of changes in EU and non-EU recruitment; (Paragraphs 4.79 to 4.81)
- Pre-registration entrants there has been a 26% fall in the number of nursing • applicants since 2016 and a fall in the ratio of applicants to acceptances from 2.27 to 1.69, and a small decrease in acceptances to nursing degrees. A market now operates for university places for nursing and AfC-related health degrees, and applicants could be influenced by the availability of a broader range of healthrelated degrees and the increase in medical places. If the available pool of applicants are appropriately qualified, if the Government meets its target for an extra 5,000 clinical placements and this removes a current constraint on the number of places universities can offer, and if the market for university places is working, one might expect a significant rise in the number of nursing and AfC-related acceptances onto degree courses in 2020, 2021 and 2022. It is important that clear mechanisms need to be in place to improve the attractiveness of nursing within the NHS and to encourage the right numbers of suitably gualified applicants. There needs to be further evidence on the way in which the targets can be achieved given the current trends and a better understanding of the factors driving applicants, acceptances and attrition. The bursary remains in place in all countries except England, and there were increases between 2016 and 2018 in applicants accepted to study nursing in Scotland and Wales, with a slight fall in applicants accepted in Northern Ireland; (Paragraphs 4.82 to 4.101)
- <u>Recruitment of nursing associates</u> we consider that the effectiveness of the introduction and impact of nursing associates will be a key leading indicator in assessing the success of workforce developments. The first nursing associates qualified in January 2019 and a further 7,500 were to be in training in 2019. The new roles represent a small part of the solution to closing the workforce gap and a strategic approach to deployment will be required to realise the ambitions of the programme. There is a need for overarching direction, leadership and a coherent strategy across the NHS in order for the role to be deployed effectively; (Paragraphs 4.105 to 4.107)

- <u>Recruitment of apprentices</u> the parties reiterated that apprenticeships are an important source of supply across a range of NHS occupations. Their effective use could contribute to supporting overall workforce developments in moving to new ways of working and achieving a change in skill mix. NHS Employers raised practical concerns about ring-fencing of apprenticeship funds from the levy, capacity for supervision, the time requirements for off-the-job training and backfilling of posts. The Joint Staff Side were concerned that many lower pay band posts were being converted into apprenticeships. We encourage further discussion among the parties to reach consensus on a consistent approach to AfC apprenticeship pay arrangements. As the labour market tightens, effective apprenticeship programmes could give the NHS a competitive advantage in attracting people to the NHS; (Paragraphs 4.108 to 4.117)
- <u>Supply of bank and agency staff</u> the NHS relies on a consistent source of temporary staffing enabling trusts to flex the workforce according to demand. Approximately 90% of AfC vacancies were covered by bank and agency staff. Since the introduction of the ceiling in 2015, agency spending has been more effectively controlled and there has been a shift towards bank arrangements. The parties told us that this shift provided flexible employment for staff and better continuity of care for patients. More work is needed to clarify the role to be played in the long term by NHS banks as part of the overall resourcing strategy. We were pleased to see that further negotiation on a collective framework on bank and agency working was a priority for 2019. In Northern Ireland, agency spending has increased significantly over the last five years. Actions to bring down agency spending to an affordable level in the short term could be challenging but we look forward to further evidence on any implications; (Paragraphs 4.118 to 4.121)
- <u>Retention</u> a degree of turnover is normal to refresh the workforce, but, after a consistent upward trend in turnover rates since 2010, particularly for clinical staff, turnover in 2017/18 levelled off. We welcome the progress with NHS Improvement's retention programmes and see these as a good example of implementing targeted approaches to make a significant impact. Maintaining NHS retention at a manageable level is essential given the workforce gap and current supply concerns. The data on the reasons for AfC staff leaving the NHS remain patchy at best, and inadequate to make a full assessment of the influencing factors; (Paragraphs 4.122 to 4.129)
- <u>RRP and HCAS</u> on a general point, we look forward to reviewing the evidence should DHSC provide us with a remit to review RRP or HCAS as trailed in the AfC pay agreement; (Paragraphs 4.130 to 4.132 and 4.140)
- For IT staff, DHSC said that it had made only limited progress in assessing the recruitment and retention difficulties, but NHS Employers, NHS Providers and the Joint Staff Side did not see IT staff as a priority group for pay. The initial evidence provides indications of some issues in IT recruitment and retention but not at this stage sufficient evidence of a widespread national problem to support an immediate pay response. We set out the detailed evidence requirements, including on the emerging role of NHSX, to support the assessment for IT staff; (Paragraphs 4.133 to 4.137)
- With regard to difficult to fill nursing specialism posts in Northern Ireland, we did not receive any detailed evidence on which to make an assessment and therefore ask the parties to present a robust case with further evidence and supporting data should they wish us to review the position; (Paragraphs 4.138 to 4.139)

- <u>Motivation and engagement</u> the NHS Long Term Plan will require a substantial measure of goodwill and engagement from AfC staff to be effective. Staff motivation, morale and engagement are enablers of delivering workforce and service change. We have heard consistent messages in the parties' evidence and during our visits on the importance of promoting staff health and wellbeing. We note that there are a range of initiatives underway through the NHS Long Term Plan, NHS Improvement's collaborative programme and the AfC pay agreement. In recent years, we have also commented on the concerted efforts made by NHS Employers to provide tools and materials to trusts to improve staff engagement; (Paragraphs 4.141 to 4.143)
- The 2018 Staff Surveys suggest that many indicators on job satisfaction and engagement have been on an upward trend, since 2011 in England. There are worrying indicators on harassment, bullying or abuse from the public, work-related stress, having enough staff to do their job properly, and on working additional paid and unpaid hours. In England, there was an increase in the proportion of AfC staff satisfied with pay, although only returning to the level last seen in 2015 and below that in 2011. The 2018 increase in satisfaction could reflect the introduction of the AfC pay agreement. There was also a high and increasing proportion of staff receiving appraisals. Overall, the survey results show both job satisfaction and the challenges of working in the NHS, and some emerging results to help track the implementation and impact of the AfC pay agreements. (Paragraphs 4.144 to 4.156)

AfC pay agreement – implementation and impact (Paragraphs 4.168 to 4.197)

- 6. While assessing the evidence on our standing terms of reference, we have identified key leading indicators on workforce and pay that provide the baselines against which to monitor the AfC pay agreement. There are a limited number of implementation issues to review at this stage and it is too early to make an assessment of the long term impact of the AfC pay agreement. Many of the major impacts, such as changes to pay structures and progression arrangements, will take time to embed and influence recruitment, retention and motivation, and will be assessed in our later reports.
- 7. The delivery of wider workforce developments as an integral part of pay reform has been given renewed impetus in the NHS Long Term Plan. The Workforce Implementation Plan will need to link the way in which reformed AfC pay structures can support or be adapted to reflect new workforce requirements, new roles, training and development, and career paths.
- 8. <u>Priorities at April 2019</u>. The NHS Staff Council has made progress and reached agreements or identified further negotiations under the AfC pay agreement. An objective was to increase staff engagement by putting appraisal and personal development at the heart of pay progression so that staff could make the greatest possible contribution to patient care. We note that the NHS Staff Council agreed a revised national pay progression framework coming into effect for new staff and promotees from 1 April 2019, with existing staff in post before 1 April 2019 remaining on current procedures until 31 March 2021. In practice, the approach agreed by the parties means that AfC pay increases for existing staff in Years 2 and 3 of the agreement will be made in accordance with progression arrangements already in place.

- 9. Shorter pay bands with larger pay increases place a greater emphasis on the performance review process with more now at stake. More staff will reach the top of pay bands earlier and the lack of further progression opportunities could be demotivating, put pressure on the grading system and could influence staff retention. Career development incentives might be required to counteract the impact. We note that staff in NHS Wales are already covered by a single national pay progression system providing opportunities to develop a consistent approach to enhancing staff contribution to patient care and developing careers. We consider that outputs from the progression framework will be a key leading indicator of the success of the AfC pay agreement in England and Wales.
- 10. We welcome the progress made by the NHS Staff Council on:
 - The agreement on transitional arrangements for Band 1 and 2 posts from April 2019 which takes a pragmatic approach in allowing time to reconfigure posts and to enable staff to make a choice;
 - New arrangements for unsocial hours payments from September 2018 with particular implications for ambulance staff;
 - Further negotiations on arrangements for apprenticeship pay; and
 - The agreements on enhanced shared parental leave and child bereavement leave. Further negotiations are planned on buying and selling annual leave.
- 11. <u>Priorities for 2019/20</u>. We look forward to the outcomes from the NHS Staff Council's work during 2019/20 on the opportunities for consistency in bank and agency arrangements, guidance on supporting staff taking their annual leave and Time Off In Lieu, and reviewing monitoring data, including any equality impact. We note that the parties have identified the need for further refinements to the pay structure at the end of the three-year agreement. On funding, the parties alerted us to concerns about the 2018/19 arrangements being insufficient and we ask them to keep us informed of the impact and any implications for funding within the NHS tariff from 2019/20.
- 12. <u>Northern Ireland</u>. The AfC pay agreement has not been implemented in Northern Ireland but a 2018/19 pay award has been made for AfC staff. The absence of a Northern Ireland Executive gives the Department of Health, Northern Ireland little room to manoeuvre on pay policy and implementing such major reform to AfC pay and the accompanying investment would require Ministerial decisions. The Permanent Secretary of the Department of Health, Northern Ireland has not sought our pay recommendations for 2019/20. We consider that the current situation may create risks for service delivery should the AfC workforce not be supported by appropriate pay awards and reforms. The parties have acknowledged the benefits of implementing the AfC agreement and we welcome the Department of Health's efforts on early engagement with the Joint Staff Side. We encourage these discussions to come to an early agreement for 2019/20 and a pathway to implementing appropriate pay reform.
- 13. <u>Future monitoring</u>. NHS Improvement has been given the lead responsibility on the AfC Implementation Group. The starting point for future monitoring arrangements should be the AfC agreement's key objectives which reflect many of the core issues for the Pay Review Body. These should, in the longer term, be linked to supporting new service models, improving productivity and staff contribution, and improving patient services and outcomes. The NHS Staff Council's work on monitoring will help the parties to assess the return on investment. We look forward to the NHS Staff Council's approach. In the meantime, we intend to work with the evidence and key leading and lagging indicators, alongside our core evidence considerations under the following categories:
 - Workforce, recruitment, retention and motivation;
 - Productivity and staff contribution;

- Affordability and funding arrangements, including the pay effects and the position relative to the economy, graduates and total reward; and
- Effects of changes to other terms and conditions.

Philippa Hird (Chair) Richard Cooper Patricia Gordon Neville Hounsome Steph Marston David Ulph Jonathan Wadsworth

22 May 2019