



NHS  
Pay Review  
Body

# NHS Pay Review Body

## Scotland Report 2015

*Chair:* Jerry Cope



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*Chair: Jerry Cope*

Presented to the Scottish Parliament by the  
First Minister and the Cabinet Secretary for Health and Wellbeing

March 2015



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## 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, the First Minister and the Cabinet Secretary for Health and Wellbeing in Scotland, the First Minister and the Minister for Health and Social Services in the National Assembly for Wales, and the First Minister, Deputy First Minister and Minister for Health, Social Services and Public Safety of the Northern Ireland Executive, on the remuneration of all staff paid under Agenda for Change and employed in the National Health Service (NHS).\*

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, the First Minister and the Cabinet Secretary for Health and Wellbeing in Scotland, the First Minister and the Minister for Health and Social Services of the National Assembly for Wales, and the First Minister, Deputy First Minister and Minister for Health, Social Services and Public Safety of the Northern Ireland Executive.

\*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.

Members of the Review Body are:

- Jerry Cope (Chair)
- Professor David Blackaby
- Joan Ingram
- Graham Jagger
- Colin Kennedy
- Janet Rubin MBE
- Professor Anna Vignoles

The secretariat is provided by the Office of Manpower Economics

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# NHSPRB Scotland Report 2015

## Executive Summary

Our 2015/16 recommendations and observations on the pay uplift are:

- We recommend a 1 per cent increase to all Agenda for Change pay points from 1 April 2015 for all staff in NHSScotland.
- We note the features of Scotland's public sector pay policy of i) a £300 minimum increase for staff earning under £21,000 and ii) the application of the Living Wage, which would ensure that NHS staff in Scotland are treated consistently with other public sector workers.

Our additional observations are:

- There is a pressing need for the NHS in Scotland to manage and apply the agreed pay progression arrangements properly through the application of a simplified Knowledge and Skills Framework in order to ensure that pay progression is linked to competency development and performance, as was intended within Agenda for Change.
- We would like future evidence to include more robust and systematic data to inform our consideration of recruitment and retention issues. In particular we would like to see a detailed breakdown of vacancy data, covering a wider range of staff groups and giving more clarity on short and long term vacancies, including details of vacancies which are not actively being recruited to, and a clearer picture on problems in specific locations and/or occupations. Alongside this we would like employers to monitor carefully training places and quality of new recruits.
- We urge parties in Scotland, and elsewhere, to consider and acknowledge the issues that could arise if there were a general fragmentation of the United Kingdom-wide Agenda for Change structure. We recognise that Scotland, and others, may wish to set different pay rates, but we believe the implications of any move away from the common structure and job evaluation scheme, intended or otherwise, should be considered carefully.
- We remind parties in Scotland of the third observation made in our 28th report and encourage them to make progress on this where it is in their gift to do so: *We urge the parties to agree quickly a thorough review of the Agenda for Change pay structure, including the operation of incremental scales, so that it might better support the challenges facing the NHS in terms of both patient care and affordability. We suggest that if the parties find it difficult to agree we would be prepared to look into this if given an appropriate remit and evidence.*

### *Our remit*

For the first time we were not asked to report our pay recommendations for the United Kingdom. We were asked to make recommendations on pay for 2015/16 by the Scottish Government. The United Kingdom Government, Welsh Government and Northern Ireland Executive did not seek pay recommendations for 2015/16 and have given us a special remit to make observations on affordable working arrangements to support the delivery of seven-day services. We will report on this in July 2015. This report therefore provides pay recommendations and observations only for Scotland. However, some of the observations are also pertinent to the United Kingdom as a whole.

Our remit was informed by the final year of the Scottish Government's two year Public Sector Pay Policy, which sets an overall cost cap at 1 per cent for the pay award (excluding pay progression); a minimum increase of £300 for staff earning below £21,000 and the application of the Living Wage. We welcome evidence from the Scottish Government about available funds, since this is an important part of our terms of reference. However, we believe that referencing a particular figure, such as 1 per cent, tends to make all parties focus there, rather than looking at how pay can best be used to meet the most pressing recruitment, retention and motivation issues.

### *The economy, labour market and pay*

Although the economy in Scotland is continuing to grow and keeping pace with overall growth in the United Kingdom, employment levels are not yet putting upward pressure on pay, and in the short term the fall in inflation is not likely to change this. The fall in the price of oil may have a significant impact on those parts of the Scottish economy which are heavily reliant on this sector, furthering the possibility that any pressure on pay may not be seen immediately in Scotland. However, whilst general pay growth remains subdued, the public-private sector pay differential in the United Kingdom as a whole has continued to reduce and there has been a fall in the earnings of our remit group in Scotland. If earnings growth forecasts are correct, there is a danger of future recruitment and retention difficulties across the public sector and in particular on our remit group.

### *Funds available*

The financial pressures facing the NHS continue to represent a significant challenge and the efficiency targets set for NHSScotland are demanding. Further efficiencies continue to be required in order to help the NHS manage demand pressures and improve productivity. We support Audit Scotland's view that the current annualised budget process in Scotland does not assist forward planning. We have balanced the overall financial position against assurances from the Scottish Government that pay proposals are funded and the expectations of staff set by the public sector pay policy.

### *Recruitment, retention and motivation*

Whilst there appear to be no immediate signs of serious recruitment and retention issues, there are early warning signs that a future shortage could be on the horizon. Although this is a United Kingdom-wide position it is relevant to Scotland. We are concerned that if the economy improves this is an issue that could become more acute and could have a significant impact for our remit group. However, the picture is not clear and we remain concerned about the quality and depth of data to inform considerations on recruitment and retention issues, as made clear in previous reports. **We would like future evidence to include more robust and systematic data to inform our consideration of recruitment and retention issues. In particular we would like to see a detailed breakdown of vacancy data, covering a wider range of staff groups and giving more clarity on short and long term vacancies, including details of vacancies which are not actively being recruited to, and a clearer picture on problems in specific locations and/or occupations. Alongside this we would like employers to monitor carefully training places and quality of new recruits.**

We welcome the progress made by Scotland on improving completion rates for staff appraisals and the measures they have put in place to make completion quicker and easier. Despite this progress, the Knowledge and Skills Framework has still not been implemented fully and, in practice, pay progression is automatic and based on time served. This provides little incentive or reward for consistent or excellent performers. We would like to see progress on the implementation of a simplified Knowledge and Skills Framework and the competency gateways in line with the original 2004 Agenda for Change agreement. **There is a pressing need for the NHS in Scotland to manage and apply the agreed pay progression arrangements properly**

through the application of a simplified Knowledge and Skills Framework in order to ensure that pay progression is linked to competency development and performance, as was intended within Agenda for Change.

We recognise the impact of continued pay restraint on the morale and motivation of our remit group and note the difficult industrial relations climate in the NHS in different parts of the United Kingdom over the past twelve months. Morale and motivation levels in Scotland have been maintained and this could be, in part, due to the approach to pay. The implementation of the 1 per cent pay award for 2014/15 appears to have satisfied the expectations of the workforce and helped Scotland maintain staff engagement.

### *The Agenda for Change pay structure*

Scotland now has varying pay rates under the Agenda for Change framework, as do the other countries of the United Kingdom. This is in part due to different directions taken on pay uplifts for 2014/15 and 2015/16; but different policy decisions on pay have also contributed to a diverging picture. As funding and spending decisions are devolved, it is inevitable that priorities and pressures will be different and that pay rates may vary accordingly. However, Agenda for Change was designed as a United Kingdom-wide framework based on a common and robust job evaluation system and to date none of the parties across the United Kingdom have suggested that they wish to break away from this. We do not make a value judgement about divergence on pay rates. Our concern is that such change should be in the context of planned strategic transition as opposed to the unplanned consequences of funding decisions. **We urge parties in Scotland, and elsewhere, to consider and acknowledge the issues that could arise if there were a general fragmentation of the United Kingdom-wide Agenda for Change structure. We recognise that Scotland, and others, may wish to set different pay rates, but we believe the implications of any move away from the common structure and job evaluation scheme, intended or otherwise, should be considered carefully.**

In our observations in our 28th report<sup>1</sup> we urged parties to agree quickly to a thorough review of the Agenda for Change pay structure, so that it might better support the challenges facing the NHS in terms of both patient care and affordability. Based on the evidence that we have considered for this round, we still consider there is a need for parties to make progress on reform and believe it would be timely to review the Agenda for Change pay structures, so that they can better support the challenges facing the NHS in Scotland, and elsewhere in the United Kingdom. Our view is that if the four countries wish to continue within a United Kingdom-wide framework then this requires collective thinking. We acknowledge that discussions on the Agenda for Change structure must be progressed and agreed between the parties and welcome the positive statements made by the Joint Staff Side that it would encourage a review and would be happy to engage in discussions with employers in order to progress this. **We remind parties in Scotland of the third observation made in our 28th report and encourage them to make urgent progress on this where it is in their gift to do so: *We urge the parties to agree quickly a thorough review of the Agenda for Change pay structure, including the operation of incremental scales, so that it might better support the challenges facing the NHS in terms of both patient care and affordability. We suggest that if the parties find it difficult to agree we would be prepared to look into this if given an appropriate remit and evidence.***

### *Pay proposals and recommendations for 2015/16*

It is clear that the difficult financial climate and resource constraints within the NHS continue to prevail and these challenges are likely to continue for the foreseeable future. Despite the pressures on health boards in Scotland the Scottish Government made it clear to us that funding was available to employers to cover a 1 per cent uplift this year and that they expected to fund this.

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<sup>1</sup> The NHSPRB 28th Report is available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/288690/NHS\\_Pay\\_Review\\_28th\\_repot.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288690/NHS_Pay_Review_28th_repot.pdf)

As set out above, we do not see any immediate signs of serious recruitment and retention issues, although we have highlighted that there are signs a potential future skills shortage could be on the horizon, and that this should be properly monitored so action can be taken if necessary.

We have considered the impact of our recommendations on the morale and motivation of staff in NHSScotland and their continued delivery of quality patient care. As a result of the policy set out by the Scottish Government, staff are anticipating an across-the-board pay award of 1 per cent plus pay progression. If these expectations are not met this could have a negative impact on staff morale and in turn on patient care.

We have considered the appropriate level of the uplift and whether the award should be above the 1 per cent threshold set by the Scottish Government and whether this would impact on the policy of no compulsory redundancies. It is clear from the evidence that the Scottish Government and employers would consider an across-the-board increase above 1 per cent as unaffordable. None of the parties suggested targeted increases for certain staff groups, financed by lower increases for other groups, nor did either of the parties seek to use the available budget differently, for example, by increasing the funds available for Recruitment and Retention Premia (RRP).

We also recognise the need to motivate the large number of staff in Scotland who are at the top of their pay band. On the balance of the evidence considered this does not, in our view, point to the need for a higher uplift, nor for NHS staff in Scotland to be treated differently to their public sector colleagues. If public finances continue to be constrained and recruitment or retention difficulties do emerge for particular groups of staff, the question of differentiation within groups of NHS or public sector staff, and the increased use of RRP may need to be revisited in future rounds.

We have concluded that it is appropriate to award Agenda for Change staff in Scotland a flat 1 per cent pay increase for 2015/16, in line with the general public sector pay policy. However, we would like to see Scotland make urgent progress on the application of a simplified Knowledge and Skills Framework and the implementation of the competency gateways. We believe progress on this, alongside other reforms, could help Scotland improve their management of the pay bill. **We recommend a 1 per cent increase to all Agenda for Change pay points from 1 April 2015 for all staff in NHSScotland.**

In our view we have not seen any clear evidence on grounds of recruitment and retention or morale and motivation that makes a case for higher weighted awards for lower paid staff groups or the application of the Living Wage. Nevertheless, we acknowledge that these form key elements of Scotland's public sector pay policy. **We note the features of Scotland's public sector pay policy of i) a £300 minimum increase for staff earning under £21,000 and ii) the application of the Living Wage, which would ensure that NHS staff in Scotland are treated consistently with other public sector workers.**

### *Next steps*

The Scottish Government will need to consider their approach to pay and how they might exit this period of pay restraint. There are opportunities for reform *within* the existing framework that Scotland could apply and reinvest to help fund future pay increases. A wider review of the existing Agenda for Change structure and consideration of how this can be modernised to respond to the needs of the organisation and delivery of patient care could support future service reform. In time for our next report on pay we would like to see reviews in Scotland on the following:

### *Efficiencies within the existing Agenda for Change structure*

- pay protection arrangements and their costs;
- sick pay arrangements where premia are paid in addition to base pay; and
- the full implementation and application of a simplified Knowledge and Skills Framework

### *Strategy:*

- a plan for transition from pay restraint;
- more effective workforce planning arrangements, underpinned by improved vacancy data, to reduce spend on bank and especially agency staff;
- the Agenda for Change framework to ensure the pay structure can continue to respond to and support the requirements of the organisation and the delivery of patient care, including the Scottish approach to the integration of health and social care.

JERRY COPE (*Chair*)  
PROFESSOR DAVID BLACKABY  
JOAN INGRAM  
GRAHAM JAGGER  
COLIN KENNEDY  
JANET RUBIN MBE  
PROFESSOR ANNA VIGNOLES

9 February 2015

# Chapter 1 – Introduction

## Introduction

- 1.1 For 2015/16 we have received a remit to make recommendations on pay only from the Scottish Government. We have not been asked to make recommendations on pay for staff in England, Wales or Northern Ireland. The United Kingdom Government, Welsh Government and Northern Ireland Executive have given the NHS Pay Review Body a special remit for 2015/16 to make observations on affordable out of hours working arrangements for Agenda for Change Staff. We will report on this in July 2015.<sup>2</sup>
- 1.2 This report will therefore be focused on the 2015/16 pay recommendations for NHS staff paid under Agenda for Change in Scotland. There will be some United Kingdom-wide observations and context provided where relevant.
- 1.3 We have applied the considerations for this remit across our standing terms of reference and set out the evidence from the parties presented on these matters,<sup>3</sup> together with our conclusions and recommendations, under each of these elements. Our terms of reference are set out at the beginning of this report.<sup>4</sup>

## Structure of the Report

- 1.4 This report is divided into seven chapters, which comprise of:
  - this introduction;
  - the economy, labour market and pay;
  - funds available;
  - recruitment, retention and motivation;
  - the Agenda for Change pay structure;
  - our pay proposals and recommendations; and
  - next steps.
- 1.5 The appendices consist of:
  - Appendix A – remit letter from the Scottish Government
  - Appendix B – recommended Agenda for Change pay scales in Scotland (with effect from 1 April 2015)
  - Appendix C – current published Agenda for Change pay scales in England, Wales and Northern Ireland
  - Appendix D – composition of our remit group
  - Appendix E – list of the previous reports published by the Review Body
  - Appendix F – key to the abbreviations used in this report.

## Twenty-Eighth Report 2014

- 1.6 Our *Twenty-Eighth Report* was submitted to the Prime Minister, Secretary of State for Health and the relevant ministers for the Devolved Administrations on 25 February 2014. Our recommendations were constrained by the public sector pay policies of the United

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<sup>2</sup> Remit letters for England, Wales and Northern Ireland are available from:  
<https://www.gov.uk/government/latest?departments%5B%5D=nhs-pay-review-body>

<sup>3</sup> The parties' evidence are available from:  
Joint Staff Side: [http://www.rcn.org.uk/support/pay\\_and\\_conditions/pay\\_round\\_2015-16](http://www.rcn.org.uk/support/pay_and_conditions/pay_round_2015-16)  
Scottish Government: <http://www.scotland.gov.uk/Topics/Health/NHS-Workforce/Policy/Pay-Conditions>

<sup>4</sup> The NHS Pay Review Body terms of reference can be found on page iii of this report.

Kingdom Government and the Scottish Government. We recommended a 1 per cent increase to all Agenda for Change pay points and to High Cost Area Supplements minima and maxima from 1 April 2014.

- The **Scottish Government** accepted our recommendations and made an additional award of £300 to staff paid below £21,000. It also applied the Living Wage across the NHS and the public sector in Scotland, in line with its own social policy.
- The **United Kingdom Government** rejected our recommendations for Agenda for Change staff in England. For 2014/15 it applied a 1 per cent non-consolidated payment to staff at the top of their pay band, all other staff received an increase of at least 1 per cent through incremental progression.<sup>5</sup> At the time of writing an offer for the 2015/16 award had been made to trade unions and was subject to consultation with their membership.
- The **Welsh Government** rejected our recommendations and entered discussions with the Joint Staff Side and NHS Employers. The result of these negotiations was a two-year pay deal for Agenda for Change staff in Wales. For 2014/15 staff received a non-pensionable cash payment of £187 and this will be followed by a 1 per cent consolidated uplift in 2015/16. The Living Wage will also be implemented for staff in the NHS in Wales from January 2015.
- The **Northern Ireland Executive** rejected our recommendations for Agenda for Change staff in Northern Ireland. For 2014/15 it applied a 1 per cent non-consolidated payment to staff at the top of their pay band. Other staff received an increase of at least 1 per cent through incremental progression. The approach for pay in 2015/16 is undecided at this time.

## Remit for this Report

- 1.7 The remit group for this report covers 143,810 (headcount) Agenda for Change staff across Scotland. The detailed composition of the remit group can be found at Appendix D.
- 1.8 The Scottish Government remit on pay recommendations for 2015/16 was set out in a letter from the Cabinet Secretary for Health and Wellbeing on 23 September 2014. He stressed the value that the Scottish Government placed on the Review Body and of the independent scrutiny that it provided. He also reiterated the Scottish Government's Public Sector Pay Policy for 2015/16, which was intended to inform considerations around pay for public sector groups including staff in NHSScotland. The relevant features of the Public Sector Pay Policy were:
  - Provision for an increase in basic pay for all staff. The increase was subject to an overall cost cap of 1 per cent, although there was no assumption that this would equate to a 1 per cent uplift for individual members of staff. The cost cap did not include pay progression or measures put in place for staff earning under £21,000.
  - A minimum increase of £300 for staff earning less than £21,000.
  - Ensuring all staff earn above the Living Wage, which was £7.65 per hour.<sup>6</sup>

### Our comment on the 2015/16 remit

- 1.9 The remit for 2015/16 is the first time since arrangements for health were devolved, that we have been asked to provide pay recommendations and a report for a single nation of the United Kingdom. Whilst our remit group for this report was smaller, the issues for consideration were consistent with our normal approach and standing terms of reference.

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<sup>5</sup> The United Kingdom pay award included an adjustment to pay point 16 to ensure a 1 per cent increase on progression from pay point 15.

<sup>6</sup> The United Kingdom Living Wage increased to £7.85 per hour in November 2014.

- 1.10 Our remit was informed by the Scottish Government's Public Sector Pay Policy. The policy is widely known amongst Agenda for Change staff in Scotland and, as a result, has set expectations of an uplift amongst NHS staff. The Scottish Government's pay policy also anticipated the result of our discussions and, based largely on affordability grounds across the public sector in Scotland as a whole, set a ceiling and a baseline to our considerations. It, however, remains important that we take the full range of factors in to consideration.

### **Parties Giving Evidence**

- 1.11 We received written evidence from two parties for this round: the Scottish Government Health and Social Care Directorates (Government Department) and the Joint Staff Side (representing NHS Staff). The parties also provided supplementary written evidence in response to our requests and the other parties' evidence.
- 1.12 We held oral evidence over the course of one day in November 2014 with: the Cabinet Secretary for Health and Wellbeing and officials from the Scottish Government; and the Joint Staff Side. Oral evidence is an important part of our review process as it enables us to inform our views by following up and discussing issues that have arisen in the written evidence and elsewhere.
- 1.13 Our work programme to produce this particular report included 8 Review Body meetings in which we considered the written and oral evidence, examined information on the economy and labour market and formed our conclusions, observations and recommendations.

### **Review Body Visits in 2014**

- 1.14 Our annual programme of visits to NHS organisations is an important addition to the parties' evidence. The visits take place across a range of organisations in the United Kingdom and enable us to see a varied cross-section of organisation types and locations. The visits give us a valuable opportunity to discuss issues with members of our remit group and NHS management. Once again, we extend our thanks to all those who gave generously of their time in order to meet us, for the frank opinions expressed and to the staff who have organised visits for us.
- 1.15 Between May and July 2014 we visited the following organisations:

Aneurin Bevan University Health Board, Newport;  
NHS Forth Valley, Stirling;  
Southern Health and Social Care Trust, Portadown;  
West Midlands Ambulance Service NHS Foundation Trust; and  
Management Steering Group,<sup>7</sup> Glasgow.

Some Trusts in England originally selected for a visit felt it was not appropriate to participate as the Review Body was not asked to report on pay for staff in England.

### **NHS Developments**

- 1.16 We provide a brief update below on a range of developments across the NHS which currently or in the near future will impact on the employment and pay arrangements of NHS Agenda for Change staff.

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<sup>7</sup> The Management Steering Group is a joint Scottish Government Health Directorate/NHS employer body.



## *Integration of Health and Social Care*

- 1.17 We note the developments being made and the direction of travel set out by the Scottish Government on the integration of Health and Social Care. There may need to be future consideration given to the impact of any integration of staff and their pay and conditions of employment.

## *Seven-day services*

- 1.18 In our Twenty-Eighth report we cited seven-day services as an issue that would affect Agenda for Change staff. The issue of seven-day services is a current priority and we have been tasked with a remit for observations on seven-day services for England, Wales and Northern Ireland, which we will report on in July 2015. We note that the Scottish Government does not wish to be included in the seven-day services remit and has established a Seven-Day Services and Sustainability Taskforce to consider the issues pertinent to Scotland. Developments on seven-day services are likely to continue to impact across the United Kingdom and not be confined to one country.

## **Key Themes for this Report**

- 1.19 Our report is influenced by a range of themes which apply across Scotland and more widely, the United Kingdom.

These include:

- *The level and affordability of any pay uplift.* We have considered the continuing difficult financial climate and competition for resources across the NHS in Scotland. This has had to be balanced against the assurances from the Scottish Government that pay proposals are funded and the expectation among staff that has been set through the announcements on public sector pay policy. We are mindful of the continuing impact of inflation on our remit group and in particular the need to motivate the large numbers of staff in Scotland who have reached the top of their pay band.
- *Recruitment, retention and motivation.* The evidence we have received from the parties does not show a consistent picture and presents us with only partial information, which does not enable us to take a fully informed view. The emerging picture is, whilst there appear to be no immediate concerns around recruitment and retention, there are some early warning signs that a future shortage could be on the horizon. There is enough evidence to suggest employers should take these signs seriously and take the necessary next steps to improve vacancy data, monitor training throughput and conduct workforce planning.
- *Morale and motivation.* Levels of morale and motivation have improved in Scotland over the last year and this could be, in part, due to the different approach to pay.
- *The divergence across the four countries of the United Kingdom.* There are now varying pay levels within the Agenda for Change framework across the United Kingdom and these are set to diverge further as a result of approaches to pay in 2015/16. We are yet to receive evidence from any of the parties setting out their desire or intent to break away from a United Kingdom-wide framework and the current changes are happening as a result of different funding decisions rather than a wider strategic review of approaches to pay.
- *Wider reform and exit from pay restraint.* This is Scotland's final year of its two year public sector pay policy. Going forward each of the four governments will need to consider their approach to pay and whether and how to exit this period of pay restraint. A wider review of the existing Agenda for Change structure and consideration of how it can be modernised could help to support this. That said, there remain pay flexibilities and opportunities to make smaller changes within the existing framework that Scotland could utilise and reinvest to help fund future increases.

## Chapter 2 – The Economy, Labour Market and Pay

### Introduction

- 2.1 In this section of our report we consider the latest available data on the economy, the labour market and on pay (as published January 2015). The data provides the position for the United Kingdom as a whole as well as information that is pertinent to Scotland. This information provides important context for our consideration of pay recommendations for Agenda for Change staff, in line with our terms of reference. This section concludes with an assessment of the earnings, including take-home pay of Agenda for Change staff, by drawing on NHS information and data from the 2014 Annual Survey of Hours and Earnings (ASHE).

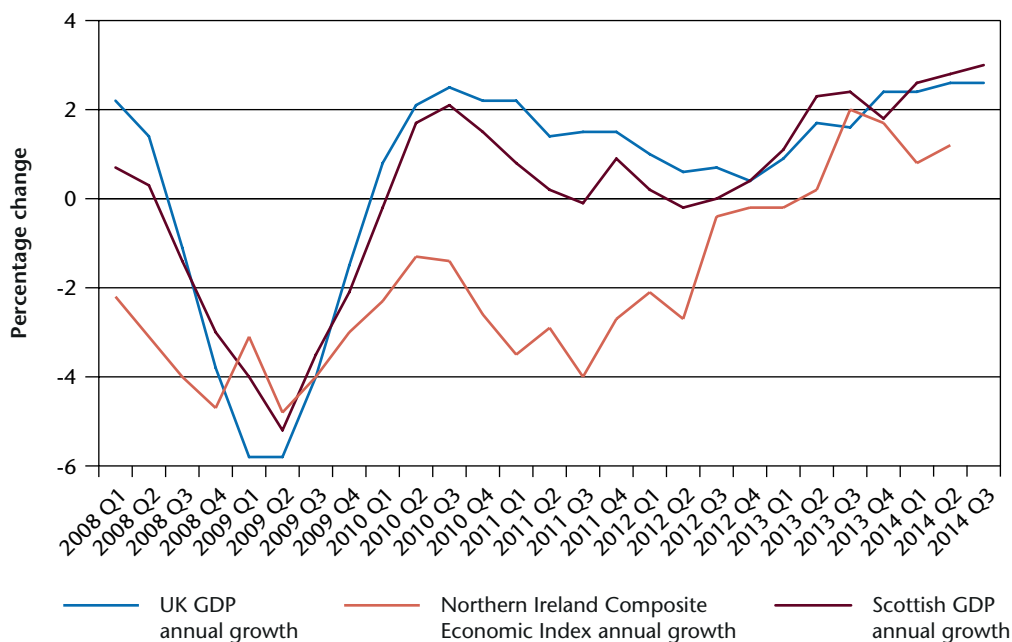
### Economic Growth

- 2.2 Economic growth in the United Kingdom continues to be positive. Gross Domestic Product (GDP) grew by 2.6 per cent in 2014 and the economy is now estimated to be 3.4 per cent larger than its pre-recession peak in 2008. It is worth noting that the GDP increase is not based on growth per head and much of the increase is as a result of the growing population.<sup>8</sup>
- 2.3 Economic growth in Scotland has kept pace with the United Kingdom (see Figure 2.1). Since the low-point of the United Kingdom recession (quarter 2 2009), the Scottish economy has grown by 7.6 per cent, the United Kingdom economy has grown by 9.5 per cent and the Northern Ireland economy has shrunk by a further 5.3 per cent. Over the last four quarters available, economic growth has been 2.6 per cent in the United Kingdom as a whole, 3.0 per cent in Scotland, and 1.2 per cent in Northern Ireland. Separate GDP data is not available for Wales; the index of market services for Wales grew by 1.4 per cent in the year to 2014 quarter 2 (compared to 4.1 per cent growth across the United Kingdom as a whole). Since 2009 quarter 3 (the United Kingdom low-point), growth in the index has been 15.9 per cent for Wales, and 13.5 per cent for the whole United Kingdom.

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<sup>8</sup> GDP per head has fallen by 1.8 per cent since 2008 Q1 (Office for National Statistics: IHXW)

**Figure 2.1: Annual growth in GDP, 2008 to 2014, United Kingdom, Scotland and Northern Ireland**



Source: Office for National Statistics, Scottish Government, Department of Enterprise, Trade and Investment, Northern Ireland.

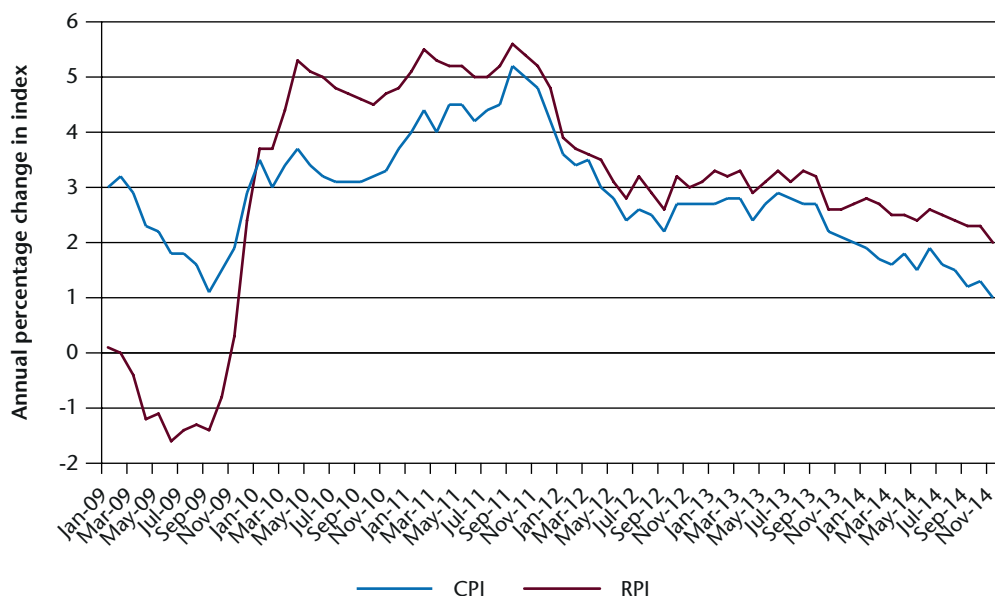
2.4 The Office for Budget Responsibility (OBR) expects the quarterly pace of growth to slow into 2015 due to weaker external demand and the expectation that consumer spending growth will slow to rates more in line with growth in people’s incomes.<sup>9</sup> The forecast for GDP growth in 2015 as a whole is 2.4 per cent.

### Inflation

2.5 In January 2015, headline Consumer Price Index (CPI) inflation fell to 0.5 per cent, its lowest for 14 years, with the Retail Price Index (RPI) inflation rate falling to 1.6 per cent (see figure 2.2). A number of factors have kept inflation down over the last year: the appreciation of sterling; lower food price inflation; and the fall in the price of oil, leading to lower petrol and energy prices. These factors have been accompanied by an absence of underlying wage pressures.

<sup>9</sup> Office for Budget Responsibility, *Economic and fiscal outlook*, December 2014

**Figure 2.2: Inflation, 2009 to 2014, United Kingdom**



Source: Office for National Statistics, CPI (D7G7), RPI (CZBH), monthl , not seasonally adjusted, United Kingdom, January 2009 to November 2014.

2.6 The inflation forecasts (see table 2.1) suggest that CPI inflation will remain well below 2 per cent in 2015, and probably below 1.5 per cent for much of the year.

**Table 2.1: Inflation forecasts, Quarter 4**

	OBR (December)		Bank of England central projection (November)	Treasury independent average (January)*	
	CPI	RPI	CPI	CPI	RPI
2015 Q4	1.5	2.5	1.4	1.1	2.2
2016 Q4	1.8	3.0	1.8	1.9	3.3
2017 Q4	2.0	3.5	2.0	2.0	3.4
2018 Q4	2.0	3.6	–	2.0	3.2

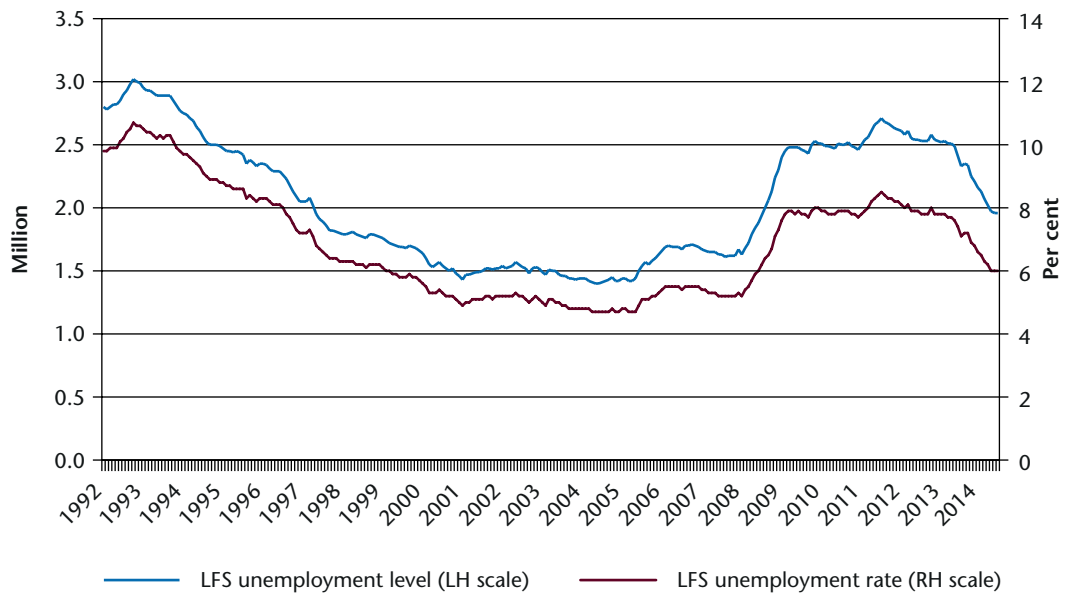
\*2016 to 2018 from November.

## Labour Market

2.7 The employment level has grown by 1.75 million over the last four years, and is over one million above the pre-recession peak of 2008. The employment rate has also improved significantly over the last two years and now stands at 73.0 per cent, equal to the pre recession high.

2.8 The level of unemployment, measured by the Labour Force Survey, has been falling since the end of 2011 and particularly rapidly over the last year (see Figure 2.3). The latest figures, for the three months to November 2014, put unemployment at 1.91 million (5.8 per cent), having fallen by 58,000 on the quarter and by 418,000 on the year. The unemployment rate has fallen from 6.5 to 5.7 per cent in Scotland over the last year (to November 2014); this compares with a fall from 7.2 to 5.8 per cent in England, from 7.2 to 7.0 in Wales and from 7.3 to 5.8 per cent in Northern Ireland.

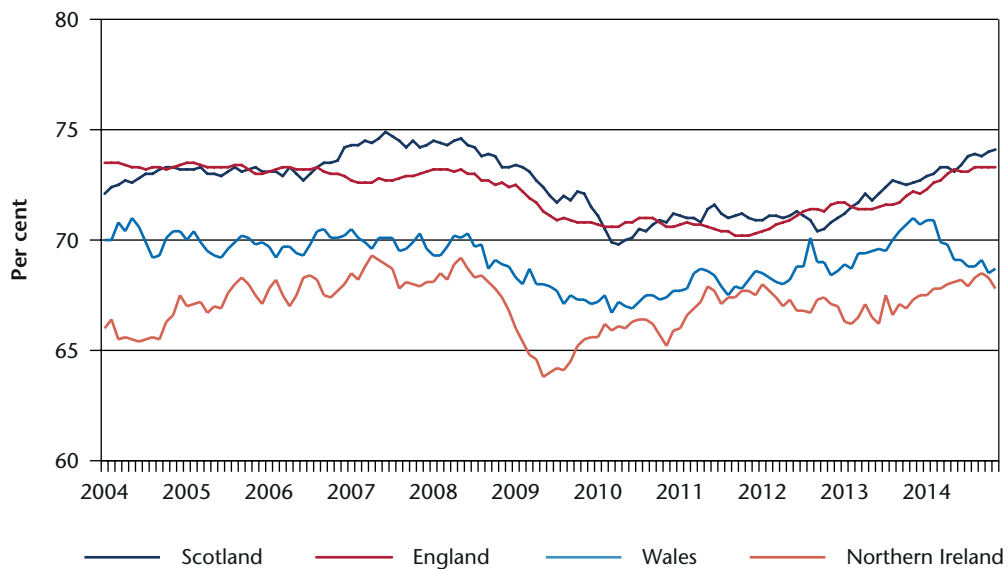
**Figure 2.3: Labour Force Survey unemployment level and rate, 1992 to 2014  
United Kingdom**



Source: Office for National Statistics

2.9 Employment rates in Scotland and England are at similar levels (see Figure 2.4). The Scottish employment rate was above the England rate prior to the recession (reaching a peak of 74.9 per cent in 2007, compared to a peak of 73.3 in England a year earlier), when it declined more rapidly, but employment growth over the last year has taken it back above the England rate, to 74.1 per cent in the most recent figures, for the three months to November 2014, compared to 73.3 per cent in England.

**Figure 2.4: Employment rates by country, 2004 to 2014**

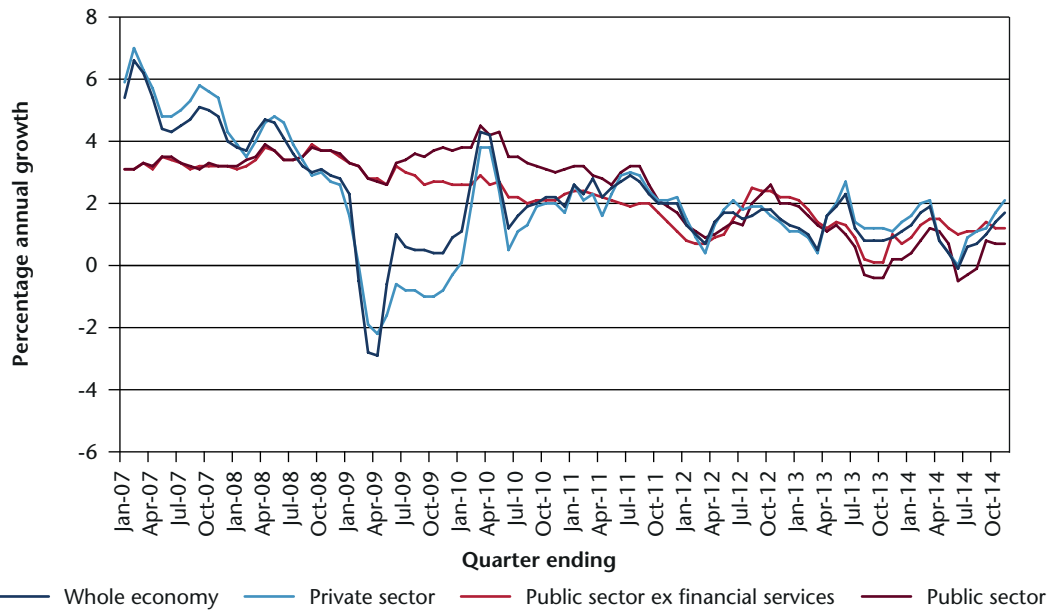


Source: Office for National Statistics

## Average Earnings Growth and Pay Settlements

2.10 The *Average Weekly Earnings* (covering Great Britain) series tracks movement in average weekly earnings for broad industrial classifications. Figure 2.5 presents a trend over time of the three-month average weekly earnings, though there are some exceptions, the growth in these average earnings in the whole economy, private sector and public sector have typically varied between 0 and 2 per cent since January 2012.

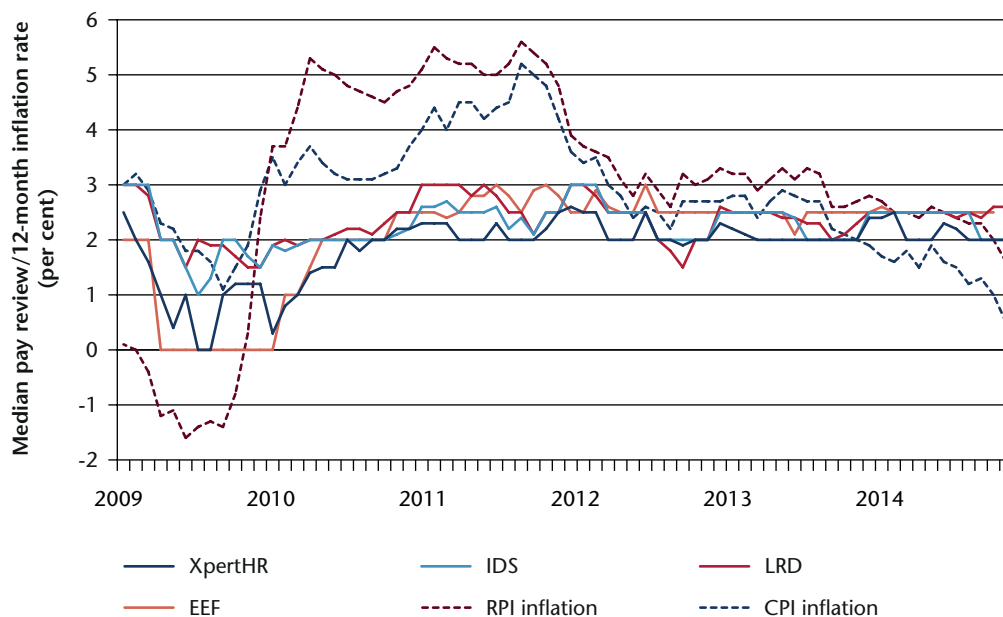
**Figure 2.5: Average weekly earnings (total pay), three-month average, 2007 to 2014, Great Britain**



Source: Office for National Statistics

2.11 Pay settlement medians were in the 2.0 to 2.5 per cent range for 2014. The two main pay settlement providers, IDS and XperTHR, have a private settlement median pay rise of 2.5 and 2.0 per cent respectively for 2014. Both agree that the 2014 median for the public sector is 1 per cent. It is expected that the pay settlement median will continue at around the 2.0 per cent level through 2015.

**Figure 2.6: Pay settlements, 2009 to 2014 (three-month average)**



Source: Office for National Statistics, XpertHR, Incomes Data Services, Labour Research Department, and Education Endowment Foundation, pay databank records, three-month medians, United Kingdom, 2009-2014.

2.12 Recent work has been undertaken by the Resolution Foundation to examine the extent to which changes in the composition of the workforce have been affecting wage growth.<sup>10</sup> For most of the period 2006-2014, the compositional effect on wage growth has been positive, that is earnings growth would have been even lower without it. In particular, changes in the occupational mix provided a considerable positive contribution to wage growth in the period up to 2013. Similarly, during the economic downturn (2008-2012) job losses among less experienced and lower qualified workers provided a compositional boost to pay growth. Some of this compositional effect reversed in 2014, with recent growth in lower-skilled occupations and a sharp increase in employment generally, so that a higher proportion have been in work for just a few months, as well as employment growth among those in their 20s. These effects have outweighed those from hours and qualifications that have worked in the opposite direction, giving a lower level of average earnings in 2014, and reducing earnings growth.

## Public-Private Sector Pay Differentials

2.13 The *trend* in the public-private sector pay differential<sup>11</sup> over time (as opposed to estimated gap sizes at particular points in time) can usefully inform our assessment of recruitment and retention. Several studies have made estimates of how public sector pay compares with that for similar individuals in the private sector. The results of recent updates by the Institute for Fiscal Studies (IFS) and the Office for National Statistics (ONS) are summarised here.<sup>12</sup>

<sup>10</sup> *Why 2014 hasn't been the year of the pay rise: the impact of the changing make-up of the workforce on wages*, Resolution Foundation, November 2014. Available from: <http://www.resolutionfoundation.org/publications/why-2014-hasnt-been-the-year-of-the-pay-rise/>

<sup>11</sup> When the estimated public-private sector pay differential is positive, this is sometimes referred to as a public sector pay premium.

<sup>12</sup> Office for National Statistics: *Public and Private Sector Earnings – November 2014*. Available from: [http://www.ons.gov.uk/ons/dcp171776\\_383355.pdf](http://www.ons.gov.uk/ons/dcp171776_383355.pdf)  
Jonathan Cribb, Carl Emmerson, Institute for Fiscal Studies: *Workplace pensions and remuneration in the public and private sectors in the UK – October 2014*. Available from: <http://www.ifs.org.uk/uploads/publications/bns/bn151.pdf>  
Jonathan Cribb, Carl Emmerson and Luke Sibieta, Institute for Fiscal Studies: *Public sector pay in the UK – October 2014*. Available from: <http://www.ifs.org.uk/uploads/publications/comms/r97.pdf>

2.14 IFS and ONS use different data sources and methods when adjusting for differences in the characteristics of the workforces between the two sectors. Consequently they each produce slightly different absolute sizes of the public-private sector pay differential. There is, nevertheless, consistency in their findings

- Both believed the size of the public-private sector pay differential/public sector pay premium peaked between 2010 and 2012 (*ONS in 2010 at 4.3 per cent excluding organisation size, and IFS a couple of years later at just below 2 per cent for men and around 9 per cent for women*).
- Both found that by Spring 2014 the differential had almost reverted to pre-crisis/2008 levels by Spring 2014 (*ONS 0.4 per cent; IFS -0.8 per cent for men, but still some two percentage points above pre-crisis levels at 8.2 per cent for women*).
- IFS said if the Office for Budget Responsibility's (OBR's) earnings growth forecasts<sup>13</sup> over the next four years proved to be correct, the pay differential could fall back to levels last seen in the late 1990s and early 2000s when recruitment and retention problems were experienced in parts of the public sector.
- Both found the size of the public-private sector pay differential varied for different groups of workers: IFS said it was larger for low educated men and found a *private* sector advantage for highly educated men; ONS stated it was larger for those towards the bottom of the pay distribution (e.g. 5th percentile) and found a *private* sector advantage towards the top of the pay distribution (e.g. 95th percentile).
- Both said the public-private sector pay differential was lowest for London and the South East of England: IFS said the differential in these regions was significantly negative for men and near zero for women; ONS found negative differentials for both these regions.
- Both mentioned, although ONS did not quantify, other aspects of total reward that, if they could be controlled for in regression analysis, could affect the size of estimated differentials. When IFS included the pension element in their analysis they found that doing so raised the size of the public-private sector differential, a public sector premium, considerably. (*For pay only the differential was +7.1 per cent in 1997, +2.3 per cent in 2007 and +4.6 per cent in 2012, but additionally taking pensions into account the gap increased to +17.9 per cent, +20.2 per cent and +16.8 per cent in 1997, 2007 and 2012 respectively*).

#### **Evidence from the parties**

- 2.15 A summary of the evidence received from the parties is included here, however, we are aware that this reflects the position as of September 2014, when the parties' submitted written evidence, and has now been overtaken by more recent data.
- 2.16 The **Scottish Government** reported that the economy in Scotland had now been growing for almost two years, shifting the economy from recovery into expansion mode. It said that the outlook for Scotland was positive, with growth expected to accelerate in 2014 compared to 2013, making it the strongest year of growth since 2007.
- 2.17 It confirmed that improvements in the economy had been reflected in the Scottish labour market, with the number of people in employment now 2.4 per cent higher than its pre-recession peak and the unemployment level and rate had fallen over the last year.
- 2.18 However, it also recognised that, despite the aggregate strengthening in the economy and labour market, average earnings growth in both the United Kingdom and Scotland had been outstripped by inflation throughout the recession and recovery period, resulting in falling real wages. These wage trends had contributed to a drop in real median household income in Scotland from a high of £475 per week in 2009/10 to £440 per week in 2012/13, an overall decrease of 7 per cent.

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<sup>13</sup> Specifically OBR March 2014 forecasts, superseded by the December 2014 Autumn Statement forecasts.



- 2.19 The Scottish Government stated that overall, the recovery in the Scottish economy was now well-established and further strengthening was expected throughout 2014 and into 2015. It said that forecasts suggest real wages would not recover to pre-recession levels until 2016 at the earliest.
- 2.20 The **Joint Staff Side** again highlighted the impact of inflation on wages in its evidence to us. It reported that despite the Scottish Government's commitment to pay NHS staff above the Living Wage, inflation would still have eroded 8 per cent off the value of the lowest paid staff pay. It suggested that inflation would have eroded on average 11 per cent from the value of staff pay by the end of 2014.
- 2.21 The Joint Staff Side told us that public sector pay awards were now falling behind those of the private sector and therefore the recent improvements in the strength of the overall economy could be storing up recruitment and retention problems for the future.
- 2.22 The Joint Staff Side welcomed the upholding of the Pay Review Body's recommendation of a 1 per cent consolidated uplift across all NHS pay points in April 2014, however, it was concerned that the cost of living inflation was continuing to strip the value from NHS pay. It noted that according to Incomes Data Services (IDS), the private sector was expected to see average pay settlements running at 2.5 per cent over the year to February 2015.
- 2.23 Other staff costs reported by Joint Staff Side as having an impact are the increases in pension contributions and registration fees. It reported that a majority of NHS staff in Scotland reside in Band 5, where NHS staff have seen increases in contributions up to 1.2 per cent this year. It also stated that members in the nursing and midwifery occupational group had seen a substantial increase in their Nursing and Midwifery Council registration fees.

## Earnings of our Remit Group

- 2.24 The *Annual Survey of Hours and Earnings* (ASHE) has been used to compare<sup>14</sup> Scottish earnings in the human health and social work activities sector to Scotland employees in the public and private sector as well as in certain broad occupational groups. These sector and group earnings (median gross weekly pay)<sup>15</sup> are shown in Table 2.2 below. The data for the United Kingdom is included in Table 2.3 for information. Between April 2013 and 2014, median gross weekly pay for full-time employees in the human health and social work activities sector decreased by 1.4 per cent. This decrease was in contrast to increases in both the public and private sector and all but one (caring, leisure and other service occupations) occupational groups.
- 2.25 The human health and social work activities sector is made up of many different occupations and includes all those within the occupational groups in Table 2.2. The professional occupations and associate professional occupations in Scotland experienced increases to their median gross weekly pay (1.6 per cent and 0.3 per cent respectively). However, in Scotland, for the health professionals occupational group<sup>16</sup> (sub-section of professional occupations) the median gross weekly pay experienced a decrease of 0.9 per cent over the year. Scotland's equivalent figure for the health and social care associate

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<sup>14</sup> ASHE is used as the source for comparison as it is a robust survey and can also be analysed by occupations, industrial classifications and by county. Although, as noted in the Market-Facing Pay report, such comparisons are hard to draw definitively, because of the differing compositions of the respective workforces, and further still, changes in pay are driven by a host of factors.

<sup>15</sup> Gross weekly (as at April 2014), rather than annual (the year to March 2014) pay is used, as it represents a more up-to-date indicator.

<sup>16</sup> Standard Occupational classification 2010 (SOC2010) code 22

professional group<sup>17</sup> (sub-section of associate professional occupations) was a decrease of 1.2 per cent; and in the caring personal service occupational group<sup>18</sup> (sub-section of caring, leisure and other service occupations) it was a decrease of 0.6 per cent.

**Table 2.2: Median gross weekly pay for full-time employees at adult rates, Scotland, April 2012 to 2014**

Scotland	Median gross weekly pay (change on previous year)					
	2012		2013		2014	
Human health and social work activities sector	£507	(2.9%)	£507	(0.1%)	£500	(-1.4%)
All employees	£498	(2.6%)	£509	(2.2%)	£519	(2.1%)
Public sector	£565	(1.2%)	£575	(1.9%)	£593	(3.1%)
Private sector	£454	(2.3%)	£468	(3.1%)	£479	(2.4%)
Professional occupations <sup>19</sup>	£655	(0.0%)	£660	(0.7%)	£671	(1.6%)
Associate professional and technical occupations <sup>20</sup>	£562	(2.6%)	£574	(2.2%)	£576	(0.3%)
Administrative & secretarial occupations	£375	(0.5%)	£383	(2.2%)	£389	(1.5%)
Skilled trades occupations	£475	(3.7%)	£474	(-0.4%)	£483	(2.0%)
Caring, leisure and other service occupations	£358	(1.9%)	£364	(1.8%)	£362	(-0.5%)

Source: Office for National Statistics (Annual Survey of Hours and Earnings)

<sup>17</sup> Standard Occupational classification 2010 (SOC2010) code 32

<sup>18</sup> Standard Occupational classification 2010 (SOC2010) code 61

<sup>19</sup> *Professional occupations*: includes, for example, nurses, midwives, teachers, solicitors, accountants, doctors and some allied health professionals and scientific, therapeutic & technical staff

<sup>20</sup> *Associate professional and technical occupations*: includes, for example, police officers and some allied health professionals and scientific, therapeutic & technical staff.

**Table 2.3: Median gross weekly pay for full-time employees at adult rates, United Kingdom, April 2012 to 2014**

United Kingdom	Median gross weekly pay (change on previous year)					
	2012		2013		2014	
Human health and social work activities sector	£491	(0.6%)	£497	(1.3%)	£494	(-0.6%)
All employees	£506	(1.6%)	£517	(2.2%)	£518	(0.1%)
Public sector	£564	(1.6%)	£573	(1.5%)	£579	(1.0%)
Private sector	£479	(1.5%)	£490	(2.2%)	£493	(0.7%)
Professional occupations <sup>21</sup>	£696	(1.4%)	£703	(1.1%)	£711	(1.1%)
Associate professional and technical occupations <sup>22</sup>	£576	(0.8%)	£582	(1.2%)	£583	(0.2%)
Administrative & secretarial occupations	£393	(1.1%)	£400	(1.7%)	£407	(1.8%)
Skilled trades occupations	£466	(0.5%)	£476	(2.1%)	£480	(0.9%)
Caring, leisure and other service occupations	£333	(-0.1%)	£337	(1.2%)	£335	(-0.6%)

Source: Office for National Statistics (Annual Survey of Hours and Earnings)

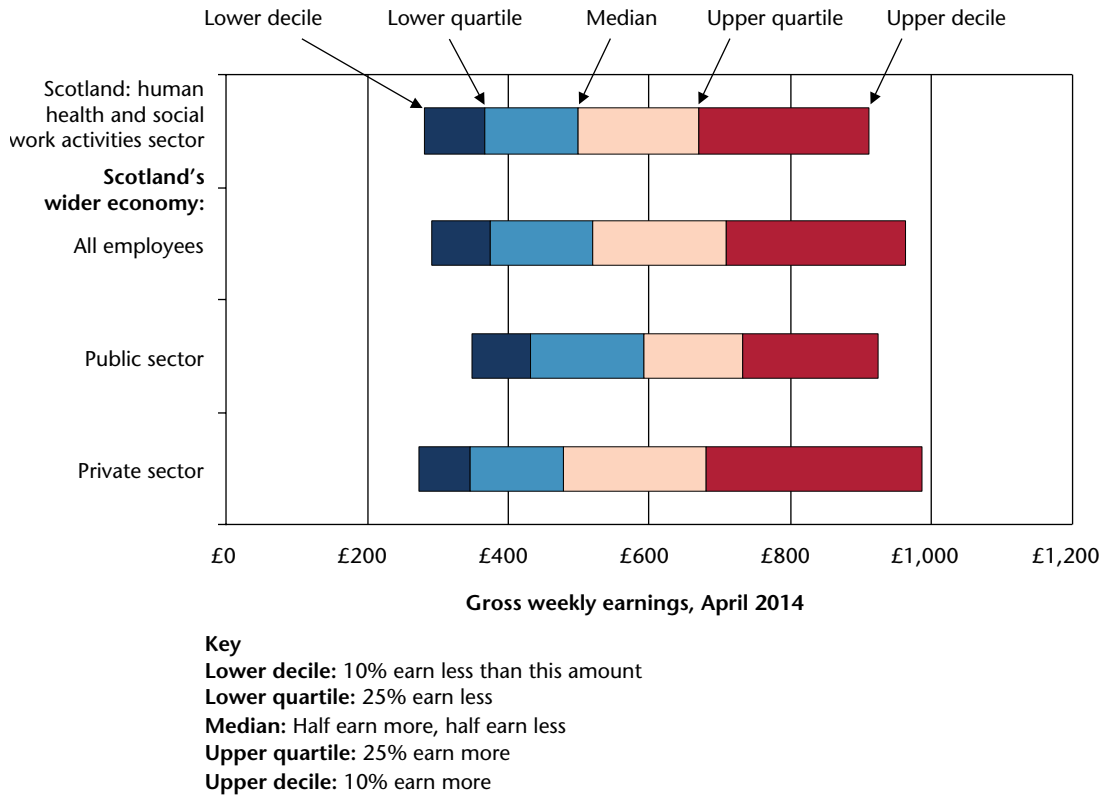
2.26 Figure 2.7 uses data from ASHE to show how the earnings in 2014 of each of the sectors and groups in Table 2.2 are distributed. Figure 2.8 shows the position across the United Kingdom.

- The earnings distribution in the human health and social work activities sector compares quite well to the all employee distribution but the levels of pay at each percentile is a little lower compared to all employees.
- Earnings in the human health and social work activities sector were behind those of the public sector at each percentile presented in Figure 2.7.
- Comparing the human health and social work activities sector to the private sector, only the 90th percentile earnings were behind the private sector (earnings in the other percentiles presented in the chart were ahead).

<sup>21</sup> *Professional occupations*: includes, for example, nurses, midwives, teachers, solicitors, accountants, doctors and some allied health professionals and scientific, therapeutic & technical staff

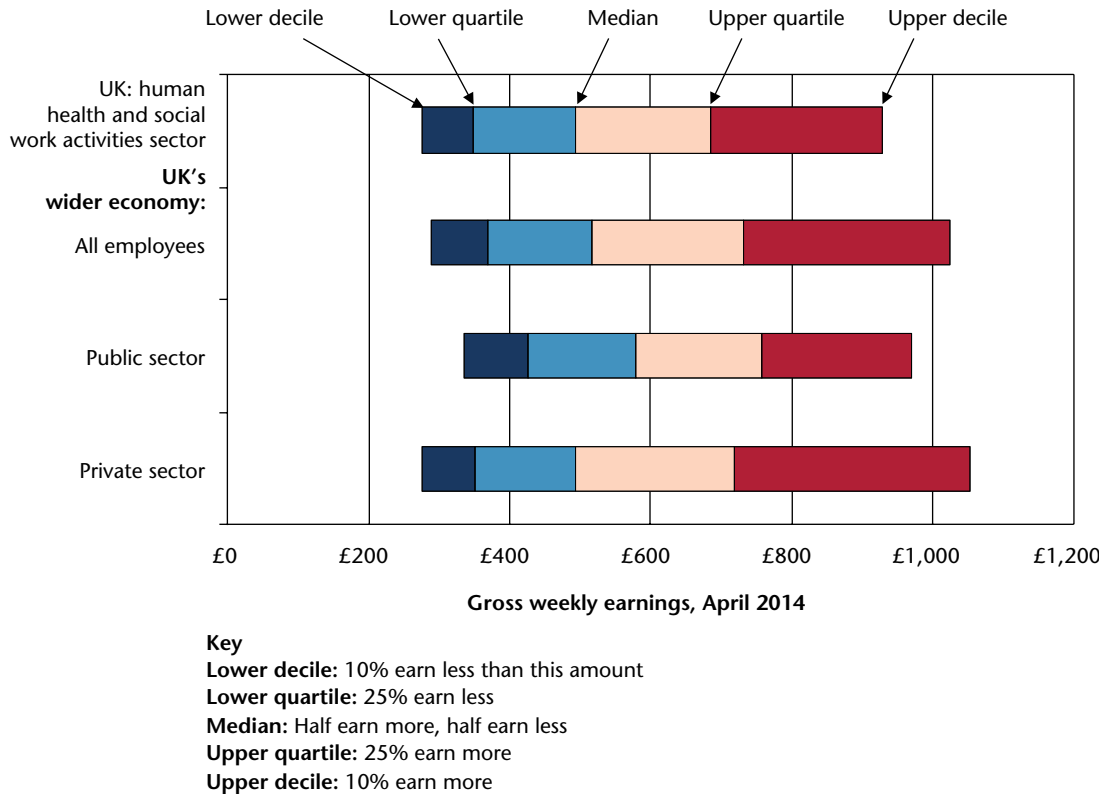
<sup>22</sup> *Associate professional and technical occupations*: includes, for example, police officers and some allied health professionals and scientific, therapeutic & technical staff.

**Figure 2.7: Earnings distributions for full-time employees, Scotland, April 2014**



Source: Office for National Statistics (Annual Survey of Hours and Earnings).

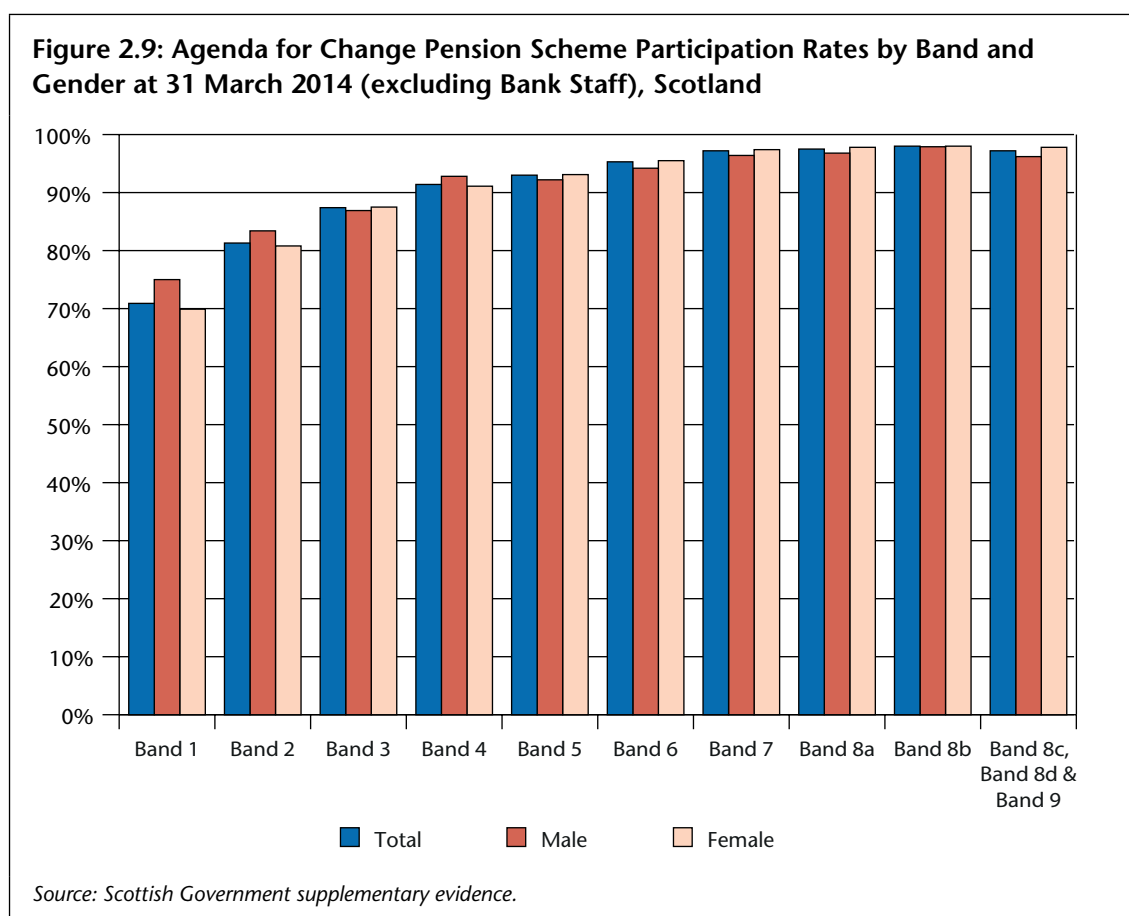
**Figure 2.8: Earnings distributions for full-time employees, United Kingdom, April 2014**



Source: Office for National Statistics (Annual Survey of Hours and Earnings).

## Membership of the NHS Pension Scheme

- 2.27 The **Scottish Government** told us that the NHS Pension Scheme continues to be an integral part of the NHS remuneration package and is considered an invaluable recruitment and retention tool. Pension benefits and employee contributions in the Scottish NHS Pension Scheme are tightly constrained by a mixture of United Kingdom Government financial and legislative controls and mirror that of the scheme in England and Wales.
- 2.28 The Scottish Government confirmed that the employer's contribution rate is likely to rise from 1 April 2015.<sup>23</sup>
- 2.29 The Scottish Government told us that the rise in employee contribution rates did not appear to have resulted in a significant fall in membership. Membership rates by Band and gender for staff in NHS Scotland are shown in Figure 2.9.



- 2.30 The **Joint Staff Side** told us that increased pension costs were also having an impact on members' take home pay. Despite this, it confirmed that the enrolment of staff in the NHS pension scheme had increased as a result of the auto enrolment changes.

### Future Changes

- 2.31 The Public Services Pensions Act of 2013 sets out the United Kingdom Government's future policy for public service pension schemes to come into effect from 1 April 2015. The key features of the reforms include the requirement for current final salary pension schemes to end by April 2015 and that, with the exception of the uniformed services, normal pension age should be linked to an individual's state pension age. The new public sector pension schemes can continue to be either defined contribution or defined benefit

<sup>23</sup> Employer's contributions are currently 13.5 per cent of pensionable pay.

schemes but if defined benefit they must be either a Career Average Revalued Earnings (CARE) scheme or any other defined benefit scheme (except Final Salary) as agreed with Her Majesty's Treasury. Full protection from these changes is available for scheme members within 10 years of their scheme normal retirement age on April 2012. Members who do not have protection will move to a new NHS pension scheme from 1 April 2015 which will be a CARE scheme with a Normal Pension Age equal to state pension age.

2.32 The Office of Manpower Economics commissioned some research on the changes to public sector pensions from Tower Watson.<sup>24</sup> The research was commissioned to provide context for Review Body deliberations and provides information about the value to illustrative individuals of the pension benefits provided by current public sector pension schemes and by their successor schemes from April 2015. The research is indicative of the changes on illustrative career paths<sup>25</sup> and should not be regarded as a comprehensive assessment of these changes. The main findings from the research were as follows:

- Net pension benefit value varied significantly depending on the employee's career path.
- In general, the most significant reduction in employee benefits was caused by changes between 2010 and 2013, i.e. the change from RPI to CPI indexation (typically causing a 15 per cent reduction in value, 4.5 percentage points of salary) and the first increases in member contributions
- Reductions in value between 2013 and 2016, driven in particular by the move from final salary to career average from 2015, were generally less significant than the indexation change and minimal for those with limited salary progression.
- Employees with significant salary progression were more likely to experience a reduction in net pension value as a result of the move to career average in 2015 and the ending of contracting out in 2016.
- Changes in private sector pension benefits between 2010 and 2016 were less significant than the changes in the remit group pension benefits, but there have been very significant changes to private sector pension benefits over the preceding decade.
- Public sector pension benefits remain comparatively good. While the changes to public sector pensions since 2010 narrowed the gap, in general there remains a material difference between the net value to the remit group member of their pension benefits and alternative pension benefits in the private sector.

#### **Our comment**

2.33 The economy has continued to grow and growth in Scotland has kept pace with overall growth in the United Kingdom. Whilst the employment level continues to rise this is not yet showing any upward pressure on pay and it is difficult to predict the level of employment where we might begin to see pressure on pay. In the short term the fall in inflation is also likely to relieve any immediate pressure on pay. The fall in the price of oil may, however, have a significant impact on those parts of the Scottish economy which are heavily reliant on this sector. The overall recovery in Scotland could therefore be impacted by this and it is possible that any recruitment led pressure on pay may not be seen immediately in Scotland.

2.34 The public-private sector pay differential in the United Kingdom as a whole has continued to reduce since our last report and is now almost back to pre-crisis levels. It is, however, worth noting that the public sector pension continues to offer an attractive total reward package across the public sector. If earnings growth forecasts are correct then there is a

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<sup>24</sup> Reports are available from:

<https://www.gov.uk/government/publications/comparative-pension-valuation-for-review-body-remit-groups>

<sup>25</sup> For the NHSPRB remit group a total of eight career paths were considered, these were updated from the examples used in the *NHS Pension Scheme proposed changes: Illustrative examples to the effect on scheme members' benefits* dated March 2012.

danger there could be an impact on recruitment and retention across the public sector. Given the fall in earnings of our remit group, in comparison with other sectors, we are concerned that this group could be one of the first to experience recruitment and retention difficulties

- 2.35 We understand the position presented by the Joint Staff Side and continue to recognise the impact of pay restraint on our remit group. However, this position is not unique to staff employed on NHS Agenda for Change terms and conditions and is present across the public sector. It is important that NHSScotland can continue to respond to the needs of the organisation, deliver patient care and that there is an adequate system in place that can continue to attract, reward and motivate staff.
- 2.36 However, our view is that at present there is no evidence to demonstrate that the economy and the labour market are placing significant pressure on Agenda for Change pay in Scotland. Despite this there are some signs of potential future recruitment problems on the horizon and it will be important to monitor early indicators so that issues are signalled early and can be responded to quickly. We return to this in more detail in Chapter 4 of this report.

## Chapter 3 – Funds Available

### Introduction

- 3.1 This chapter sets out the parties' evidence and our conclusions on the funding available and affordability of a pay award. This remains an important consideration within our terms of reference and informs the general approach to public sector pay.
- 3.2 We consider below the evidence presented by the Scottish Government on their overall financial position and the views of the Joint Staff Side on financial management and funds available in NHSScotland.

### Affordability

#### Evidence from the parties

- 3.3 The **Scottish Government** stated that the financial position in 2015/16 would be challenging and the first call on additional funding would be meeting anticipated cost pressures within NHSScotland including pay, pensions, supplies and drugs volumes. Additional pressures arising from demographics, new drugs and technology would again require NHS boards to deliver and retain efficiencies: NHS boards currently estimate that a total of 3.3 per cent cash releasing efficiency savings would be needed in 2015/16, beyond the cash uplifts, to achieve financial balance. Achieving these efficiency saving would be difficult for NHSScotland and require se vice redesign issues to be closely considered. In doing so, NHS boards would need to maintain and enhance the quality of care while also increasing efficienc .
- 3.4 Despite the need for efficiencies, the Scottish Government confirmed that there wa funding available for the application of Scotland's Public Sector Pay policy in 2015/16. It told us that there would be a 2.7 per cent cash increase in health boards funding for 2015/16. The entire revenue and capital budget allocation would be passed on for health services in Scotland, with whatever is needed in addition to fund a pay increase. The funding allocations reflect the commitment to protect frontline point of care se vices. The Scottish Government confirmed that there would be an overall efficiency target o £275 million with each of the health boards expected to deliver 3 per cent. Health boards would receive the 2.7 per cent increase in funding irrespective of the level of efficiency savings and could reinvest efficiencies in the delive y of services.
- 3.5 The Scottish Government confirmed that it would be allocating £173.5 million to help integrate health and social care. The integration of health and social care would mean that more patients could be cared for in their own homes and not in hospital. In its view, over the long term it would save costs by avoiding unnecessary hospital admissions and improve services. The overall aim was to ensure that there would be recurrent savings from health and social care integration, however, as yet, there were no firm estimates of what those might be.
- 3.6 The Scottish Government told us that an extra £80 million would be spent on the NHS in Scotland next year and that the 1 per cent uplift and measures to assist the low paid would cost around £39 million. They said this represented a small proportion of the overall £12.3 billion budget and would be money well spent for the return on the investment through the positive impact on staff morale. The Scottish Government recognised that pay restraint over the last few years had resulted in a reduction in disposable income for Agenda for Change staff, however, staff were pleased that it had implemented the Review Body's recommendations in 2014. The Scottish Government



have adopted a policy of no compulsory redundancies and this policy of job security has had to be balanced with a policy of pay restraint. It stated that staff had understood this decision and accepted it.

- 3.7 The Scottish Government confirmed that all health boards in Scotland had delivered their financial targets for 2014/15. However, because the health budget for Scotland is only known up to 2015/16, uncertainty around budgets thereafter made future financial planning difficult. If there were to be more cuts in the United Kingdom health budget after the 2015 election the Scottish Government may have to take a share of these and this could affect the future pay budget.
- 3.8 The **Joint Staff Side** told us that it believed pay discussions were overly constrained by affordability and it asked that we consider other aspects in addition to this. It pointed out that Audit Scotland<sup>26</sup> had highlighted long-term financial problems in the NHS in Scotland and that the year-on-year approach to budgets did not assist with long-term planning and constrained the financial modelling process. The Joint Staff Side told us that if the financial planning process was more flexible and a long-term model was visible, discussions could be clearer and more constructive allowing a change in the balance of priorities.
- 3.9 The Joint Staff Side confirmed that the Scottish Government had committed sufficient funds to health boards to fund the pay policy for 2015/16. It stated that all health boards in Scotland, except for one, had a budget surplus last year and pointed to the £128 million that had been spent on bank and agency cover. The Joint Staff Side believed this demonstrated that there was money available that could be reinvested more efficiently elsewhere.

#### **Audit Scotland**

- 3.10 Audit Scotland published their report *NHS in Scotland 2013/14*<sup>27</sup> on 30 October, highlighting the significant pressures faced by NHSScotland. The report highlighted that health boards were finding it increasingly difficult to cope with growing pressures as whilst all had met their financial targets in 2013/14, several had needed additional funding from the Scottish Government or relied on non-recurring savings.
- 3.11 The report highlighted that the strong focus on meeting annual targets was making it harder to carry out longer-term financial planning and recommended that NHS boards and their partners develop clear plans about how they will deliver sustainable and affordable services to meet future needs.

#### **Our comment**

- 3.12 The financial pressures facing the NHS continue to represent a significant challenge as the efficiency targets set for NHSScotland are demanding. We recognise the unique nature of the NHS means it has fluctuating demand pressures, which absorb available funding. Further efficiencies continue to be required in order to help the NHS manage these demand pressures and improve productivity. We note that Audit Scotland reported on the impact of the current annualised budgeting process in Scotland and concluded that the focus on meeting annual targets does not assist forward planning. We would have been interested to hear the perspective of health boards and would have liked to explore the challenges of meeting efficiency targets at local level with a representative from the Management Steering Group. We would hope to be able to pursue this in future rounds.

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<sup>26</sup> Audit Scotland provides the Auditor Scotland and the Accounts Commission with the services they need to check that public money is spent properly, efficiently and effectively. Audit Scotland published their report on the NHS in Scotland on 30 October 2014.

<sup>27</sup> Audit Scotland, *NHS in Scotland 2013/14*. Available from: [http://www.audit-scotland.gov.uk/work/health\\_national.php](http://www.audit-scotland.gov.uk/work/health_national.php)

3.13 Whilst many staff are having to cope with the resulting impact on living standards, there was some acknowledgement from the staff we have met on our visits of the reasoning behind continuing pay restraint due to the economic climate. Staff in Scotland generally acknowledge that they have fared better than their counterparts across the United Kingdom and as such employee relations in Scotland are largely positive. However, pay restraint cannot be expected to continue indefinitely. As we stated in our last report, pay restraint cannot continue to represent the main mechanism for the NHS to achieve cost savings. As the economy recovers and the labour market responds, the NHS will be under pressure to ensure it can compete with the market to recruit and retain suitably skilled and qualified staff. We believe that the Scottish Government's approach to pay restraint, and the implementation of 1 per cent awards, will help it to prepare for this and provide support as it manages the transition from pay restraint as the economy improves. It will, however, be essential that there are non-pay mechanisms available to continue to improve efficiencies in service delivery and make gains in productivity.

## Chapter 4 – Recruitment, Retention and Motivation

### Introduction

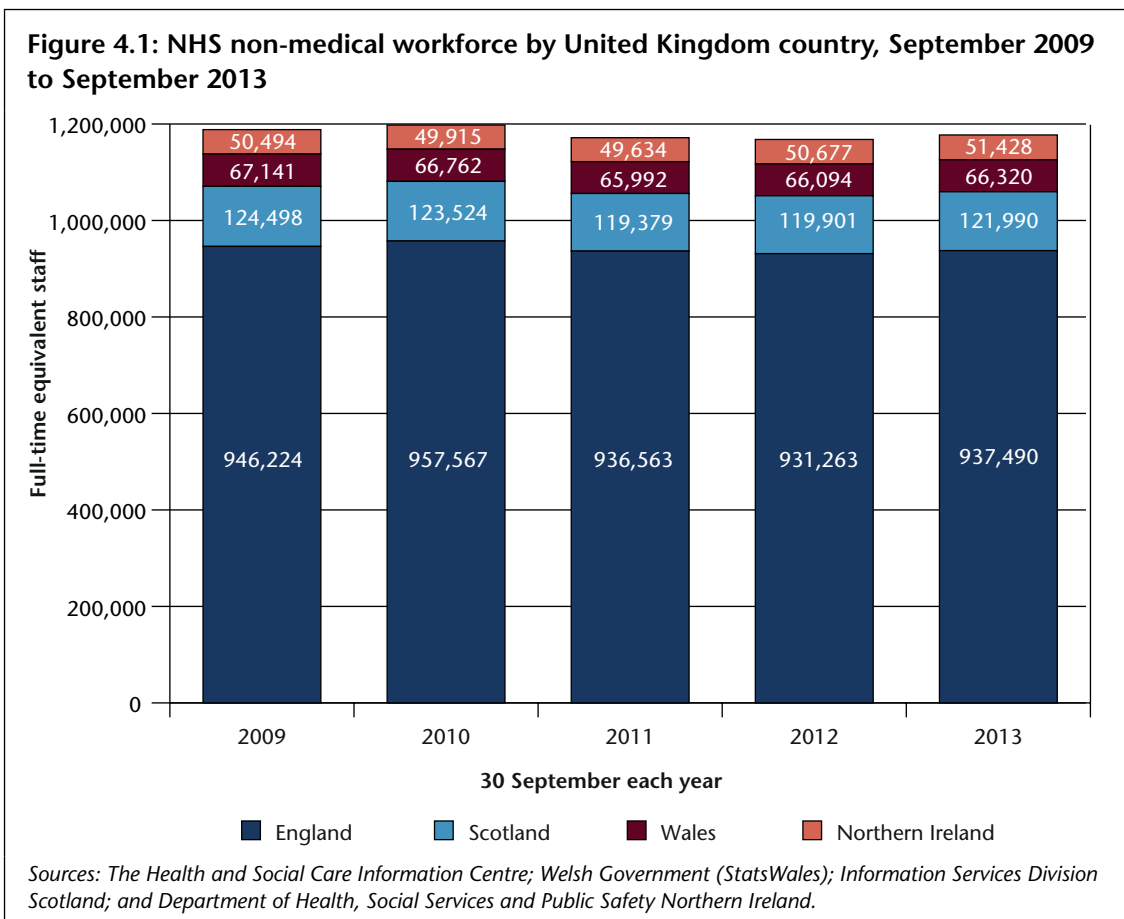
4.1 In line with our standing terms of reference this section of our report includes our considerations and analysis of evidence on recruitment and retention, morale and motivation and any regional and local variations in labour markets and their effects on recruitment and retention of staff. This includes both the evidence presented to us from the parties and our own analysis on the recruitment and retention position of our remit group. Whilst our analysis is focused on Scotland, some of the data presented is United Kingdom-wide for the purpose of transparency, context and, where relevant, comparison. Appendix D shows details of the composition of our remit group.

### NHS Workforce, Vacancies and Turnover

#### *Changes in staffing level*

4.2 Scotland accounted for 10 per cent of the United Kingdom non-medical full-time equivalent (FTE) workforce in 2013. Figure 4.1 shows recent changes in the non-medical NHS workforce for the United Kingdom as a whole and data for Scotland is highlighted. Overall:

- the United Kingdom FTE non-medical NHS workforce increased by 0.8 per cent (~9,300 FTE) between September 2012 and September 2013, to a total of 1.177 million FTE;
- each country of the United Kingdom experienced an increase to their respective non-medical workforce between September 2012 and September 2013;
- of these increases, Scotland experienced the highest of 1.7 per cent (~2,100 FTE).



- 4.3 Since mid-2011, quarterly updates on the NHS workforce in Scotland have been available (Table 4.1 and Figure 4.2). Table 4.1 shows the latest changes in staff numbers by staff group since September 2013 for Scotland. The data presented is by staff group as recorded in Scotland. The overall changes for the non-medical FTE workforce since September 2010 are shown in Figure 4.2. These show an increase of +1.5 per cent (+1,818 FTE) in the non-medical workforce between September 2013 and June 2014.

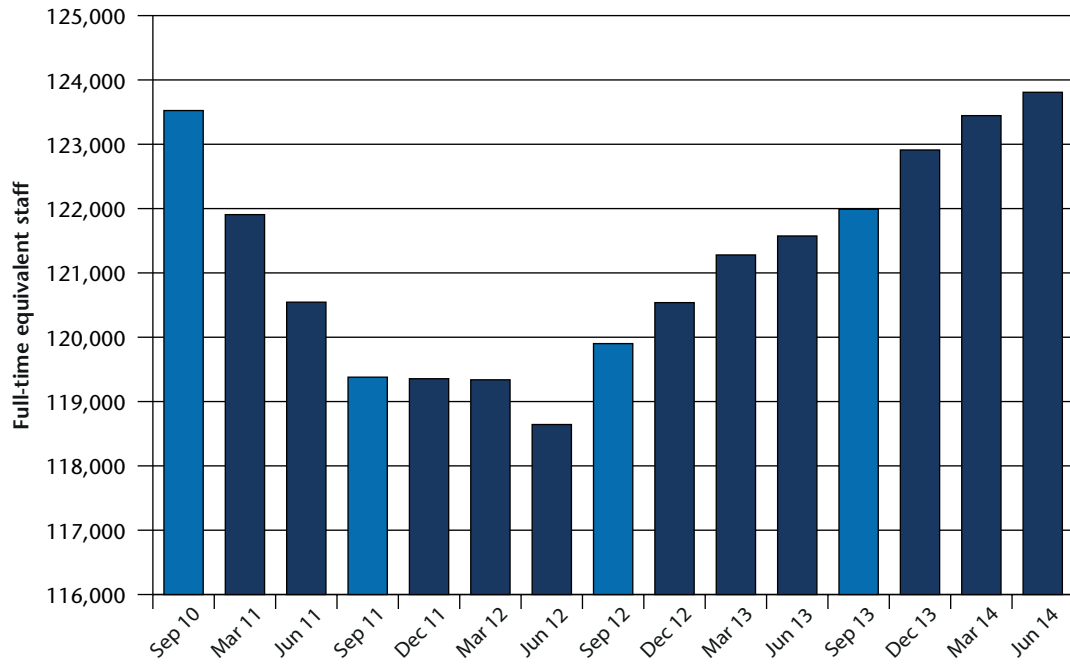
**Table 4.1: Scotland's change in full-time equivalent staffing numbers between September 2013 and June 2014**

	Change since September 2013 and June 2014	
	Rate	FTE
Medical and dental support	-2.3%	-44
Nursing and midwifery	1.9%	1,093
Allied health professions	1.4%	155
Other therapeutic services	3.7%	137
Personal and social care	2.2%	20
Healthcare science	0.9%	50
Emergency services	2.8%	65
Administrative services	1.2%	286
Support services	0.6%	81
Unallocated/not known <sup>28</sup>	-2.3%	-26
<b>All non-medical</b>	<b>1.5%</b>	<b>1,818</b>

Source: Information Services Division Scotland.

<sup>28</sup> NHS Highland and The Highland Council are working towards developing an integrated model for health and social care. Staff involved in the delivery of these core services started to transfer between the two organisations in June 2012, those that have transferred into NHS Highland are currently shown in unallocated/not known. As at June 2014, of those unallocated staff transferring into NHS Highland: 120.2 FTE are in administrative services; 6.1 FTE are in allied health professions; 890.5 FTE are in personal and social care; and 54.6 FTE are in support services.

**Figure 4.2: Non-medical FTE workforce in Scotland, September 2010 to June 2014<sup>29</sup>**



Source: Information Services Division Scotland.

4.4 Table 4.2 shows the annual change of FTE staff by broad staff groups and by country of the United Kingdom. Data is recorded differently across the four countries and these broad staff groups therefore enable a comparison between the four countries. Only the administration, estates and managers staff group experienced a decrease in FTE staff at a United Kingdom level, driven entirely by decreases in England.

<sup>29</sup>Data for December 2010 is not available, quarterly data available from March 2011.

**Table 4.2: Full-time equivalent non-medical staff in NHS by United Kingdom country and broad staff group,<sup>30</sup> September 2012 to September 2013**

Broad staff group		England	Scotland	Wales	Northern Ireland	United Kingdom
<b>Qualified nursing and midwifery</b>	FTE	307,692	41,869	21,923	14,178	<b>385,661</b>
	% change	0.9%	1.7%	0.8%	1.9%	<b>1.0%</b>
	FTE change	2,632	710	168	263	<b>3,773</b>
<b>Unqualified nursing and healthcare assistants and support</b>	FTE	183,231	15,500	16,031	4,014	<b>218,775</b>
	% change	1.9%	2.6%	<b>-0.5%</b>	1.7%	<b>1.8%</b>
	FTE change	3,498	395	<b>-76</b>	69	<b>3,886</b>
<b>Professional, technical and social care</b>	FTE	172,778	21,498	11,616	15,562	<b>221,454</b>
	% change	0.7%	2.2%	0.6%	1.9%	<b>0.9%</b>
	FTE change	1,197	473	67	297	<b>2,034</b>
<b>Ambulance</b>	FTE	24,717	3,708	1,499	1,070	<b>30,994</b>
	% change	1.2%	1.9%	<b>-0.8%</b>	3.0%	<b>1.2%</b>
	FTE change	287	68	<b>-11</b>	31	<b>375</b>
<b>Administration, Estates and Managers</b>	FTE	244,692	38,281	15,120	16,574	<b>314,667</b>
	% change	<b>-0.8%</b>	1.2%	0.5%	0.6%	<b>-0.4%</b>
	FTE change	<b>-2,037</b>	440	81	96	<b>-1,420</b>
<b>Total<sup>31</sup></b>	<b>FTE</b>	<b>937,490</b>	<b>121,990</b>	<b>66,320</b>	<b>51,428</b>	<b>1,177,229</b>
	<b>% change</b>	<b>0.7%</b>	<b>1.7%</b>	<b>0.3%</b>	<b>1.5%</b>	<b>0.8%</b>
	<b>FTE change</b>	<b>6,227</b>	<b>2,089</b>	<b>227</b>	<b>751</b>	<b>9,294</b>

Sources: The Health and Social Care Information Centre; Welsh Government (StatsWales); Information Services Division Scotland; and Department of Health, Social Services and Public Safety Northern Ireland.

4.5 Table 4.3 shows the percentage of staff within each pay band and the number of FTE staff who have reached the top of their Agenda for Change pay band, according to the latest figures from the Scottish Government. Overall approximately 60 per cent of Agenda for Change staff in Scotland are now at the top of their band, this is an increase of 4 percentage points from the previous year.

<sup>30</sup> Appendix D provides information on which categories of staff in each country have been allocated to broad staff groups. These comparisons should be treated with caution: some ancillary staff in England and Wales are categorised in the census as healthcare assistants and support staff, but have job roles that fit better in the broad group “administrative, estates and management”.

<sup>31</sup> The total also includes the “other” staff group. The numbers of “others” are volatile as they include unclassified and unknown staff groupings. This “other” staff group is therefore omitted from the table.

**Table 4.3: Number of full-time equivalent staff in Scotland at the top of their pay band and the percentage of staff at the top within that band 2013/14<sup>32</sup>**

Agenda for Change pay band	Percentage of FTE staff within the band who have reached the top	Number of FTE staff
Band 1	91%	4,024
Band 2	55%	12,599
Band 3	60%	8,799
Band 4	60%	6,872
Band 5	58%	18,948
Band 6	57%	11,701
Band 7	62%	6,986
Band 8 Range A	66%	1,953
Band 8 Range B	65%	865
Band 8 Range C	58%	379
Band 8 Range D	58%	126
Band 9	70%	30

Source: OME analysis of Scottish Government evidence.

### Vacancy rates

4.6 Table 4.4 shows the latest vacancy rates by main staff group for Scotland and Northern Ireland. England suspended the vacancy survey in 2010,<sup>33</sup> and Wales ceased theirs in 2011.<sup>34</sup>

**Table 4.4: Latest vacancy rates by main staff group and United Kingdom country**

	Three-month vacancies		Total vacancies	
	Vacancy rate (%)	Annual Percentage point change	Vacancy rate (%)	Annual Percentage point change
<b>Scotland (June 2014)</b>				
Nurses, midwives & HVs bands 5-9	0.6	0.1	3.3	0.2
Nurses, midwives & HVs bands 1-4	0.4	-0.2	2.6	-0.7
Allied health professionals	1.0	0.0	4.1	-0.4
<b>Northern Ireland (March 2014)</b>				
Nursing and midwifery	0.6	-0.3	2.3	-0.2
Professional and technical	0.6	-1.7	2.5	-1.7
Social services	0.8	-1.4	2.2	-1.1
Ambulance	0.0	-0.4	0.0	-0.5
Support services	0.4	-0.2	1.4	0.4
Administrative and clerical	0.7	0.0	1.7	0.1
Estates services	0.4	-1.5	1.7	-1.4

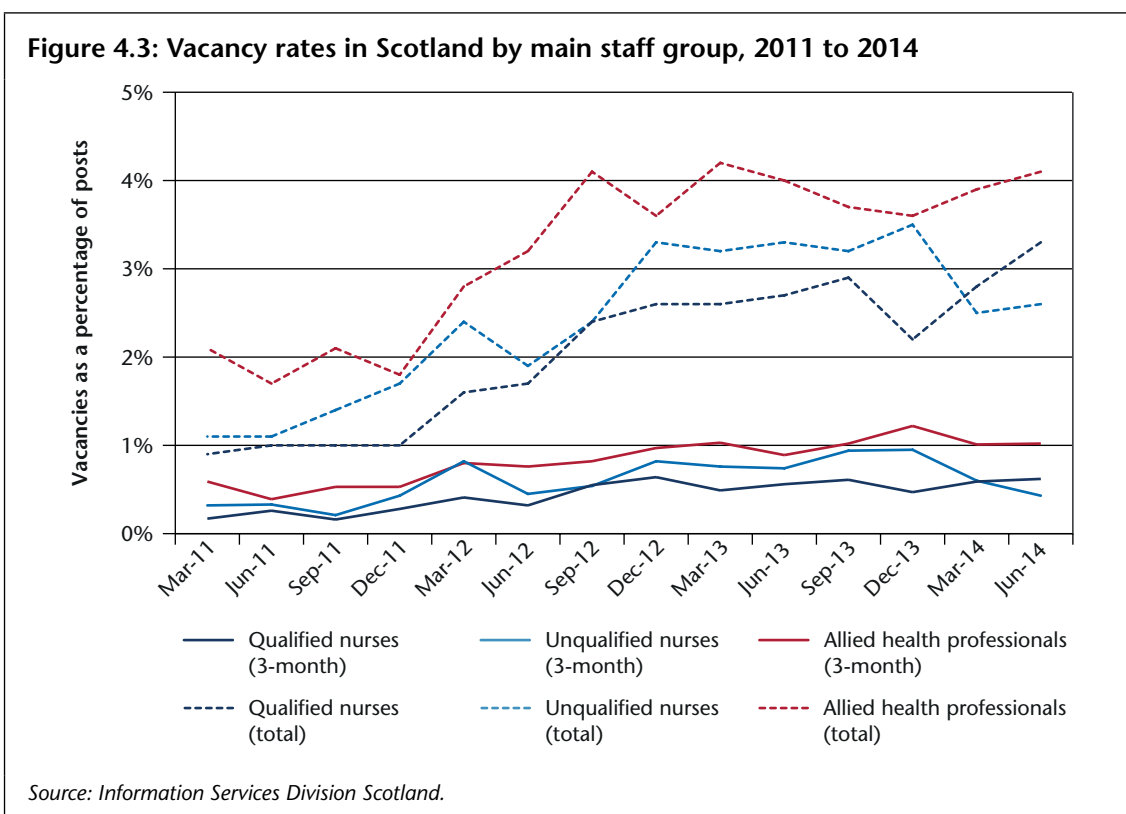
Sources: Information Services Division Scotland; and Department of Health, Social Services and Public Safety Northern Ireland.

<sup>32</sup>Information is provided for Scotland only as we did not receive evidence from the other parties for this pay round.

<sup>33</sup>Following the NHSPRB 28th report we are awaiting details of the plans to collect vacancy data.

<sup>34</sup>Wales carried out a consultation to assess whether the collection of these statistics should be terminated. The consultation closed in October 2011, following which the collection of vacancy data was ended.

4.7 Figure 4.3 shows the vacancy rates in Scotland by main staff group. In Scotland, NHS vacancies data are now published quarterly, but are collected only for nursing and allied health professional staff. The available data covered total vacancy rates as well as the three-month vacancy rate which could provide a better indication of emerging recruitment problems. Typically the three-month vacancy rates were much lower than the total vacancy rate and, stood at a quarter or less of the total vacancy rate. The three-month vacancy rate for both qualified nurse<sup>35</sup> and allied health professionals in Scotland has been fairly stable in recent years. Three-month vacancy rates for unqualified nurse<sup>36</sup> have seen relatively large decreases in the last couple of quarters.



### Turnover

4.8 Table 4.5 shows the latest available joining and leaving rates in Scotland, England and Northern Ireland (Wales do not publish these). Leaving rates tended to be highest for non-clinical staff groups. There were differences between the United Kingdom countries in these rates; with England typically having had higher rates than Scotland, which also typically had higher rates than Northern Ireland. In each country and across the staff groups there were also differences, though the nursing and midwifery groups tended to be a group with one of the lowest leaving rates. The highest leaving rates for Scotland were in other therapeutic services, support services and personal and social care. The lowest rates were in healthcare science, emergency services and nursing and midwifery.

<sup>35</sup> Since 2007, nurses in AfC bands 5-9 have been used as a proxy for qualified nurses

<sup>36</sup> Since 2007, nurses in AfC bands 1-4 have been used as a proxy for unqualified nurses



**Table 4.5: Leaving and joining rates to the NHS by staff group (headcount)**

	Year to 31 March 2013		Year to 31 March 2014	
<b>Scotland</b>	Leaving rate	Joining rate	Leaving rate	Joining rate
All NHS (inc medical and dental)	6.4%	8.1%	6.6%	7.9%
Nursing and midwifery	5.9%	6.5%	6.1%	7.7%
Allied health professions*	6.2%	8.4%	6.2%	7.5%
Other therapeutic services	6.9%	10.5%	9.1%	11.3%
Personal and social care	7.1%	7.6%	7.4%	7.6%
Healthcare science	6.3%	5.4%	5.6%	6.7%
Emergency services*	3.1%	5.1%	5.7%	10.3%
Administrative services	6.8%	7.1%	6.9%	7.9%
Support services	8.4%	10.3%	7.8%	10.0%
	Year to 31 May 2013		Year to 31 May 2014	
<b>England</b>	Leaving rate	Joining rate	Leaving rate	Joining rate
All NHS (exc bank, trainee doctors & locums)	8.5%	8.2%	7.8%	9.7%
Qualified nurse	8.7%	8.3%	8.7%	10.0%
Qualified midwife	7.8%	9.0%	8.3%	9.7%
Qualified health visitor	10.6%	16.8%	10.3%	20.9%
Qualified scientific, therapeutic and technical sta	9.3%	10.3%	10.2%	11.2%
Qualified ambulance staf	6.3%	6.4%	7.5%	6.7%
Support to doctors and nursing staff	13.1%	13.6%	13.5%	16.0%
Support to scientific, therapeutic and technical staf	18.9%	18.0%	20.1%	24.9%
Support to ambulance staff	19.2%	17.4%	16.8%	22.4%
Managers and senior managers	28.3%	22.9%	18.5%	21.1%
Central functions	22.7%	18.6%	18.0%	20.4%
Hotel, property and estates	12.6%	12.1%	12.3%	11.3%
	Year to 31 March 2013		Year to 31 March 2014	
<b>Northern Ireland</b>	Leaving rate	Joining rate	Leaving rate	Joining rate
All non-medical staff	5.2%	6.0%	4.8%	5.6%
Nursing and midwifery	4.5%	6.2%	4.2%	5.9%
Professional and technical/Generic	4.3%	7.5%	3.7%	6.7%
Social services	7.1%	4.0%	5.6%	5.5%
Ambulance	2.5%	7.3%	2.6%	0.4%
Support services	5.2%	7.1%	5.4%	5.8%
Administrative and clerical	4.8%	5.7%	5.6%	4.7%
Estates services	11.5%	10.9%	7.1%	7.8%

Sources: The Health and Social Care Information Centre; Information Services Division Scotland; and Department of Health, Social Services and Public Safety Northern Ireland.

\* In Scotland's published statistics from the 1st April 2013, paramedics have been reclassified from emergency services staff to allied health professions.

- 4.9 According to a survey conducted by the Chartered Institute for Personnel and Development (CIPD)<sup>37</sup> the leaving rates in the NHS are lower than the whole-economy<sup>38</sup> average, the median leaving rate among survey respondents was 11.9 per cent. The leaving rate of 9.4 per cent reported by public service respondents to the CIPD survey was also higher than for the NHS.

### *Sickness absence*

- 4.10 Sickness absence rates are calculated as the percentage of working hours lost through sickness absence. Sickness absence data is collected over different time periods across the four countries with only rates between England and Wales being comparable (as they use the same electronic staff register), Scotland and Northern Ireland calculate these rates slightly differently. Table 4.6 shows the latest figures for Scotland for the full year since 2009/10 and demonstrates that rates in Scotland are relatively stable. Tables 4.7 and 4.8 show the data for England and Wales; and Northern Ireland respectively.

**Table 4.6: Sickness absence rates in Scotland (FTE)**

	<b>Scotland</b>
full year 2009/10	4.8%
full year 2010/11	4.7%
full year 2011/12	4.6%
full year 2012/13	4.8%
full year 2013/14	4.8%

Source: Information Services Division Scotland.

**Table 4.7: Sickness absence rates in England and Wales (FTE)**

	<b>England</b>	<b>Wales</b>
Q1 2010	4.5%	5.3%
Q2 2010	3.9%	4.7%
Q3 2010	4.0%	4.9%
Q4 2010	4.5%	5.4%
Q1 2011	4.2%	5.1%
Q2 2011	3.8%	4.7%
Q3 2011	4.0%	4.9%
Q4 2011	4.4%	5.4%
Q1 2012	4.4%	5.4%
Q2 2012	4.0%	5.1%
Q3 2012	4.1%	5.3%
Q4 2012	4.5%	5.8%
Q1 2013	4.4%	5.5%
Q2 2013	3.9%	5.1%
Q3 2013	3.9%	5.2%
Q4 2013	4.3%	5.7%
Q1 2014	4.3%	

Source: The Health and Social Care Information Centre, Welsh Government (StatsWales) and the Department of Health.

<sup>37</sup> CIPD (2013) *Resourcing and Talent Planning, Annual Survey Report 2013*. The findings of the 2014 CIPD annual survey will be released in May 2015.

<sup>38</sup> The CIPD survey covers a sample of UK companies across 30 industry sectors see page 47 of the CIPD (2013) *Resourcing and Talent Planning, Annual Survey Report 2013* for more information.

**Table 4.8: Sickness absence rates in Northern Ireland (FTE)**

	Northern Ireland
6 months to Mar 2010	5.9%
6 months to Sep 2010	5.3%
6 months to Mar 2011	5.6%
6 months to Sep 2011	5.0%
6 months to Mar 2012	5.5%
6 months to Sep 2012	5.3%
6 months to Mar 2013	5.7%
6 months to Sep 2013	Not available
6 months to Mar 2014	Not available

Source: Social Services and Public Safety Northern Ireland.

### Evidence from the parties

- 4.11 In their written evidence for us, the parties have drawn on their own research and the same data sources that we have highlighted above. Below is a summary of the parties' positions.
- 4.12 The **Scottish Government** reported that there had been a 1.9 per cent increase in the number of whole time equivalent (WTE) Agenda for Change staff working in NHSScotland in the 12 months since June 2013. In headcount terms, the number had increased by 1.6 per cent. This had included a WTE increase of 2.3 per cent in Nursing and Midwifery staff; a 1.8 per cent increase in headcount. The Scottish Government told us that the up to date picture was variable but in general most staff groups had experienced a modest rise in overall numbers over the last year.
- 4.13 The Scottish Government reported that the number of people registered as bank nursing and midwifery staff had increased in NHSScotland. Bank use in 2013/14 represented 3,933 WTE nurses,<sup>39</sup> 10.1 per cent up on the 2012/13 level and part of a long term increase since 2001/02. It told us that bank usage only accounted for 6.5 per cent of the total NHS nursing and midwifery capacity and should be viewed in the context of a long-term reduction in agency usage. It was Scottish Government policy to utilise the flexibility offered by the nurse bank to, among other things, secure value for money by decreasing the use of more expensive agency staff. It informed us that increasing use of bank staff was due to a number of reasons: the use of bank staff allowed NHS boards to respond quickly to periods of planned and unplanned absence to ensure continuity of service and to manage surges in activity or respond to issues at short notice. Boards were addressing many of these issues through, for example, a focus on staff well-being and absence management, addressing roster management and application of the nursing and midwifery workload/workforce planning tools. It believed that the increased investment in nursing and midwifery establishments should reduce reliance on bank staffing in the longer term.
- 4.14 The Scottish Government reported that the spend on agency nursing staff increased from £6.4 million in 2012/13 to £9.3 million in 2013/14. Agency staff in 2013/14 accounted for 0.2 per cent of the total nursing and midwifery capacity; this was up on previous years but still significantly less than the level over much of the last decade. It told us that the increase in agency use had been caused by many factors, including increased demand for specialist staff, such as theatre nurses. Agency nurses were used in highly specialised areas where bank staff were not available, for example, in Critical Care areas and in complex paediatric care in the community.

<sup>39</sup> 7.67 million hours divided by 1,950 – the equivalent of one WTE nurse.

- 4.15 The Scottish Government reported that turnover rates had decreased steadily since the peak in 2007/08 to the current net rate<sup>40</sup> of 6.8 per cent. In its view, this suggested that over the period staff had become steadily less likely to leave the NHS. Vacancy rates had increased marginally over last year but remained at a generally low level.
- 4.16 The Scottish Government pointed to the continuing uncertainties around the whole of the public sector landscape, and the financial situation making it more difficult for NH boards to make meaningful workforce projections for the longer term. All NHS boards were asked to provide workforce projections for 2014/15 to enable the Scottish Government to assess the current workforce and skills mix ensuring this was appropriate to meet current and future needs. These showed a projected overall increase of 0.9 per cent WTE and if projections were realised, the largest increase would be in Nursing & Midwifery at 1.1 per cent. Ambulance services was the only job family with an overall projected decrease; the decrease was projected due to some clerical reclassifications, as well as an enhanced skill mix of staff. All projections had been developed in liaison with local staff side representatives in each NHS board.
- 4.17 The Scottish Government told us that, although the commitment to no compulsory redundancies in the NHS remains, it was right for boards to look critically at service delivery at a time of tightening public sector budgets and part of this was to consider how services should be staffed as patterns of care change. With changes resulting from shifting activity from the acute sector in to community, we could expect to see an associated transfer of activity. The Scottish Government informed us that a working group had been set up to consider workforce planning issues.
- 4.18 The **Joint Staff Side** told us that despite NHSScotland seeing an increase in staff, vacancy rates in the NHS were still running high. The total number of vacancies for nursing and midwifery posts was running at a rate of 2.7 per cent in March 2014, along with a rate of 3.9 per cent of vacancies in the allied health profession occupational group. Nursing and Midwifery bank staff were continuing to plug gaps in staffing and provided 3,933 WTE of cover at a cost of £118.2 million. This was an increase of 10.1 per cent WTE and £14 million on 2012/13. Agency nursing and midwifery staff provided 124.5 WTE at a cost of £9.3 million, this was an increase of £2.9 million on 2012/13. It told us that the overall picture, therefore, may look quite healthy in terms of staffing, but hides worryingly high vacancy rates and a reliance on agency staff – a situation which was both expensive and unsustainable. It believed that the regular and increased use of bank and/or agency staff should be a warning sign that organisations did not have adequate staffing levels. The Joint Staff Side argued that this was an expensive and unsustainable model of care. It believed that by recruiting to fill vacancies where there was regular use of bank and/or agency staff the Scottish Government could make substantial savings as well as enhance continuity of care and improve patient outcomes.
- 4.19 The Joint Staff Side report that in its IDS Staff Survey 2014,<sup>41</sup> two thirds of all staff reported that staff shortages ‘frequently’ occurred in their workplace and around half (48 per cent) of respondents stated that their organisation had responded to the financial challenges facing the NHS by reducing posts. It reported that the results from the survey also revealed that one third of members in Scotland stated they ‘frequently’ work over their contracted hours. The most common reasons for working additional hours were to

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<sup>40</sup>The net turnover rate filters out inter-board moves and thus gives an overall turnover rate for NHSScotland as a whole.

<sup>41</sup>The OME enquired about the sample size and return rate of the IDS Staff Survey and were advised by the Joint Staff Side that ‘the survey was sent to representative samples of each union memberships and the data weighted according to Agenda for Change pay band, to address under representation of respondents employed on lower bands’.

provide the best care possible and get their work down and in reality this required working beyond contracted hours. Other reasons included catching up on paperwork (38 per cent), and covering staff shortages (31 per cent).

- 4.20 The Joint Staff Side told us that they had received anecdotal evidence that vacancies were being held for 3-4 months and this put extra pressure on staff. The increase in the use of bank and agency staff did not appear to correlate to increased demand or sickness and such an increase was usually evidence of staff shortages and a possible symptom of poor workforce planning. It reported that workforce planning was generally better in Scotland – a good example being the increase of midwives to cope with a higher birth-rate. The Joint Staff Side believed that bank staff are needed and that good workforce planning coupled with good use of bank staff would be less wasteful than buying in agency cover. It believed the trade-off between staff numbers and pay was therefore a false choice.

#### **Home Office Migration Advisory Committee**

- 4.21 Since presenting their evidence to us, the **Joint Staff Side** has submitted evidence to the Home Office Migration Advisory Committee (MAC), which it has shared with us. Evidence has been submitted by the **Royal College of Nursing, Unison** and the **British Association and College of Occupational Therapists**. The evidence highlights the recruitment concerns of the individual trade unions and that there could be a current and future shortage in the numbers and skills mix for nurses and paramedics across the United Kingdom and occupational therapists in the London area. They are seeking for these posts to be included on the *Shortage Occupation List*. The **Scottish Government** has also submitted evidence to the MAC but advised us that it was not in a position to share this evidence until such time as the United Kingdom Government has had the opportunity to consider the MAC recommendations, based on this evidence. At the time of writing the MAC had not yet reported their findings.

#### **Our comment**

- 4.22 From the evidence presented to us by both parties there do not appear to be any serious recruitment and retention issues in place across NHSScotland. Staff numbers have seen an overall increase in the last year and remain reasonably stable. Turnover is generally low and neither side identified any specific areas of concern.
- 4.23 Despite the generally stable picture that has been presented to us we are concerned about the increased use of bank and especially agency staff. We accept that bank staff provide a valuable resource and believe that where used appropriately this can aid workforce planning and should reduce the reliance on expensive agency cover. However, the increased use of agency staff is concerning. Agency spend has increased significantly over the last year, with neither of the parties able to provide a full explanation for this. This could be symptomatic of a larger workforce planning issue and it seems logical, as the Joint Staff Side has expressed, that the position would be improved through more effective long-term planning with the money spent on providing agency staff reinvested and utilised more efficiently.
- 4.24 If the economy continues to strengthen and unemployment continues to fall there will be increased competition in the market place for employers. It will be important that the NHS is ready to respond accordingly and can continue to recruit and retain the skilled workforce that it requires. We believe it will need to monitor carefully, early indicators of potential issues, such as a drop in quantity or quality of training commissions and/or new recruits. Recruitment and Retention Premiums remain a valuable tool to use in response to short-term recruitment and retention issues and should avoid the need for expensive long-term pay solutions. However, they appear to be used little in Scotland at present. More detailed workforce planning will be essential over the medium to longer term and we welcome the work the Scottish Government are taking forward on workforce planning. We would like to be kept informed of the progress on this.

- 4.25 We note the evidence that the Joint Staff Side have presented to the Migration Advisory Committee. This, together with the increase in the use of bank and agency staff and the findings from the Joint Staff Side IDS staff survey 2014, has raised concerns for us and highlights a potential issue with a future shortage of nurses in particular specialisms and other skilled occupations. The evidence presented to the MAC by the Joint Staff Side, also points to a shortage of nurses across the European Union and the likely impact this could have on recruitment in the United Kingdom. Whilst a skills shortage may not necessarily be pay related, this could be symptomatic of wider workforce planning problems and should act as an early warning sign for all parties to take note and respond accordingly. Failure to act early could lead to implementation of expensive pay solutions at a later date.
- 4.26 Whilst we do not see any immediate signs of serious recruitment and retention issues, there are some early warning signs that a future shortage could be on the horizon. The evidence presented by the parties, however, does not show a consistent picture and so it is not clear whether this is indicative of genuine shortages or if vacancies are being held open for other reasons. We remain concerned about the quality and depth of data to inform our considerations on recruitment and retention issues and have made our long standing concerns on this issue clear in previous reports. We continue to believe that the current information presents us with only partial evidence and does not enable us, or others, to take a fully informed view.

**Observation 1: We would like future evidence to include more robust and systematic data to inform our consideration of recruitment and retention issues. In particular we would like to see a detailed breakdown of vacancy data, covering a wider range of staff groups and giving more clarity on short and long term vacancies, including details of vacancies which are not actively being recruited to, and a clearer picture on problems in specific locations and/or occupations. Alongside this we would like employers to monitor carefully training places and quality of new recruits.**

## Recruitment and Retention Premia

- 4.27 In this section we consider the Recruitment and Retention Premia (RRP) that are currently paid in NHSScotland and the process for the application of an RRP.

### Evidence from the parties

- 4.28 The **Scottish Government** reported that since the removal of National Recruitment and Retention Premia (NRRP) in April 2013, a number of north of Scotland NHS boards had applied for and been granted local RRP to allow them to compete with the oil and renewables industry for trades such as electricians and plumbers. NHS Shetland, NHS Orkney, NHS Western Isles, NHS Highland and NHS Grampian and the Scottish Ambulance Service based in Aberdeen all had RRP in place for qualified maintenance personnel.
- 4.29 The Scottish Government told us that some health boards do have problems recruiting to specialist positions because of their geographical area. Whilst the salary for Agenda for Change staff was competitive compared to other public sector salaries and the private sector, in some areas there were certain types of jobs where the NHS could not compete. Health boards in Scotland needed to make sufficient use of RRP in order to ensure the right skill-mix. In these cases RRP could be used to recruit and retain staff. It was the boards' responsibility to implement these premia. The Scottish Government advised us that RRP were funded by health boards and not from central funding. RRP were put in place by health boards following a national process to prevent boards competing with each other. A full list of RRP in NHSScotland is shown in Table 4.9.

**Table 4.9: Recruitment and Retention Premia Payments in NHSScotland**

Board	Staff Group	Level of Payment	Start Date	Duration and Review Date
The State Hospital	All for working in High Level Secure Unit	£1,000	June 2005	Permanent Allowance
The State Hospital	Clinical Staff working with patients in High Level Secure Unit	£2,400	June 2005	Permanent Allowance
NHS Lothian, Tayside and GG&C	Eligible Staff working in Medium Secure Unit environments	Originally £1,500, pro rata if less than 50% of time worked in Secure Unit. Increased in line with AfC pay award.	1 April 2009	3 years initially. Reviewed as at February 2012 and extended for a further 3 years. Now ends March 2015.
NHS Western Isles	Band 7 Pharmacists	20% of Band 7 salary	November 2010	1 year initially. Reviewed in November 2011. Extended to November 2012. Reviewed and extended to March 2015.
NHS Grampian, Highland, Orkney, Western Isles Shetland and SAS in Grampian	Estates Staff previously in receipt of National RRP	Originally £3,277 per annum as at 2012. Increased in line with AfC pay award.	1 April 2012	1 April 2014. Runs until 31 March 2017. Boards need to submit application for renewal by 31 March 2016.

Source: Scottish Government.

4.30 The **Joint Staff Side** confirmed that there were a small number of RRP in place in Scotland. It told us that the process of awarding RRP is robust and takes into account evidence of market forces and turnover. The Joint Staff Side can oppose an RRP where a health board had requested one and it does not believe there is evidence to support this. The Joint Staff Side believed that RRP should form part of effective workforce planning.

**Our comment**

4.31 We note that there were no new RRP under consideration and have concerns about the current funding arrangements. We believe that the need to find funding within the existing budget may be preventing health boards from applying for RRP. If there were a mechanism built into the existing funding formula for health boards that could account for and reflect regional variations in pay, this could support boards who require the flexibility of an RRP and avoid pressure building up over time. Whilst the current Scottish business case process for RRP is robust, this does not necessarily provide employers with the flexibility required to respond quickly to problems. In our view health boards should be required to consult parties over the application of RRP but should have the flexibility to respond to short-term labour market issues where required. We believe that this is in line with the original intention of RRP. It is also important that RRP be kept under regular review in order to avoid longer term cost implications.

## Appraisal and the Knowledge and Skills Framework

4.32 The NHS Knowledge and Skills Framework (KSF) applies to all staff covered by Agenda for Change and provides a tool for describing the knowledge and skills staff are required to apply in their role for the delivery of high quality patient services. This includes an annual system of review and development for staff. We have expressed our concern in recent reports about the progress with the implementation of the KSF and the low rate of appraisals.

### Evidence from the parties

4.33 The **Scottish Government** told us that in NHSScotland, as part of the overall workforce development strategy, *Everyone Matters*, the focus remained on ensuring that staff have a regular, meaningful and worthwhile personal development planning and review discussion to discuss past performance and identify any necessary learning and development opportunities. This process was underpinned and supported by the NHS KSF. Currently NHSScotland was undertaking a national review and refresh of the NHS KSF in order that the framework remains relevant and fit for purpose to support the on-going development of a workforce able to meet the challenges of delivering the NHSScotland 2020 Vision. The Scottish Government evidence showed that 9 out of 22 boards had a completion ratio of less than 50 per cent for KSF appraisals.<sup>42</sup> It confirmed that there were no staff held back from incremental progression in the last year and that Scottish health boards had not yet linked appraisal results to incremental progression, with the focus remaining on staff development. It confirmed that changes were being made to allow electronic completion of the KSF appraisals to aid implementation and improve completion rates.

4.34 The **Joint Staff Side** told us that the Scottish Government had requested that boards improve the application of KSF and that the majority of health boards had complied with this. It believed the number of years taken to assimilate staff from old pay arrangements onto Agenda for Change pay scales could have impacted progress on the application of the KSF. The Joint Staff Side supported the application of the KSF across the United Kingdom.

### Our comment

4.35 We welcome the progress that Scotland has made on improving completion rates for staff appraisals and the measures they have put in place to make completion quicker and easier. Despite this progress, employers in Scotland have still not implemented the KSF fully and the rates for completed appraisals remain low.

4.36 The direction of travel in Scotland is encouraging, however, management and employers should do more to drive through progress on this. Now that the completion rate is showing signs of improvement we would like to see the implementation of the KSF gateways in line with the original 2004 Agenda for Change agreement. We note that the application of the KSF is supported by the Joint Staff Side.

4.37 It seems that under the current process all staff receive incremental pay progression and increments are not withheld, regardless of performance. In practice, this means that pay progression is automatic and provides little incentive or reward for consistent or excellent performers. Sixty per cent of staff in Scotland are now at the top of their band. An equitable pay system should not be providing the same level of reward, or better in some cases, for staff who are underperforming as those who are consistent or excellent performers.

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<sup>42</sup>Based on October 2014 data from Scottish Government supplementary evidence.



- 4.38 We would like to see Scotland continue to make progress on improvements to the system to make completion easier and suggest that they consider actions taken by other NHS employers to streamline the process. We request to be kept informed of progress on this. With this in mind, we refer back to the second observation made in our 28th report and encourage the NHS in Scotland to make further progress on this.

**Observation 2:<sup>43</sup> There is a pressing need for the NHS in Scotland to manage and apply the agreed pay progression arrangements properly through the application of a simplified Knowledge and Skills Framework in order to ensure that pay progression is linked to competency development and performance, as was intended within Agenda for Change.**

## Staff Engagement

- 4.39 An essential part of the evidence gathering process, and in line with our terms of reference, is understanding the position of staff morale and motivation. In this section we consider the NHSScotland Staff Survey results for 2014 and the parties' evidence. The Joint Staff Side provided us with the results of its own United Kingdom-wide survey. However, as stated in our last report, the variation of surveys and question sets makes it difficult to compare results. We would prefer all parties to agree a common set of questions for an independent staff survey and that individual surveys focus on questions that are not covered by the staff survey.

### *Staff Survey*

- 4.40 The NHSScotland Staff Survey took place between 25 August and 6 October 2014; results were published in December 2014.<sup>44</sup> The survey applies to all NHS staff, including Doctors, a total of 55,077 staff responded. This represents a 35 per cent response rate and a 7 per cent increase in participation from 2013. The survey shows that in 26 out of the 29 national core questions, more staff responded positively compared to last year. The key findings include

- 90 per cent of staff said they were happy to go the 'extra mile' at work when required (an increase of 3 per cent since 2013);
- 61 per cent would recommend their workplace as a good place to work (a 10 per cent rise from last year);
- 29 per cent of staff said they are always consulted about changes at work (a 3 per cent increase since 2013 but remains in the least five positive perceptions);
- 33 per cent felt there were enough staff for them to do their job properly (an increase of 2 per cent from last year but in the least five positive perceptions).

- 4.41 The five most positive and least positive perceptions are shown below in Tables 4.10 and 4.11, respectively.

<sup>43</sup>This is a repeat of Observation 2 made in the 28th NHSPRB Report. This report is available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/288690/NHS\\_Pay\\_Review\\_28th\\_repot.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288690/NHS_Pay_Review_28th_repot.pdf)

<sup>44</sup>Staff Survey results for 2014 have not yet been published by England, Northern Ireland or Wales so results cannot be compared. The *NHSScotland Staff Survey 2014 National report* is available from: <http://www.scotland.gov.uk/Publications/2014/12/8893/downloads>

**Table 4.10: The five most positive perceptions and their percentage increases on combined positive responses comparing 2013 and 2014**

(combined negative responses also shown for completeness)

Question Number	Question	Positive response%		Negative response%	
		(change on 2013 shown in brackets)		(change on 2013 shown in brackets)	
6-3	I am happy to go the 'extra mile' at work when required	90%	(+3%)	3%	(-2%)
1-4	I am clear what my duties and responsibilities are	86%	(+2%)	2%	(-1%)
4-2	I get the help and support I need from colleagues	79%	(+3%)	6%	(-1%)
6-5	I still intend to be working with [health board]* in 12 months time	79%	(+4%)	7%	(-1%)
1-5	I understand how my work fits into the overall aims of [health board]*	78%	(+12%)	5%	(-5%)

Positive and negative responses are based on combining all relevant responses on the five points response scale

\*The appropriate health board name was inserted in questions shown with [health board].

Source: NHSScotland Staff Survey 2014 National report.

**Table 4.11: The five least positive perceptions and their percentage increases on combined positive responses comparing 2013 and 2014**

(combined negative responses also shown for completeness)

Question Number	Question	Positive response%		Negative response%	
		(change on 2013 shown in brackets)		(change on 2013 shown in brackets)	
3-1	Staff are always consulted about changes at work	29%	(+3%)	46%	(-4%)
5-2	There are enough staff for me to do my job properly	33%	(+2%)	46%	(-1%)
3-4	I have a choice in deciding what I do at work	40%	(+2%)	24%	(-4%)
1-3	When changes are made at work, I am clear how they will work out in practice	41%	(+2%)	30%	(-2%)
3-3	I am confident my ideas or suggestions would be listened to	42%	(+5%)	30%	(-5%)

Positive and negative responses are based on combining all relevant responses on the five points response scale

Source: NHSScotland Staff Survey 2014 National report.

#### **Evidence from the parties**

- 4.42 The **Scottish Government** told us that the workforce was crucial to delivering the 2020 Vision for Health and Social Care. *Everyone Matters* is the workforce policy for NHSScotland and it made a commitment to valuing the workforce and treating people well. The delivery of the 2020 Workforce Vision would be through increased collaboration and integration across primary and secondary care, across boards and with partners across health and social care.

- 4.43 The Scottish Government told us that one of the actions taken in response to the 2013 NHSScotland Staff Survey results was a commitment to roll out the iMatter Staff Experience Continuous Improvement Model across all NHSScotland boards. iMatter enabled boards to have more accurate information about staff experience throughout their organisation, and see where improvements were being made, year on year, and where further interventions may be required. The Continuous Improvement Model encouraged teams to take action and make improvements, which would contribute to better performance and higher standards of patient care. Over time, and once fully rolled out, Employee Engagement Index (EEI) scores for each NHSScotland board and for NHSScotland as a whole would be available.
- 4.44 The **Joint Staff Side** reported findings from its IDS survey.<sup>45</sup> It told us that the survey results highlighted a service being run on the good-will of its staff, where staff were 'regularly' working in excess of their contracted hours in order to provide the best care they can for patients and clients, but as a result of the pay announcements staff were now feeling undervalued and demoralised.
- 4.45 The Joint Staff Side reported that eight in ten NHS staff in Scotland felt that the policy on pay for 2014/15 was unfair as staff had already had several years of pay restraint, and that it didn't take into account cost of living increases. 60 per cent of NHS staff in Scotland felt that the award was unfair as the workforce in England were facing a worse settlement. Two thirds of NHS staff felt that morale was worse than a year ago – some of the reasons included increase in workplace stress and falling value of NHS pay.
- 4.46 The Joint Staff Side reported that almost two thirds (63 per cent) of respondents in Scotland stated that morale and motivation is either worse or a lot worse than 12 months previously, with fewer than one in ten stating it is better. Asked for the reasons for falling morale and motivation, the main reasons cited are increased workplace stress (70 per cent); the falling value of take-home pay (41 per cent); workplace restructuring and reorganisation (35 per cent); and dissatisfaction with the level of care respondents feel able to give (32 per cent).

#### **Our comment**

- 4.47 We concluded in our last report that it would help decision making, including our own, if all the parties could rely on a single independent set of evidence in the crucial area of staff engagement. We also reiterate that if parties wish to commission their own surveys, that these should focus on areas that are not included in the current Government opinion surveys.
- 4.48 Whilst the response rate remains low, the recent staff survey results demonstrate an improvement in engagement levels in NHSScotland. It was clear from our oral evidence sessions with both parties that there is strong partnership working between the Scottish Government, the Management Steering Group and the Joint Staff Side.
- 4.49 There is clearly an argument that the 1 per cent uplift implemented in 2014/15 has enabled Scotland to maintain staff engagement. There has been no industrial action in the NHS in Scotland and the decision by the Scottish Government to implement our recommendations may well have been a factor in this. The Scottish Government was confident that the positive impact on staff morale and motivation had justified the approach and had satisfied the expectations of the workforce.

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<sup>45</sup>The OME enquired about the sample size and return rate of the IDS Staff Survey and were advised by the Joint Staff Side that 'the survey was sent to representative samples of each union memberships and the data weighted according to Agenda for Change pay band, to address under representation of respondents employed on lower bands'.

## Chapter 5 – The Agenda for Change Pay Structure

### Introduction

- 5.1 In this section of our report we consider the parties' evidence and make observations on the variation from a United Kingdom-wide Agenda for Change structure in Scotland; give further consideration to the effect of the compression of Agenda for Change pay points 15 and 16 in NHSScotland, and consider the related wider case for reform of Agenda for Change pay structures. We also note the equal pay issues raised by the Joint Staff Side.

### The Divergence of Agenda for Change across the Four Countries

- 5.2 This is the first year since arrangements for health were devolved that we have been asked to provide recommendations and a report for a single nation of the United Kingdom. Scotland's acceptance of our 2014/15 recommendations and the contrasting position of the other nations has resulted in varying pay rates within the Agenda for Change framework, with the distinct approaches to pay for 2015/16 these are set to diverge further. Previous policy decisions around pay made by Scotland and others have also contributed to a diverging picture. We recognise that health is a devolved issue, that each Government will have different levels of affordability and priorities for public spending will vary in accordance with and in response to their individual political and economic priorities. However, it is important to remember that Agenda for Change was designed as a United Kingdom-wide framework based on a common and robust job evaluation system and to date none of the parties across the United Kingdom have suggested that they wish to break away from this.

#### Evidence from the parties

- 5.3 The **Scottish Government** informed us that the variation of Agenda for Change pay rates across the United Kingdom was not as a result of its actions. It told us that this was because of the decisions made by the United Kingdom Government when it chose not to accept the Review Body's recommendations for 2014/15. It believed that the pay scales will only diverge further given that the United Kingdom Government is not seeking pay recommendations for 2015/16. It attached importance to a national framework.
- 5.4 The Scottish Government told us that, at this point in time, it was too early to say if there has been an impact as a result of this change. There was no evidence at this stage of any cross-border issues as a result of the divergence in Agenda for Change pay scales between Scotland and England.
- 5.5 The **Joint Staff Side** told us it was regrettable and unprecedented that the remit was limited to Scotland for this pay round. It presented its evidence on a United Kingdom-wide basis, with a particular focus on Scotland. It believed that the approach taken to NHS pay in England was divisive and asked us to note concerns raised by staff in Scotland about moving away from a four country system. The most pressing concern for the Joint Staff Side was whether the approach would be interpreted as a release from United Kingdom-wide structures and the four countries would seek alternative means for pay determination. It confirmed that ten of the NHS trade unions were already in formal dispute with the United Kingdom Government and employers. On October 13 2014, trade unions staged the first industrial action over pay in 32 years. The Joint Staff Side believed that managing a dispute must have had other resource implications for NHS organisations, such as organising emergency planning and managing deductions from salaries during action. It told us that if the dispute continued, the savings achieved by withholding the 1 per cent sum would be eroded.<sup>46</sup>

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<sup>46</sup>At the time of writing an offer for the 2015/16 award in England had been made to trade unions and was subject to consultation with their membership.

- 5.6 The Joint Staff Side told us that one of the biggest consequences of the United Kingdom Government's decision was the impact on confidence in the Pay Review Body process. Preparing evidence for the pay rounds each year was a significant resource for the Joint Staff Side and particularly for those unions who also submit their own evidence. Given that it was 2009 when NHS staff last received a pay uplift that kept pace with inflation and that a whole period of political office will have elapsed without the Review Body being able to make unfettered recommendations in line with its statutory remit, it was likely that some if not all trade unions would face growing internal pressure to cease to support and engage with the PRB process, with questions raised about the value for money of the resource expended.
- 5.7 The Joint Staff Side told us that, whilst it was concerned about fragmentation, it was pleased that Scotland implemented our 2014/15 recommendations. In its view it would not be easy for pay scales to be reconciled in the future and it recognised that this may need to be part of a wider discussion on restructuring the Agenda for Change pay spine. The Joint Staff Side made it clear that it would be prepared to work with all four United Kingdom countries to review Agenda for Change and harmonise the pay scales. The ideal position for the Joint Staff Side was a United Kingdom-wide system with a United Kingdom-wide Pay Review Body. However, all parties would need to get back together, and this required the political will to do so. It feared that the fragmentation currently taking place was happening on a whim rather than by design. The Joint Staff Side also concluded that it was too soon to see border issues as a result of the changes.

#### **Our comment**

- 5.8 Scotland now has a different approach to levels of pay under the Agenda for Change framework, as do the other countries of the United Kingdom. As funding and spending decisions are devolved it is inevitable that priorities and pressures will be different and that pay rates may vary accordingly. Despite this divergence, it is our view that there is merit in a common framework. The overarching framework of Agenda for Change remains in place and to date none of the parties have given evidence to the Review Body that it should not continue.
- 5.9 In our view recent pay decisions in Scotland and elsewhere, have played a significant role in the move away from a uniform Agenda for Change structure across the United Kingdom. Scotland has had a focus on the lower paid with pay freezes for higher earners, higher weighted awards for lower paid and the implementation of the Living Wage.
- 5.10 It is a matter of fact that there are diverging approaches across the four United Kingdom countries. However, we encourage the parties in Scotland, and elsewhere, to be mindful of the potential risks if that divergence should go beyond pay rates. We do not make a value judgement about divergence and are not opposed to this. Our concern is that such change should be in the context of planned strategic transition as opposed to the unplanned consequences of funding priorities.

**Observation 3: We urge parties in Scotland, and elsewhere, to consider and acknowledge the issues that could arise if there were a general fragmentation from a United Kingdom-wide Agenda for Change structure. We recognise that Scotland, and others, may wish to set different pay rates, but we believe the implications of any move away from the common structure and job evaluation scheme, intended or otherwise, should be considered carefully.**

### **Compression of Agenda for Change Pay Points 15 and 16**

- 5.11 In this section we return again to the compression of some of the pay points in the Agenda for Change pay structure in NHSScotland. As we have previously stated, this is an inevitable consequence of recent public sector pay policy to protect the lower paid

during the two year pay freeze in 2011/12 and 2013/14. This position has been compounded further in Scotland as a result of their policy for higher awards for staff earning under £21,000.

#### **Evidence from the parties**

- 5.12 The **Scottish Government** told us that the narrowed differential between pay points 15 and 16 had developed as a result of policies applied over the last few years. It advised us that this was something which may be looked at in future years but it did not believe there was a need to do anything about it in 2015/16. The Scottish Government would continue to focus on lower paid staff.
- 5.13 The **Joint Staff Side** told us that it was concerned about the increased distortions to the NHS pay spines over several years. Namely the impact of monetary increases on pay bands under £21,000 which had meant that there had been a bunching of pay points (particularly 15 and 16). Due to percentage pay increases and the bottom loading of some awards the difference now varied between 0.6 per cent and 6.2 per cent. This was shown most starkly when expressed in monetary terms with the difference between points 15 and 16 set at £125, while that between point 44 and 45 was £4,185. With different awards being implemented in Scotland and the other United Kingdom countries the spine would be distorted further.
- 5.14 The Joint Staff Side suggested a possible solution to the problem of compression around pay points 15 and 16 could be to remove pay point 15. However, it believed there was a more general need to review the Agenda for Change pay structure relating to the size and spacing of incremental pay points and called on us to review the structure. The Joint Staff Side told us that some pay scales were too long and it took an unreasonable length of time for staff to reach the top of the Band, for example, it would take a Midwife nine years to reach the top of the pay scale. It informed us that there would be a review of Agenda for Change pay scales in Wales. The Joint Staff Side told us that the concerns set out in its 2014/15 submission still stand and if it had been invited to give evidence on behalf of all United Kingdom staff, it would have repeated the request to consider the Agenda for Change structure. It reiterated its commitment that the Joint Staff Side was prepared to work with the Pay Review Body to modernise Agenda for Change in ways which both protect its fundamental objectives and promote fairness and equality for NHS staff.

#### **Our comment**

- 5.15 We considered the options available to us and whether or not to address the compression of pay points 15 and 16. We do not think this would be the right approach at this time. The Scottish Government did not believe this to be a major issue and was something that they could address over time. Whilst the Joint Staff Side suggested the removal of pay point 15, it was not actively pushing for this change and made reference to this in the overall context of a wider need for reform of the Agenda for Change pay structure and length of the pay scales. In our view, there was no clear driver for making specific changes to these pay points and it would be prudent to consider reform of the scales as a whole package as opposed to implementing minor changes around the edges of the structure. Whilst we are aware that there have been changes to these points in England and Wales this would not be the right reason to recommend a change.
- 5.16 We still consider there is an urgent need for parties to make progress on reform. In our observations in our 28th report<sup>47</sup> we urged parties to agree quickly to a thorough review of the Agenda for Change pay structure. Whether or not Scotland chooses to pursue this in conjunction with the other countries of the United Kingdom or separately, there are issues within the current structure that need to be dealt with. It is our view that any such

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<sup>47</sup>The NHSPRB 28th Report is available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/288690/NHS\\_Pay\\_Review\\_28th\\_repot.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288690/NHS_Pay_Review_28th_repot.pdf)

review should include consideration of the length and size of pay bands to ensure the structure is fair and meets the requirements set out in equality legislation. As highlighted in our last report, such a review should extend to cover the following:

- Pay points: the number of pay points in each band and appropriate spacing of those points; the issues of common pay points across bands.
- The appropriate rate for the job and the time taken to become competent in role.
- The rigour and extent of the application of the Knowledge and Skills Framework system underpinning progression.
- How to reward and motivate the increasing number of staff at the top of their band.
- How to recognise and reward excellence.

5.17 We acknowledge that discussions on the Agenda for Change structure and incremental progression are outside our normal remit on the pay uplift and such discussions must be progressed and agreed between the parties within Scotland. The system does, however, provide essential context to our deliberations. We would be prepared to consider these issues further if the parties wish us to do so and provided the appropriate remit and evidence to support this.

5.18 We welcome the positive statements made by the Joint Staff Side and that it would encourage a review and reform of the Agenda for Change system and it would be happy to engage in discussions with employers in order to progress this. We remind parties of the third observation made in our 28th report and encourage them to make urgent progress on this.

**Observation 4:**<sup>48</sup> We remind parties in Scotland of the third observation made in our 28th report and encourage them to make progress on this where it is in their gift to do so: *We urge the parties to agree quickly a thorough review of the Agenda for Change pay structure, including the operation of incremental scales, so that it might better support the challenges facing the NHS in terms of both patient care and affordability. We suggest that if the parties find it difficult to agree we would be prepared to look into this if given an appropriate remit and evidence.*

## Equal Pay Issues

5.19 We turn now to consideration of equal pay issues and the principle of equal pay for work of equal value in the NHS, this is in line with our standing terms of reference.

### **Evidence from the parties**

5.20 The **Joint Staff Side** asked us to investigate pay inequalities and distortions in the pay system and to re-visit the agreement made at the time that Agenda for Change was introduced that there should be coordination between the different NHS Pay Review Bodies on equality issues. It requested that the review should be United Kingdom-wide and assess the proportion of funds allocated to key groups of staff across the different spines, changing trends of pay distribution and the equality implications of this allocation.

5.21 The Joint Staff Side talked us through an example scenario at their oral evidence session where clinicians and non-clinicians successful in Public Health/Clinical Director posts are rewarded differently according to their existing terms and conditions. The Joint Staff Side would like this to be noted as a concern and an equal value issue.

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<sup>48</sup>The NHSPRB 28th Report is available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/288690/NHS\\_Pay\\_Review\\_28th\\_repot.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288690/NHS_Pay_Review_28th_repot.pdf)

5.22 The **Scottish Government** advised us that the **Joint Staff Side** had not raised any inequality issues directly with them and it was not aware of any concerns. It confirmed to us that there are two routes into public health roles, one medical and one non-medical. Non-medical staff are paid on Agenda for Change terms and conditions, whereas staff with medical qualifications are paid on the relevant doctors terms and conditions.

**Our comment**

5.23 Whilst the Joint Staff Side have provided an example of the equality issue in their evidence it was not clear whether this was a single case or an example of a more general issue around equality. It is not within our remit to respond to individual cases and we urge parties to pursue these through the appropriate channels. If this is a more widespread issue, then further evidence should be provided to support this and enable us to consider in more detail and provide informed comment.

5.24 We are clear that equal pay is an important issue and whilst the consideration of equal pay principles form part of our remit, the responsibility for adhering to equal pay principles rests squarely with the parties. Pay issues outside of the remuneration of staff paid under Agenda for Change are not within our remit.



## Chapter 6 – Pay Proposals and Recommendations for 2015/16

### Introduction

- 6.1 In this section of our report we consider the evidence presented on pay proposals and set out our recommendations for 2015/16.

### Basic Pay Uplift

- 6.2 This section contains our main comments and recommendations on the basic pay uplift for 2015/16 for staff in NHSScotland paid under Agenda for Change.

#### Evidence from the parties

- 6.3 The **Scottish Government** introduced a two year public sector pay policy in 2014 which covered awards in the public sector for 2014/15 and 2015/16<sup>49</sup> and the remit letter from the Cabinet Secretary for Health and Wellbeing requested that we consider our recommendations within these parameters.
- 6.4 The Scottish Government told us that it would be counterproductive and demonstrate bad faith to fail to meet staff's expectations for a pay rise in 2014 and 2015. It had also taken the conscious policy decision to prioritise helping the lower paid. However, there was no doubt that the financial picture in NHSScotland remained challenging and that any pay rise had to be modest, not least to assist NHS boards in maintaining headcount, which it believed to be important both for service delivery and also for the wider economic benefits
- 6.5 The Scottish Government told us that the adoption of a policy of no compulsory redundancies had provided staff with job security; however this position had to be balanced against pay restraint. It made it clear that there was an expectation among staff that they would receive a 1 per cent uplift on top of their pay progression increments. It confirmed that it did not support differentiation of the award across groups and believed this could have a negative impact on staff morale and team working. The award was funded on the basis of a 1 per cent uplift plus pay progression.

### *Pay drift*

- 6.6 To inform our assessment of the affordability of pay awards we consider the most accurate data available on pay drift.<sup>50</sup>
- 6.7 The **Scottish Government** modelled the costs of incremental progression for 2015/16 and provided data which showed the gross cost of progression for Agenda for Change staff in Scotland at 2.9 per cent and the net cost, after allowing for staff turnover and promotion, at -0.8 per cent. Details are included in Table 6.1 below.

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<sup>49</sup>The key features of the Scottish Government Public Sector pay policy are referred to in Chapter 1, paragraph 1.8 of this report.

<sup>50</sup>Pay drift is the movement in average unit cost of labour due to changes in overall staff mix (for example, relative proportions of senior staff and junior staff or relative proportions of specialist and non-specialist staff). It also includes changes to the amount of overtime and other allowances that providers pay to staff and changes to the cost of pension provision or any other staff related costs. Thus, it takes into account both the cost of incremental progression and the balance between joiners and leavers.

**Table 6.1: Scottish Government Agenda for Change (AfC) Modelled Cost of Progression, 2015/16**

2014/15 Estimated Total Cost <sup>1</sup> £m	2015/16 Estimated Total Cost <sup>2</sup> £m	2015/16 Estimated Total Cost <sup>1</sup> (excluding growth)		Estimated Cost of Progression <sup>5</sup>	
			£m	£m	%
4,292.7	4,268.5	Gross <sup>3</sup>	4,415.2	122.5	2.9
		Net <sup>4</sup>	4,258.0	-34.7	-0.8

Sources: Scottish Workforce Information Standard System (SWISS); AfC Cost Model (2012-13 onwards)

Figures presented in the table are projections calculated from modelling; the further forward projections are made, the less accurate the figures are likely to be

Reference:SG2014-00532

1. Figures presented in the table assume that the workforce grows during 2014-15 in line with the projections supplied by NHS boards in August 2013.
2. Assumes no pay uplift.
3. The cost of staff who are entitled to an incremental progression payment (i.e. those staff members who are not currently on the top pay point of their band) moving up a pay point in their band. The calculation assumes that there is no growth in the workforce, and does not account for staff turnover or promotion. NB progression is sometimes referred to as 'Drift'.
4. The cost of staff who are entitled to an incremental progression payment (i.e. those staff members who are not currently on the top pay point of their band) moving up a pay point in their band. The calculation assumes that there is no growth in the workforce, and assumes a rate of staff turnover and promotion occurs. NB progression is sometimes referred to as 'Drift'.
5. Calculation of 2015/16 estimated total cost (excluding growth) minus 2014/15 estimated total cost.

6.8 The **Joint Staff Side** asked us to make a recommendation on pay that recognised the negative impact on the living standards of NHS staff in Scotland of inflation and successive periods of pay restraint. It also asked that we protect the lowest paid workers in the NHS by continuing to make the NHS in Scotland a Living Wage employer.

6.9 The Joint Staff Side told us that morale of the NHS workforce had worsened significantly over the last 12 months. It told us the strains to the service caused by increasing demands were placing pressure on the workforce and had implications on the standards of patient care. It asked us to assess the longer term impact of the pay freeze and to consider the impact on the attractiveness of the NHS as an employer.

6.10 The Joint Staff Side also asked us to recognise the pressures that pay suppression is placing on industrial relations within the NHS and particularly the impact this has had in England. It expressed concerns about the restricted remit issued by the Scottish Government and asked that we reassert our independence. It warned us that we may well face a situation where confidence in the pay review approach was undermined

6.11 The Joint Staff Side told us that it welcomed the Scottish Government's commitment to the independent Pay Review Body process by upholding the 2014/15 recommendation. It confirmed that staff expected at least a 1 per cent uplift on top of pay progression increments for 2015/16 but this would not necessarily be enough to guarantee the continuation of good industrial relations. The Joint Staff Side confirmed it was seeking a recommendation in excess of the 1 per cent pay cap set by the Scottish Government and believed there was value for money in doing so because of the impact on staff morale.

**Our comment and recommendation**

6.12 We have thoroughly examined all of the evidence put to us by the parties and considered if a pay uplift for 2015/16 is affordable. It is clear that the difficult financial climate and resource constraints within the NHS continue to prevail and these challenges are likely to continue for the foreseeable future. Despite the pressures on the health boards in Scotland the Scottish Government made it clear to us that funding was available to employers to cover a 1 per cent uplift this year, that they expected to fund this and, moreover, staff expected to receive this.

- 6.13 Whilst we do not see any immediate signs of serious recruitment and retention issues, there are some early warning signs that a future shortage could be on the horizon. The evidence presented by the parties, however, does not show a consistent picture and so it is not clear whether this is indicative of genuine shortages or if vacancies are being held open for other reasons. This is discussed further in Chapter 4 along with the need for careful monitoring, as we are concerned that as the economy improves this is an issue that could become more acute and could have a significant impact for our remit group.
- 6.14 We have considered the impact of our recommendations on the morale and motivation of staff in NHSScotland and their continued delivery of high quality patient care. There is clearly an argument that the 1 per cent uplift implemented in 2014/15 has enabled Scotland to maintain staff engagement. There has been no industrial action in the NHS in Scotland and the decision by the Scottish Government to implement our recommendations may well have been a factor in this. We believe that as a result of the policy set out by the Scottish Government, staff are anticipating a pay award of 1 per cent plus pay progression. If these expectations are not met we fear this would have a negative impact on staff morale. We believe a demotivated workforce could have a negative effect on patient care.
- 6.15 We have considered whether the award should be above the 1 per cent threshold set by the Scottish Government. We acknowledge the views of the Joint Staff Side and the impact of pay restraint on our remit group as well as the need to motivate the large number of staff in Scotland who are at the top of their pay band. The evidence that we have considered on recruitment and retention and morale and motivation does not, in our view, point to the need for a higher uplift or for staff in the NHS in Scotland to be treated differently to their public sector colleagues. We are mindful that the 1 per cent uplift is affordable and funded and that a higher level uplift might put at risk the commitment to no compulsory redundancies by the Scottish Government.
- 6.16 None of the parties suggested targeted increases for certain staff groups, financed by lower increases for other groups, nor did either of the parties seek to use the available budget differently, for example, by increasing the funds available for Recruitment and Retention Premia (RRP). If public finances continue to be constrained and recruitment or retention difficulties do emerge for particular groups of staff, the question of differentiation within groups of NHS or public sector staff, and the increased use of RRP may need to be revisited in future rounds.
- 6.17 We have concluded that it is appropriate to award Agenda for Change staff in Scotland a flat 1 per cent pay increase for 2015/16, in line with the general public sector. However, we would like to see Scotland make urgent progress on the application of a simplified Knowledge and Skills framework and the implementation of the competency gateways. We believe progress on this and other changes to the existing Agenda for Change system could help Scotland improve their management of the pay bill. In addition, we would like to see improved vacancy data and monitoring of training throughput to support workforce planning. This could help reduce the reliance on agency staff so that money being utilised here can be put to better use elsewhere.
- 6.18 The recommended Agenda for Change pay scales for Scotland, with effect from 1 April 2015, are at Appendix B.

**Recommendation 1: We recommend a 1 per cent increase to all Agenda for Change pay points from 1 April 2015 for all staff in NHSScotland.**

## Lower Paid Staff and the Living Wage

- 6.19 Both the Scottish Government and the Joint Staff Side support the application of the Living Wage.<sup>51</sup> The Joint Staff Side would like to see this applied across the NHS in all four countries.
- 6.20 We made our position on the targeting of awards at the lower paid and the application of the Living Wage clear in our report last year.<sup>52</sup> This has not changed. In our view, the Living Wage is a matter of social policy for individual governments and employers, and we make no specific recommendation on this. However, we will continue to monitor its uptake in the NHS and the use of the lowest pay points on the Agenda for Change scale.
- 6.21 In our view we have not seen any clear evidence from either of the parties that makes a case for higher weighted awards for lower paid staff groups or the application of the Living Wage. There is no evidence on grounds of recruitment and retention to suggest that there are issues in recruiting staff at this level of pay or of higher turnover that suggests staff at these levels are more likely to leave the NHS to work for other employers. The evidence on morale and motivation does not demonstrate a higher impact of pay restraint on these groups. The impact of inflation and pay restraint will therefore vary according to individual circumstances and an arbitrary level of pay does not take account of this.
- 6.22 Despite this we do note that this is public sector pay policy across Scotland and we do not believe that there is any evidence or justification for NHS staff to receive a lower award than their public sector counterparts. The implementation of the Living Wage is a social policy decision for the Scottish Government and is not a matter for us to consider, given the policy is being applied across the board and not only to our remit group. We acknowledge that these form key elements of Scotland's public sector pay policy and we do not believe there is a case to suggest that NHS staff be treated differently from the rest of the public sector with respect to pay.

**Observation 5: We note the features of Scotland's public sector pay policy of i) a £300 minimum increase for staff earning under £21,000 and ii) the application of the Living Wage, which would ensure that NHS staff in Scotland are treated consistently with other public sector workers.**

## The role of the Review Body

- 6.23 We have addressed the issue of Government constraints on our remit in our previous reports. Our process adds more value when we are able to consider independently all factors within our terms of reference. We welcome evidence from governments about affordability considerations but believe that reference to a specific figure only serves to set general, undifferentiated expectations for all staff across the public sector and within the NHS. We remain concerned that the Joint Staff Side has expressed reservations about the independence of our approach because of these constraints and has questioned the validity of the process. We reiterate that we do and will continue to consider and balance *all* factors within our terms of reference in reaching our independent judgements. We hope that all parties will continue to participate and see value in this independent process.

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<sup>51</sup> The Living Wage was increased to £7.85 (£9.15 in London) from November 2014. The Scottish Living Wage is the same as the United Kingdom-wide rate. The parties' evidence was submitted prior to the recent uprating, so is based on the lower rates. In Scotland the Living Wage has been implemented in the NHS through not using the lowest pay point on the Agenda for Change scale. The Welsh Government has also announced that with effect from 1 January 2015 it would be a Living Wage employer in the NHS. In Wales the Living Wage is applied through adjusting the values of pay points 1 to 3.

<sup>52</sup> The NHSPRB 28th Report 2014 is available from: <https://www.gov.uk/government/publications/nhs-pay-review-body-28th-report-2014>

## Chapter 7 – Next Steps

### Introduction

- 7.1 In this section we take a forward look towards our next pay round at issues for consideration across Scotland and some pertinent for the United Kingdom as a whole.

### Pay Developments for 2015/16 and Future Exit Strategy

- 7.2 Our recommendations for this report and for reports in recent years have been subject to constraints set out by the public sector pay policies of all of the United Kingdom countries. General pay restraint, whilst necessary in the context of the financial challenges and current economic situation across the United Kingdom, cannot continue indefinitely for a range of reasons. We recognise that the fluctuating demand pressures of the NHS absorb the majority of available funding and further efficiencies will be needed to help manage these demand pressures. These cannot continue, in the longer run, to be supported via holding back the pay of NHS staff, even though pay is around two thirds of running costs to NHS employers. Economic growth across the United Kingdom and an improvement in other world economies are likely to put pressure on pay settlements, leading to potential recruitment and retention difficulties. If market rates improve and the relative reward for these occupations in the public sector declines there will be implications for our remit group and a knock on effect on the quality of staff attracted to work in the NHS.
- 7.3 The **Scottish Government** told us that it would welcome our advice on exit from pay restraint. In our view, the time is right for Scotland to start considering a longer term strategy on pay and its approach of implementing 1 per cent uplifts will help support them in any transition from pay restraint to real pay rises as the economy improves. There are reasonable changes to the existing pay structure which could support the Scottish Government with an exit strategy from pay restraint in the short term. We note that hitherto the Scottish Government have not pursued these options, however there are reforms that could be made within the existing Agenda for Change framework that could help to fund this, for example, a review of pay protection arrangements, changes to sick pay and the full implementation and application of a simplified Knowledge and Skills Framework. If the Knowledge and Skills Framework was implemented and practised properly this could help support health boards to manage the pay bill more effectively. It is our view that these improvements, together with more effective workforce planning arrangements to reduce spend on bank and especially agency staff, could free up funding to be better utilised elsewhere.
- 7.4 However, an exit strategy from pay restraint should also take account of the need for a wider review of Agenda for Change and how this might support the drive to reform and modernise the service. The evidence that we have considered for this report, whilst focused on Scotland, has underlined the need for a wider review of the Agenda for Change framework. This should ensure that the pay structure is affordable and can continue to respond to and support the requirements of the organisation and the delivery of safe, effective patient care. In our observations in our 28th report we urged parties to agree quickly to a thorough review of the Agenda for Change pay structure. This observation still stands and, if anything, has gained more significance. The time is right for a reform of Agenda for Change, whether on an individual country basis or across the United Kingdom as a whole – if the four countries would like to continue operating, at least, within a common Agenda for Change framework then this will require collective thinking.

# Appendix A – Remit letter from the Scottish Government

Cabinet Secretary for Health and Wellbeing  
Alex Neil MSP

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Chair  
NHS Pay Review Body  
Office of Manpower Economics  
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2-6 Salisbury Square  
London  
EC4Y 8JX

In 2014 Scotland Welcomes the World



23 September 2014

This letter sets out the remit which the Scottish Government would wish the NHS Pay Review Body to work within in recommending pay for Agenda for Change staff employed by NHSScotland in 2015-16.

I note the information in Chief Secretary to the Treasury Danny Alexander's letter of 31 July to the NHS Pay Review Body which confirms that the Pay Review Body will not be asked to make recommendations on pay for England in 2015-16. However, the Scottish Government feels strongly that the process of information gathering and independent scrutiny which the Review Body provides is extremely valuable, even at times when public spending is tightly constrained by the policies in place.

As you will be aware, the Scottish Government's Public Sector Pay Policy announced in September 2013 set out the pay policy for both 2014-15 and 2015-16.

The features of particular relevance to the NHS Pay Review Body process are:

- provision for an increase in basic pay for all staff. This increase is subject to an overall cost cap of 1%, although there is no assumption that this will equate to a 1% uplift for individual members of staff. The cost cap does not include pay progression or measures put in place for staff earning under £21,000.
- a minimum increase of £300 for staff earning less than £21,000.
- ensuring all staff earn above the Living Wage, which is currently £7.65 per hour. The rate for 2015 -16 will be announced during Living Wage Week 2014 (2–8 November 2014).

St Andrew's House, Regent Road, Edinburgh EH1 3DG  
www.scotland.gov.uk



A copy of that policy is included for ease of reference. It applies directly to the list of organisations at Annex A and is intended to inform considerations around pay for other public sector groups, including NHSScotland staff.

Whilst I fully appreciate the limitations that our Pay Policy places on the Review Body, I hope that you will examine the evidence and reach conclusions within those parameters.



**ALEX NEIL**

## Appendix B – Recommended Scotland Agenda for Change pay scales<sup>53</sup> with effect from 1 April 2015

Point	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8				Band 9
								Range A	Range B	Range C	Range D	
1	15,003*											
2	15,358	15,358										
3	15,714	15,714										
4		16,129										
5		16,544										
6		16,960	16,960									
7		17,495	17,495									
8		18,103	18,103									
9			18,468									
10			18,954									
11			19,502	19,502								
12			19,927	19,927								
13				20,600								
14				21,283								
15				21,692								
16				21,818	21,818							
17				22,458	22,458							
18					23,363							
19					24,304							
20					25,298							
21					26,302	26,302						
22					27,361	27,361						
23					28,462	28,462						
24						29,333						
25						30,357						
26						31,383	31,383					
27						32,407	32,407					
28						33,560	33,560					
29						35,225	35,225					
30							36,250					
31							37,403					
32							38,683					
33							40,028	40,028				
34							41,373	41,373				
35								43,038				
36								44,703				
37								46,625	46,625			
38								48,034	48,034			
39									50,467			
40									53,285			
41									56,104	56,104		
42									57,640	57,640		
43										60,202		
44										63,021		
45										67,247	67,247	
46										69,168	69,168	
47											72,051	
48											75,573	
49											79,415	79,415
50											83,258	83,258
51												87,254
52												91,442
53												95,832
54												100,431

**Note** – The pay rates reflect both our 1 per cent recommended increase and the application of the Scottish Government public sector pay policy.

\*Pay point not used in Scotland because of Scottish Living Wage policy.

<sup>53</sup> Scottish Government Health and Social Care Directorates (SGHSCD) supplementary evidence to NHS Pay Review Body 2015/16 Annex A. Pay point 48 has been updated to reflect the correct value



## Appendix C – Current Published Agenda for Change pay scales in England, Wales and Northern Ireland

### England Agenda for Change pay scales 2014<sup>54</sup>

Point	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8				Band 9
								Range A	Range B	Range C	Range D	
1	14,294	14,294										
2	14,653	14,653										
3	15,013	15,013										
4		15,432										
5		15,851										
6		16,271	16,271									
7		16,811	16,811									
8		17,425	17,425									
9			17,794									
10			18,285									
11			18,838	18,838								
12			19,268	19,268								
13				19,947								
14				20,638								
15				21,265								
16				21,478	21,478							
17				22,016	22,016							
18					22,903							
19					23,825							
20					24,799							
21					25,783	25,783						
22					26,822	26,822						
23					27,901	27,901						
24						28,755						
25						29,759						
26						30,764	30,764					
27						31,768	31,768					
28						32,898	32,898					
29						34,530	34,530					
30							35,536					
31							36,666					
32							37,921					
33							39,239	39,239				
34							40,558	40,558				
35							42,190					
36							43,822					
37							45,707	45,707				
38							47,088	47,088				
39								49,473				
40								52,235				
41								54,998	54,998			
42								56,504	56,504			
43								59,016				
44								61,779				
45								65,922	65,922			
46								67,805	67,805			
47									70,631			
48									74,084			
49									77,850			77,850
50									81,618			81,618
51												85,535
52												89,640
53												93,944
54												98,453

<sup>54</sup> These are the latest published pay scales for England. The pay scales and details for the pay award for 2015 have not yet been published. Source: <http://www.nhsemployers.org/~media/Employers/Publications/Pay%20circulars/Pay-Conditions-Circular-AforC-1-2014.pdf>

## Wales Agenda for Change pay scales 2014<sup>55</sup>

Point	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8				Band 9
								Range A	Range B	Range C	Range D	
1	14,294*	14,294*										
2	14,653*	14,653*										
3	15,013*	15,013*										
4		15,432										
5		15,851										
6		16,271	16,271									
7		16,811	16,811									
8		17,425	17,425									
9			17,794									
10			18,285									
11			18,838	18,838								
12			19,268	19,268								
13				19,947								
14				20,638								
15				21,265								
16				21,478	21,478							
17				22,016	22,016							
18					22,903							
19					23,825							
20					24,799							
21					25,783	25,783						
22					26,822	26,822						
23					27,901	27,901						
24						28,755						
25						29,759						
26						30,764	30,764					
27						31,768	31,768					
28						32,898	32,898					
29						34,530	34,530					
30							35,536					
31							36,666					
32							37,921					
33							39,239	39,239				
34							40,558	40,558				
35								42,190				
36								43,822				
37								45,707	45,707			
38								47,088	47,088			
39									49,473			
40									52,235			
41									54,998	54,998		
42									56,504	56,504		
43										59,016		
44										61,779		
45										65,922	65,922	
46										67,805	67,805	
47											70,631	
48											74,084	
49											77,850	77,850
50											81,618	81,618
51												85,535
52												89,640
53												93,944
54												98,453

\*These pay points will be adjusted to £15,350 to reflect the incorporation of the living wage

<sup>55</sup> These are the latest published pay scales for Wales. The pay scales for April 2015 have not yet been published.  
Source: [http://www.wales.nhs.uk/documents/AfC-4\\_20141.pdf](http://www.wales.nhs.uk/documents/AfC-4_20141.pdf)

## Northern Ireland Agenda for Change pay scales 2013<sup>56</sup>

Point	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8				Band 9
								Range A	Range B	Range C	Range D	
1	14,294	14,294										
2	14,653	14,653										
3	15,013	15,013										
4		15,432										
5		15,851										
6		16,271	16,271									
7		16,811	16,811									
8		17,425	17,425									
9			17,794									
10			18,285									
11			18,838	18,838								
12			19,268	19,268								
13				19,947								
14				20,638								
15				21,265								
16				21,388	21,388							
17				22,016	22,016							
18					22,903							
19					23,825							
20					24,799							
21					25,783	25,783						
22					26,822	26,822						
23					27,901	27,901						
24						28,755						
25						29,759						
26						30,764	30,764					
27						31,768	31,768					
28						32,898	32,898					
29						34,530	34,530					
30							35,536					
31							36,666					
32							37,921					
33							39,239	39,239				
34							40,558	40,558				
35								42,190				
36								43,822				
37								45,707	45,707			
38								47,088	47,088			
39									49,473			
40									52,235			
41									54,998	54,998		
42									56,504	56,504		
43									59,016			
44									61,779			
45									65,922	65,922		
46									67,805	67,805		
47										70,631		
48										74,084		
49										77,850	77,850	
50										81,618	81,618	
51											85,535	
52											89,640	
53											93,944	
54											98,453	

<sup>56</sup>These are the latest published pay scales for Northern Ireland. Pay scales were not republished for 2014 and details for the pay award for 2015 have not been published. Source: [http://www.dhsspsni.gov.uk/hsc\\_afc\\_\\_2\\_\\_2013\\_-\\_pay\\_award\\_2013.pdf](http://www.dhsspsni.gov.uk/hsc_afc__2__2013_-_pay_award_2013.pdf)

## Appendix D – Composition of our remit group

- D1 Tables D1 to D7 show the composition of our remit group in each country and in the United Kingdom as a whole as at September 2013.<sup>57</sup> Detailed categories of staff in each country have been aggregated into broad staff groups, to enable cross-United Kingdom comparisons to be made.
- D2 Staff categories used in each administration’s annual workforce census have been grouped together by our secretariat. We have had to be mindful of the differences between the four datasets, and even these broad staff groups contain inconsistencies: some ancillary staff in England and Wales are categorised in the census as healthcare assistants and support staff, but have job roles that fit better in the broad group “administration, estates and management”.

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<sup>57</sup>The most recent date for which United Kingdom-wide data were available at the time of writing.

## NHS full-time equivalent non-medical workforce as at 30 September 2013

**Table D1: Qualified nurses and midwives**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Nurses & midwives bands 5-9	41,869	Qualified nurses, HVs and midwives	307,692	Qualified nurses, HVs and midwives	21,923	Qualified nursing & midwifery	14,178	<b>385,661</b>

**Table D2: Nursing, healthcare assistants and support staff**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Nurses & midwives bands 1-4	15,500	Unqualified nurse	61,201	Unqualified nurse	6,332	Nurse support staff	4,014	
		Healthcare assistants and support staff	122,030	Healthcare assistants and support staff	9,699			
	<b>15,500</b>		<b>183,231</b>		<b>16,031</b>		<b>4,014</b>	<b>218,775</b>

**Table D3: Professional, technical and social care**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Medical & dental support	1,908	Qualified AHP	64,377	Qualified AHP	4,545	Professional & technical	7,014	
AHPs	9,672	Qualified healthcare scientists	27,287	Qualified healthcare scientists	2,136	Social services	6,723	
Other therapeutic services	3,683	Other qualified ST&Ts	41,802	Other qualified ST&Ts	2,741	Home helps	1,825	
Personal & social care	909	Unqualified ST& s	39,313	Unqualified ST& s	2,194			
Healthcare science	5,324							
	<b>21,498</b>		<b>172,778</b>		<b>11,616</b>		<b>15,562</b>	<b>221,454</b>

**Table D4: Ambulance**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Emergency services	3,708	Qualified ambulance Unqualified ambulance	17,815 6,902	Qualified ambulance Unqualified ambulance	1,380 120	Ambulance	1,070	
	<b>3,708</b>		<b>24,717</b>		<b>1,499</b>		<b>1,070</b>	<b>30,994</b>

**Table D5: Administration, estates and management**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Administrative services	24,503	Admin & clerical	201,161	Clerical and administration	12,176	Admin & clerical	11,044	
Support services	13,777	Maintenance & estates Manager Senior Manager	8,944 24,430 10,157	Maintenance & works Managers Senior managers	959 1,384 600	Estates services Support services	690 4,840	
	<b>38,281</b>		<b>244,692</b>		<b>15,120</b>		<b>16,574</b>	<b>314,667</b>

**Table D6: Other**

Scotland	FTE	England	FTE	Wales	FTE	Northern Ireland	FTE	United Kingdom FTE
Unallocated/not known	1,135	Others	4,380	Others	131	Generic	27	5,674

**Table D7: Total NHS non-medical workforce**

	Scotland	England	Wales	Northern Ireland	United Kingdom
<b>FTE</b>	<b>121,990</b>	<b>937,490</b>	<b>66,320</b>	<b>51,428</b>	<b>1,177,229</b>
<b>Headcount</b>	<b>143,810</b>	<b>1,078,425</b>	<b>78,362</b>	<b>62,220</b>	<b>1,362,817</b>

Sources: The Health and Social Care Information Centre, Welsh Government (StatsWales), Information Services Division Scotland, the Department of Health, Social Services and Public Safety Northern Ireland.

## Appendix E – Previous Reports of the Review Body

### Nursing Staff, Midwives and Health Visitors

First Report on Nursing Staff, Midwives and Health Visitors	Cmnd. 9258, June 1984
Second Report on Nursing Staff, Midwives and Health Visitors	Cmnd. 9529, June 1985
Third Report on Nursing Staff, Midwives and Health Visitors	Cmnd. 9782, May 1986
Fourth Report on Nursing Staff, Midwives and Health Visitors	Cm 129, April 1987
Fifth Report on Nursing Staff, Midwives and Health Visitors	Cm 360, April 1988
Sixth Report on Nursing Staff, Midwives and Health Visitors	Cm 577, February 1989
Supplement to Sixth Report on Nursing Staff, Midwives and Health Visitors: Nursing and Midwifery Educational Staff	Cm 737, July 1989
Seventh Report on Nursing Staff, Midwives and Health Visitors	Cm 934, February 1990
First Supplement to Seventh Report on Nursing Staff, Midwives and Health Visitors: Senior Nurses and Midwives	Cm 1165, August 1990
Second Supplement to Seventh Report on Nursing Staff, Midwives and Health Visitors: Senior Nurses and Midwives	Cm 1386, December 1990
Eighth Report on Nursing Staff, Midwives and Health Visitors	Cm 1410, January 1991
Ninth Report on Nursing Staff, Midwives and Health Visitors	Cm 1811, February 1992
Report on Senior Nurses and Midwives	Cm 1862, March 1992
Tenth Report on Nursing Staff, Midwives and Health Visitors	Cm 2148, February 1993
Eleventh Report on Nursing Staff, Midwives and Health Visitors	Cm 2462, February 1994
Twelfth Report on Nursing Staff, Midwives and Health Visitors	Cm 2762, February 1995
Thirteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 3092, February 1996
Fourteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 3538, February 1997
Fifteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 3832, January 1998
Sixteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 4240, February 1999
Seventeenth Report on Nursing Staff, Midwives and Health Visitors	Cm 4563, January 2000
Eighteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 4991, December 2000
Nineteenth Report on Nursing Staff, Midwives and Health Visitors	Cm 5345, December 2001

### Professions Allied to Medicine

First Report on Professions Allied to Medicine	Cmnd. 9257, June 1984
Second Report on Professions Allied to Medicine	Cmnd. 9528, June 1985
Third Report on Professions Allied to Medicine	Cmnd. 9783, May 1986
Fourth Report on Professions Allied to Medicine	Cm 130, April 1987
Fifth Report on Professions Allied to Medicine	Cm 361, April 1988
Sixth Report on Professions Allied to Medicine	Cm 578, February 1989
Seventh Report on Professions Allied to Medicine	Cm 935, February 1990
Eighth Report on Professions Allied to Medicine	Cm 1411, January 1991
Ninth Report on Professions Allied to Medicine	Cm 1812, February 1992
Tenth Report on Professions Allied to Medicine	Cm 2149, February 1993
Eleventh Report on Professions Allied to Medicine	Cm 2463, February 1994
Twelfth Report on Professions Allied to Medicine	Cm 2763, February 1995
Thirteenth Report on Professions Allied to Medicine	Cm 3093, February 1996

Fourteenth Report on Professions Allied to Medicine	Cm 3539, February 1997
Fifteenth Report on Professions Allied to Medicine	Cm 3833, January 1998
Sixteenth Report on Professions Allied to Medicine	Cm 4241, February 1999
Seventeenth Report on Professions Allied to Medicine	Cm 4564, January 2000
Eighteenth Report on Professions Allied to Medicine	Cm 4992, December 2000
Nineteenth Report on Professions Allied to Medicine	Cm 5346, December 2001

### **Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine**

Twentieth Report on Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine	Cm 5716, August 2003
Twenty-First Report on Nursing and Other Health Professionals	Cm 6752, March 2006
Twenty-Second Report on Nursing and Other Health Professionals	Cm 7029, March 2007

### **NHS Pay Review Body**

Twenty-Third Report, NHS Pay Review Body 2008	Cm 7337, April 2008
Twenty-Fourth Report, NHS Pay Review Body 2009	Cm 7646, July 2009
Decision on whether to seek a remit to review pay increases in the three year agreement – <i>unpublished</i>	December 2009
Twenty-Fifth Report, NHS Pay Review Body 2011	Cm 8029, March 2011
Twenty-Sixth Report, NHS Pay Review Body 2012	Cm 8298, March 2012
Market-Facing Pay, NHS Pay Review Body 2012	Cm 8501, December 2012
Twenty-Seventh Report, NHS Pay Review Body 2013	Cm 8555, March 2013
Twenty-Eighth Report, NHS Pay Review Body 2014	Cm 8831555, March 2014



## Appendix F – Abbreviations

<b>AHP</b>	Allied health professionals
<b>ASHE</b>	Annual Survey of Hours and Earnings
<b>CARE</b>	Career Average Revalued Earnings
<b>CIPD</b>	Chartered Institute for Personnel and Development
<b>CPI</b>	Consumer Prices Index
<b>DETINI</b>	Department of Enterprise, Trade and Investment, Northern Ireland
<b>E EI</b>	Employee Engagement Index
<b>FTE</b>	Full-time equivalent
<b>GDP</b>	Gross Domestic Product
<b>HM</b>	Her Majesty's; for example, HM Treasury.
<b>HV</b>	Health visitor
<b>IDS</b>	Income Data Services
<b>IFS</b>	Institute for Fiscal Studies
<b>KSF</b>	Knowledge and Skills Framework
<b>LFS</b>	Labour Force Survey
<b>MAC</b>	Home Office Migration Advisory Committee
<b>NHS</b>	National Health Service
<b>NRRP</b>	National Recruitment and Retention Premia
<b>OBR</b>	Office for Budget Responsibility
<b>ONS</b>	Office for National Statistics
<b>PRB</b>	Pay Review Body
<b>RPI</b>	Retail Prices Index
<b>RRP</b>	Recruitment and Retention Premia
<b>ST&amp;T</b>	Scientific, therapeutic and technical staff
<b>WTE</b>	Whole Time Equivalent