

**Office of Manpower Economics:
Review of the Use and Effectiveness of Market
Pay Supplements – Project Report**

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Institute for Employment Studies

IES is an independent, apolitical, international centre of research and consultancy in HR issues. It works closely with employers in all sectors, government departments, agencies, professional bodies and associations. IES is a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and HR planning and development. IES is a not-for-profit organisation.

The work described in this report was carried out by IES under contract as part of OME's research programme. The views and judgements expressed in this report are therefore those of the contractor and do not necessarily reflect those of the OME.

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Executive Summary

Introduction

The Institute for Employment Studies (IES) has carried out research into the use and effectiveness of market pay supplements and Recruitment and Retention Payments (RRPs) across the Pay Review Body Groups and wider public sector for the Office of Manpower Economics (OME).

The **aims** of the research have been:

- to assess the effectiveness of these supplements; and
- to better understand how their management and use can impact on effectiveness.

The methodology has considered both: the 'macro', policy-level situation, largely through a literature review, supported by policy stakeholder interviews; and 'micro' practice-level research, with case study examples of the application of each supplement.

The occupations and **case examples** considered were:

- Nurses and IT workers in four NHS organisations;
- Nurses in the Armed Forces: The Defence Medical Service;
- Social workers in local government: the London Boroughs of Havering and Newham.

Rapid Evidence Review

Different attitudes and practices on the use of market pay supplements are evident across the public sector. The tightening labour market and historically low levels of unemployment, and the continuing restrictions on pay increases, seem likely to be encouraging their use. However, the response of using higher pay and/or supplements has been twice as commonly employed by private sector compared to public sector employers.

The last two years' HMT Pay Guidance (2016)¹ has permitted greater flexibility to address market pay issues for specialists around the one per cent cap on pay awards, by *'re-allocating non-consolidated performance-related pay funding within their overall pay bill to fund targeted recruitment and retention incentives'*. In 2016 in the Armed Forces there were 16 different categories of RRP costing around £107m and The AFPRB (2017) noted in its latest report that *'MOD should be more proactive'* in using market supplements.² The NHSPRB also *'continue to believe that RRP's are an important flexibility'*.³ But the total cost of RRP's for non-medical staff in the NHS has reduced by 74 per cent since 2008/09, falling from £57 million to £15 million in 2015/16.⁴

There is a perhaps surprisingly little quality academic research on the role of supplements and financial incentives to address recruitment and retention and skill shortages, and especially concerning the evaluation of their effectiveness. The existing research does, however, throw significant doubt on the ability of financial payments to generally and strongly influence rates of recruitment and retention for specialist and in-demand staff and skills.

The empirical findings from the education sector and armed forces highlight the importance of both intrinsic and extrinsic rewards in the design of policies to recruit and retain. A forthcoming review by King's College London and IES for the MOD on the role of financial and non-financial incentives in recruitment and retention *concludes 'that no one approach will be effective and there is no magic bullet. Rather, both financial and non-financial incentives have to be geared to the context and to the individuals in question'* (IES confidential client report, 2017).

The limited academic evidence also suggests that these payments may generally be more effective in recruitment and very specific retention-driven situations such as re-enlistment, whereas in some employers we see such supplements used as though they are equally effective in both scenarios.

¹ HM Treasury (2016), *Civil Service Pay Guidance 2016-17*. Available to download at:

<https://www.gov.uk/government/publications/civil-service-pay-guidance-2016-to-2017/civil-service-pay-guidance-2016-to-2017>

² AFPRB (2017), *Forty Sixth Report*. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/603494/58422_Armed_Forces_Pay_Web_Accessible.pdf

³ NHSPRB (2017), *Thirtieth Report 2017*. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/602309/58551_NHS_PRB_Accessible.pdf

⁴ Ibid.

Summary, Conclusions and Implications

Although the labour market situation of skill shortages in key areas seems to apply UK-wide, the case study examples contained in the report highlight the variety of ways in which these supplementary payments are used.

Considering all of these examples, in terms of overall effectiveness, we conclude that such market and skill supplement payments are neither universally successful nor unsuccessful, good value for money nor a poor return on their cost. The situations and settings and the aims and nature of these payments vary enormously across the populations we have studied. The following factors support the effective use of such payments:

- Severe, generally long-established and evident skill shortages and recruitment and/or retention issues.
- National pay structures with limited ability to reflect market differences in base pay.
- Wide-ranging actions across the HR and employment field to address the defined staffing issues, typically encompassing workforce planning, career management, recruitment and training and development, in order to boost the supply of staff; supplements it appears can be an effective component of these wider strategies in the appropriate circumstances.
- Employee representation and involvement in the development and operation of pay policies, building understanding, support and trust in the fairness of having the supplement in the first place and then operating it consistently in practice.
- Co-operation between employers in ensuring that ‘tit-for-tat’ escalation in supplements and costs does not occur.
- Clear definitions of the aims of the payment and the population which it is targeted at. General, broadly-based, payments that persist over many years seem to have no or very limited impact.
- Detailed and well drafted procedures and controls to ensure that employers and their managers operate the supplements in the manner intended.
- Regular monitoring and review of the supplement’s operation and the situation which led to and justified its development and usage.

Some of the key practical implications of our findings, particularly based on the experiences and advice of our case study employers, are as follows:

- Recruitment and retention problems are not the same. A small-ish RRP might work to attract, but may not be sufficient to retain. Generally there is a need for

differentiated measures within an overall HR and reward strategy to address these two issues.

- Get to the root of any retention problems: it may be nothing to do with money and more to do with non-pay matters (eg working time flexibility in nursing).
- Distinguish between difficulties which are caused by a shortage of supply and those caused by an inability to attract a fair share of recruits. There generally needs to be a much wider employment and HR strategy addressing supply issues, combining reward (typically with financial and non-financial components), resourcing and capability building elements.
- A recruitment based RRP has to be combined with active management of the recruitment process; and similarly, a retention based RRP has to look at all areas of discontent, not just financial.
- Funding RRP's may be more possible than one thinks if the costs of overtime, agency staffing etc. are taken into account.
- Organisations can be selective in the granting of RRP's even within occupational groups, if the rationale for their use is clear and well communicated to all concerned.
- An exclusive selection of RRP recipients allows more focus on the core problem and more money to be offered; whereas an inclusive approach makes employee relations management easier, but less targeting is likely to result in smaller payments being made and other solutions more generic.
- Have very explicit and transparent criteria in selecting RRP's; establish a rigorous approval process and governance arrangements.
- It is better to have an explicit RRP than 'fiddling grading'.
- Communication with nearby organisations in your sector is essential.
- Investigate the use of collaboration, as an alternative to RRP's, where the organisations can work together to move staff around for developmental purposes.
- Understand your local labour market including travel to work areas to see a) where there are gaps in your hiring and/or b) overlaps with other organisations' recruitment pool.
- Be clear that RRP is role not person-related and is lost on individual transfer.
- It is especially important that employee representatives are involved in the design of any RRP scheme and understand both the logic for and the practicalities.

- Anticipate that the response to any proposed payments is likely to be both emotional and rational and you must be able to handle both areas and sets of demands.

In conclusion, despite the widespread existence of skill shortages and many UK employers experiencing recruitment and retention issues, we have not seen significant growth in the use of supplements as a 'knee-jerk response' to the tightening labour market. Employers and policy makers have perhaps learned the lessons of the past and the risks of these payments, and so mitigated these by being highly selective in their introduction and usage and also well controlled and managed in their practical application.

Funding issues have also played a part and so we have generally found in this research detailed control processes operating, requiring comprehensive evidence to justify a supplement and with annual renewal.

Used selectively and with strong targeting, there is evidence of some positive impact from using supplements, particularly in lump sum form. This is more likely and likely to be enhanced where the following factors are evident:

- very clear criteria and goals of usage, and close monitoring and review;
- tight targeting on specific groups with effective guidelines on usage;
- good availability of external market and internal HR data;
- HR, line management and staff involvement in the development and operation of the supplement;
- co-operation with other employers locally.

1 Introduction

The Institute for Employment Studies (IES) has been asked by the Office of Manpower Economics (OME) to carry out research into the use and effectiveness of market pay supplements and Recruitment and Retention Payments/Premia (RRPs) across the Pay Review Body Groups and wider public sector.

1.1 Research Aims and Method

The **aims** of the research have been essentially two-fold:

- to assess the effectiveness of these supplements; and
- to better understand how the processes of their management and use can impact on effectiveness.

In more detail, the aims were specified as being to address the following questions:

- How effective a use of public funds is the use of market pay supplements to address labour and skill shortages and recruitment and retention issues for public sector workers within the PRB remits?
 - Who is 'right' or 'wrong' in using or encouraging the use of market pay supplements and premia? On what grounds are supplements encouraged or opposed (eg. union opposition, departments in favour)?
 - Do they provide value for money, are they effective in addressing shortages and recruiting and retaining specialist groups?
 - Do they deliver a return on their cost, e.g. from lower turnover?
- Are they used in a logical and consistent way across the government workforce, i.e. targeted at the worst recruitment/retention issues? How does the management of supplementary payments impact on their effectiveness and how can this be improved to increase their impact? Who made the decision to introduce them? What data was it based on? What can we learn from the process of how they were developed and introduced?
 - Do they 'work', in terms of helping to alleviate shortages in areas of high market demand, in government and more widely in the research literature?
 - Do they attract new workers or simply reallocate existing workers?

- Have they been better used for some PRB groups than others?
- Under what conditions, in what circumstances are they liable to be more or less effective? In labour-short areas of London and the South East are they an essential tool to compete for specialists, or just an additional cost that fails to address the issue of supply shortages?
- What other methods can be used alternatively or in conjunction with pay supplements to address recruitment and retention issues and how effective relatively are they? How can you work out the best combination of financial and non-financial incentives to employ?
- What are the implications for their use/encouragement by the PRBs in support of the government drive for more flexibility in public sector pay, in terms of usage, type and application (e.g. national vs. local)?

In terms of **scope**, it was agreed at the initial project planning meeting that:

- There are a wide variety of ways in which these payments are structured and made – for competing in internal and external labour markets, at the national and/or local level, to influence recruitment, retention and career decisions, to encourage diversity, used on their own or in conjunction with a range of other HR measures, etc. We agreed that the **focus of the research should be on looking at distinct cash payments made to address recruitment and retention issues for particular occupations, jobs and/or skills** and usually set up to be temporary/removable if market conditions change (although their removal is rare).
- It would be valuable to investigate the use of these supplements more widely in the public sector beyond the Pay Review Body groups and in particular: in local government (social workers, planners, etc.); and for jobs like cyber security and lawyers that have given all parts of the public sector difficulties and issues with recruitment and retention.

The **methodology** IES has used to investigate this issue has been a mixed quantitative and qualitative approach, looking at both the general national picture and the particular experiences of individual employers with particular payments, in order to deliver the best combination of:

- Academically rigorous research, to demonstrate whether or not these market, retention and recruitment payments are effective or not and in what particular circumstances and conditions; and
- Practical, relevant information, to ensure that where payments are enabled, their management and use are tailored to have the maximum effect.

The proposal was to focus on three to four of these supplements selected from different PRB populations, with:

- The ‘macro situation’ addressed largely through a literature review, supported by policy stakeholder interviews, investigating the origin, introduction, experience and impact of each of these supplements; and
- The ‘micro’ research addressed with case study work on two different examples of the application of each supplement, ideally with different approaches on the use of supplements.

The populations initially discussed included:

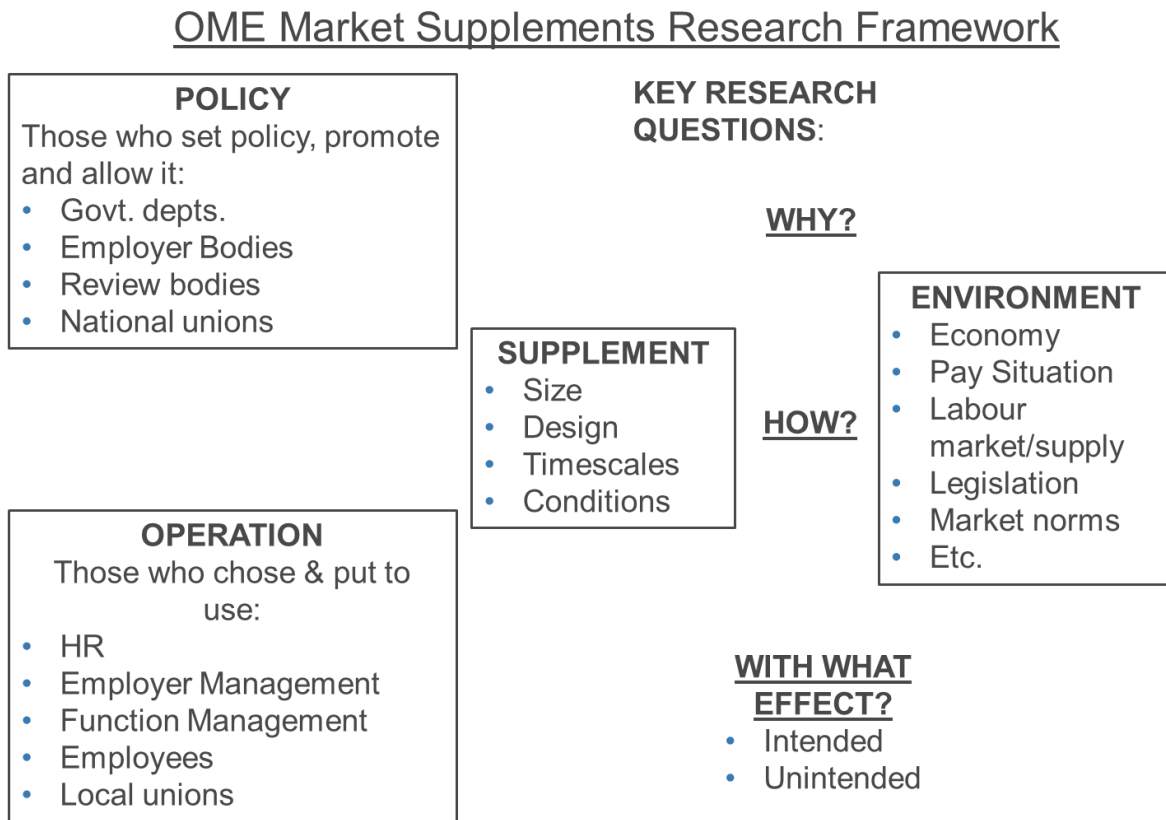
- The training speciality flexibility payments launched in the new junior doctor contracts last year (a national scheme);
- The RRP in the NHS used for a variety of occupations such as nursing, IT and pharmacy (local discretionary application);
- Pay supplements and flexibility (local) and training bursaries (national) for teachers in targeted subjects such as maths, languages, geography;
- The submariners' revised RRP introduced in the Royal Navy in 2016;
- From the wider public sector for comparator purposes, the use of market supplements and allowances in local authorities in London, where the focus in provision and usage has been on social workers.

In discussion with OME and taking account of factors such as ease/difficulty of access, range of occupations covered, timing and duration of schemes, etc. the final agreed occupations to research were:

- nurses and IT workers in the NHS;
- nurses in the Armed Forces;
- social workers in local government.

IES then worked to secure case study participation in each of these areas. While the nature of the employer structure in each situation has made for some variation in the research method used, broadly we have been able to retain both a macro/policy and micro/policy perspective in each area. The chart below summarises the research framework that we have attempted to follow.

Figure 1.1: OME Market Supplements Research Framework



Source: IES

Policy stakeholders were interviewed using a mixture of face to face and telephone methods. Each case study employer was visited and a range of local interviews carried out with relevant personnel in each situation, as well as a range of information and data gathered on the local use of the supplements. Draft case study write ups were reviewed and agreed by each participating organisation.

In the Appendix we show the research tools used on the project, such as interview and data gathering guides.

The employers agreeing to take part in the research for each occupation were as follows:

- NHS: four employers who wished to remain anonymous;
- Armed Forces: The Defence Medical Service;
- Local authorities: the London Boroughs of Havering and Newham.

In the table below, we summarise the key features of each employer and of the market supplements used:

Table 1.1 Summary of key features of employer and the market supplements applied

Sector	Occupation	Labour market	RRPs	Case studies	Usage
NHS	Nursing	<ul style="list-style-type: none"> 283,000 qualified nurses/health visitors in England (June 2017, NHS Digital) The latest NMC figures: 35,000 left the NHS in 2016/17 compared to 29,000 registering 21,000 shortage (NHSE); vacancy rates 7% to 18% 10,000 vacancies in London (RCN) 	<ul style="list-style-type: none"> Decline in usage for nurses to 1% nationally, highest is 4.4% East of England 	<ul style="list-style-type: none"> London Hospital Trust Non London Hospital Trust 	<ul style="list-style-type: none"> Nurse loyalty bonus: £1,000 lump sum RRP of £1,300 paid monthly introduced 2017
	IT workers	<ul style="list-style-type: none"> 57,000 vacancies and 57% all employers report shortages (XpertHR, 2016) 	<ul style="list-style-type: none"> Incidence of RRPs most common for the workforce category including IT workers, highest in Band 9 and London/SE 	<ul style="list-style-type: none"> London employer Non London employer 	<ul style="list-style-type: none"> 15% - 25% pay supplement to tech services, business systems and IT design 12% of staff (2 of 33 professional groups) receive an RRP of 10% - 30%, reviewed annually
Armed Forces	Nurses	<ul style="list-style-type: none"> c1,300 in DMS across a wide range of specialities Vacancy rates of over 40% in some areas in 2007/8 	<ul style="list-style-type: none"> Detailed process in AF to agree additional payments, with evidence submitted to AFPRB 		<ul style="list-style-type: none"> Two specialist pay spines introduced Golden hellos (£20,000) Financial Recruitment Incentives Recruitment and Retention Premia
Local government	Social workers	<ul style="list-style-type: none"> 90,000 registered social workers in England Vacancy rates are 15% nationally, 20% in children's services and 22% in London Turnover rate averages 17% nationally 	<ul style="list-style-type: none"> 691 council employees in London receive RRPs; almost 90% social workers – most cover those working with children, some for social workers for adults and managers 	<ul style="list-style-type: none"> Havering and Newham Councils Central London council 	<ul style="list-style-type: none"> All social workers in Newham receive supplement of £3,000 pa, AMHPs extra £1,500 Havering £3,000 to all children's social workers -CLC certain team managers

Individual **interviewees** for each of these occupational groups were as follows:

Nurses and IT workers in the NHS

- Josie Irwin, Head of Employment Relations, Royal College of Nursing
- Sarah Carpenter, National Officer, Unite the Union
- Sara Gorton, Head of Health, Unison
- Paul Myatt, Policy Advisor-Workforce, NHS Providers
- Geoff Winnard, Assistant Director - Employment Relations and Reward, and Lorna Weaver, NHS Employers
- Angie Walsh and Tim Sands, NHS Pay (Medical and Non-Medical), Department of Health
- Four HR managers in NHS organisations

Nurses in the Armed Forces

- Mr Mark Ryan, People AF REM Pay Policy 1, MOD
- Major Lee Gamble, RAMC, HQ Surgeon General, Defence Medical Services
- Captain (RN) Alison Hofman, Defence Nursing Advisor

Social workers in local government

- Steve Davies, Head of Regional Employers' Organisation
- Suzanne Hudson, Senior Adviser Workforce and Policy Local Government Association
- Heather Wakefield, National Secretary; and Kathie Dickson, National Officer – Local government, Police and Justice Section, Unison
- Caroline Nugent, Director of Human Resources and Organisational Development, oneSource
- Jan Douglas, Deputy Director HR&OD, oneSource
- Cheryl Graham, Strategic HR Business Partner , oneSource
- Caroline Bloch, Strategic HR Business Manager, Human Resources, oneSource

We are extremely grateful for their time and support for this study.

1.2 Report Structure

In the remainder of this report we will:

- Initially present in Section 2 the findings from our rapid evidence and literature review and describe the relevant UK context and situation for the use of supplements. We move on to summarise existing evidence on the impact of supplements, drawing out the implications and issues for our research.
- Describe in Section 3 the more detailed context and case study findings from our NHS research.
- Describe the findings from our MOD research with Armed Forces' nurses in Section 4.
- Describe the findings from our local government research on social worker supplements in Section 5.

In each of these three occupational sections of the report we initially describe the national and policy employment and reward context for these supplements, derived from our stakeholder interviews and more detailed literature searches; before moving to summarise the findings from each of our case study employers.

- Summarise and draw conclusions and implications from all of our research on the project in the final Section 6.

2 National Context: Practice and Evidence

2.1 Rapid Evidence Review Method

The main aims of the rapid evidence review were to identify and examine current approaches and external labour market trends on the use of supplements and to review the rigorous academic evidence which may demonstrate whether or not market, retention and recruitment payments are effective or not and in what particular circumstances.

To identify the incidence and trends in the use of the supplements we searched for relevant 'grey' literature, including government and practitioner sources, to provide an overarching view of the topic. To identify the existing evidence on the effectiveness of the supplements we searched and retrieved relevant academic literature against an agreed search protocol from a wide range of sources, covering business and management disciplines and applied social sciences. Platforms we accessed included Emerald, SAGE, and Taylor & Francis.

The Literature Review and Labour Market Information Protocol included in the Appendix provides more detail on the methodology and our search criteria and sources. The protocol followed reflected our view that a large, systematic (in the academic sense) review of existing literature was not warranted, as the subject does not feature heavily in the academic literature.

2.2 Incidence, Trends and Examples

2.2.1 General Incidence

In terms of the overall **context**, very different attitudes and practices on the use of market pay supplements are evident across the public sector. But the tightening labour market and historically low levels of unemployment, which seems likely to be further impacted by Brexit on the supply of EU workers (already evident in nursing applications from other EU country nationals, for example⁵), and the continuing restrictions on pay increases, amongst other factors, seem likely to be encouraging their use.

⁵ See for example, Deloitte survey highlighting half of EU nationals working here considering leaving UK – referenced at <http://www.telegraph.co.uk/business/2017/06/26/uk-top-destination-foreign-workers-brex-it-makes-eu-workers/>

There is nothing new of course in the use of market supplements in government and across the wider public sector for hard-to-recruit and retain roles. They have a long history in areas such as teaching under the School Teachers' Review Body. Our initial scan of the current usage of these supplements has highlighted growth, but not consistently, across all PRB groups, and with an incidence that appears lower across the public than in the private sector.⁶

There was considerable publicity when the Ministry of Justice Secretary of State Liz Truss early in 2017 announced pay increases for prison officers in London and the South East of up to £5,000, depending on the scale of turnover problems. This was designed, she said, to help to *'attract the best new talent into the service, ensuring we recruit and retain the leaders of the future'*.⁷ It reflected a doubling of staff attrition rates since 2011/12 and the need to recruit 2,500 new officer posts.⁸ The Prison Officers' Association dismissed the move as a *'sticking plaster over a wound'* and called for much more fundamental reform of job content, training, working hours, safety and conditions.⁹

The government move reflects the intensifying labour market pressures on employers and employee groups within the remit of all eight of the Pay Review Bodies. There are record numbers in employment in the UK, with an unemployment rate of just 4.3 per cent,¹⁰ and more than three-quarters of employers report recruitment and retention issues, most commonly for senior managers, professionals and specialists.¹¹

With price inflation and pay awards forecast to increase, the former more swiftly than the latter, leading to forecast real pay cuts for many staff it is perhaps understandable that the commonest reaction of employers is to take action through (targeted) pay awards and supplements.¹² However, the response of using higher pay and/or supplements has been twice as commonly employed by private sector compared to public sector employers.

⁶ See for example, CIPD (2015) *Resourcing and Talent Planning Survey Report*.

⁷ Ministry of Justice (2017), *£12m pay boost to strengthen prison frontline and attract new recruits*. Available at: <https://www.gov.uk/government/news/12m-pay-boost-to-strengthen-prison-frontline-and-attract-new-recruits>

⁸ Taylor M (2017), 'Prison officers' union dismisses pay rise as 'plaster over a wound', *The Guardian*. Available at: <https://www.theguardian.com/society/2017/feb/19/prison-officers-pay-to-rise-in-bid-to-tackle-jail-safety-crisis>

⁹ Ibid.

¹⁰ Office for National Statistics (2017), *Unemployment*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment>

¹¹ CIPD (2017), *Resourcing and Talent Planning Survey Report*. Available at: <https://www.cipd.co.uk/knowledge/strategy/resourcing/surveys>

¹² Ibid.

Figure 2.1: Steps taken specifically to address staff retention (% of respondents)

	2008 survey (Used in 2007)	2009 survey (Used in 2008)	2010 survey (Used in 2009)	2011 survey (Used in 2010)	2012 survey (Used in 2011)	2013 survey (Used in 2012)	2015 survey (Used in 2013 and 2014)
Improved pay	53	42	22	27	28	34	50
Increased learning and development opportunities	46	47	35	38	47	40	49
Improved line managers' people skills	37	39	42	39	46	42	45
Improved selection techniques	46	42	31	30	37	36	40
Improved induction process	45	45	31	38	43	45	39
Improved employee involvement	29	35	32	34	39	38	38
Improved benefits	36	32	19	21	27	27	38
Made changes to improve work-life balance	30	31	19	17	21	29	36
Offered coaching/mentoring/buddy systems	22	24	20	24	28	31	29
Created clearer career paths	17	18	21	18	22	19	26
Revised the way staff are rewarded so their efforts are better recognised	19	19	14	18	20	21	23
Improved physical working conditions	12	19	13	15	16	23	22
Better promotion to employees of the employer brand	16	21	15	18	18	18	22
Redesigned jobs to make them more satisfying	14	18	13	11	16	15	20
No specific initiatives undertaken	9	13	27	23	19	21	12
Increasing use of counter offers*	-	-	-	4	5	4	12

Base: 476 (2015 survey); 390 (2013 survey); 459 (2012 survey); 559 (2011 survey); 431 (2010 survey); 695 (2009 survey); 710 (2008 survey)

* Item added in 2011

Source: CIPD (2015), *Resourcing and Talent Planning, Survey Report 2015*, p.31. reproduced with the permission of the publisher, the Chartered Institute of Personnel and Development, London (www.cipd.co.uk)

The Resolution Foundation (Corlett, 2017)¹³ forecast the situation for the UK's 5.4 million public sector workers will worsen as the continuing one per cent pay restraint and high inflation 'eat into their take-home pay and living standards'. The median real pay for public sector workers is expected to fall below 2004-05 levels by the end of the current parliament in 2020. Although public sector attrition rates remain below the private sector average, existing difficulties with hiring into certain specialist

¹³ Corlett A et al. (2017), *The Living Standards Audit*. Available to download at: <http://www.resolutionfoundation.org/publications/the-living-standards-audit-2017/>

occupational groups and in competition with the private sector are likely therefore to intensify.

The pressure to respond to this labour market situation with financial payments is at least as powerful across the public sector as amongst private sector employers. The last two years' HMT Pay Guidance (2016)¹⁴ has permitted greater flexibility to address market pay issues for specialists around the one per cent cap on pay awards by '*re-allocating non-consolidated performance-related pay funding within their overall pay bill to fund targeted recruitment and retention incentives*'. Many departments and agencies appear to have been using this additional funding to try to address recruitment and retention difficulties in areas such as cyber security and digital IT and marketing. Yet this pay response has been less common and patchier in the public sector under that cap than the private sector, as organisations have been shown (CIPD, 2017)¹⁵ to be significantly less likely than the private sector to have improved pay (28 per cent compared with 56 per cent of the private sector) or benefits (24 per cent compared with 44 per cent of the private sector) in response.

The establishment of the Government Legal Service with its own pay structure and arrangements for lawyers and the use of different job family pay ranges for specialists like economists in bodies such as the Financial Control Authority have been interpreted by some as a more strategic responses to such pressures, although they are not without their own issues, such as raising questions about their fairness and consistency.

2.2.2 Pay Review Body Examples

All of the Pay Review Bodies (PRBs) are to varying degrees required within their terms of reference to consider the recruitment and retention situation of employee groups within their remit and at least indirectly (only the Armed Forces PRB has the statutory duty) to consider the competitiveness of remuneration in making their recommendations. However, divergent views, practices and trends are evident across the different PRB employee groups and the wider public sector in terms of the desirability, use and efficacy of market and skill supplements and recruitment and retention payments.

Within the PRB remit groups, supplements range from, for example: incentive payments in schools, amidst headlines of 'bidding wars' and high rates of turnover (Independent, 2015)¹⁶, to maths teachers (a £25,000 bursary to retrain) and language

¹⁴ HM Treasury (2016), *Civil Service Pay Guidance 2016-17*. Available to download at: <https://www.gov.uk/government/publications/civil-service-pay-guidance-2016-to-2017/civil-service-pay-guidance-2016-to-2017>

¹⁵ CIPD (2017), *Resourcing and Talent Planning Survey*. Available at: <https://www.cipd.co.uk/knowledge/strategy/resourcing/surveys>

¹⁶ Cassidy S (2015), 'Teachers offered £10,000 above pay scale as staff shortage sparks school bidding

teachers; to recruitment and retention and ‘trade’ supplements in the Armed Forces of up to £21,000 for pilots and other specialist technical, IT and engineering posts; to retention payments for public protection teams in the police; and recruitment premia for various consulting specialities in the NHS. Although pay band flexibility for the Senior Civil Service means market allowances are rarely employed for them, market supplements and over salary range payments made by departments for IT and cyber and other professional staff in Grades 6 and 7 has, as the SSRB has observed, produced anomalies in a number of departments with these senior staff in some cases earning more than their managers.

The contrasting experiences of the Ministry of Defence and National Health Service illustrate some of the variations in approach and practice to markets supplements, with most of the PRB groups probably somewhere in-between these two extremes in terms of approach and incidence. In April 2016, there were 16 different categories of Recruitment and Retention Premia (RRP) for Armed Forces’ personnel, with 17,582 RRP payments made over the year costing around £107m. The AFPRB (2017) noted in its latest report that:

‘In our examination of the evidence over the years, we have noted that many of the skills shortages were identified well before action was proposed... we believe MOD should be more proactive in preparing proposals to address such issues before they require emergency action in response to a crisis in a particular group.’¹⁷

In 2017, the Armed Forces’ Pay Review Body (AFPRB¹⁸) expressed concerns that changes to the flying RRP designed to achieve a 20 per cent improvement in retention were not sufficient and that *‘MOD may need to adopt a more radical and targeted approach’*.

To illustrate in more detail of how this targeting process has worked, for the Armed Forces’ Pay Review Body 2015 report¹⁹, the Ministry of Defence (MOD) submitted evidence outlining a series of proposals aimed at improving the recruitment and retention of staff in the Submarine Service. The challenges of submarine staffing, including high turnover rates and an ageing staffing profile, had been raised in a detailed review in 2013. A complex mix of supplements and additional payments now operates.

wars’, *Independent*. Available at: <http://www.independent.co.uk/news/education/education-news/teachers-offered-10000-above-pay-scale-as-staff-shortage-sparks-school-bidding-wars-a6732386.html>

¹⁷ AFPRB (2017) Forty Sixth Report, available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/603494/58422_Armed_Forces_Pay_Web_Accessible.pdf

¹⁸ AFPRB 2017 46th Report

¹⁹ AFPRB 2015 44th Report

To address concern about retention and staffing levels for Marine Engineer Officers and Weapon Engineer Officers the Category A1 RRP for Officers was set in 2015 at £12 per day for pre-charge Officers, and £20 per day for Charge and post-Charge Marine Engineer Officers and topped up with a new Engineer Officer Supplement for all submarine engineer officers serving at sea, at a rate of £10 per day for pre-Charge officers and £20 per day for those in Charge appointments. These were designed to be more sustainable, long-term measures to replace short-term Financial Recruitment Incentives (FRIs) and before the staffing situation for Engineer Officers became too serious. A series of the non-remunerative measures have also been introduced aiming at improving the work-life balance issues for submariners and their families, including the establishment of the Submarine Centre of Specialisation at HMNB Clyde in 2017.

The AFPRBs report the following year (2016)²⁰ saw further similar measures. A new RRP (Weapons Engineering Submariner) for ratings in the Royal Navy's WESM branch was agreed and introduced in 2016, replacing FRIs introduced three years earlier which the MOD said could be both expensive and divisive, and that their impact diminished over time and with repetition in any particular cadre. This RRP was designed to address unsustainable turnover rates at OR4 level for both SWS and TWS staff (12 per cent and 10 per cent, respectively) and to address at OR6 level, SWS's 42 per cent deficit, and TWS's 62 per cent deficit. MOD said that the demand of engineers in the wider economy was a significant contributory factor. The AFPRB reported that the *'staffing evidence overwhelmingly supports the introduction of an RRP'* and that:

'Whilst we often hear that retention issues are not pay related, it appears to us that, given the pull of the civilian market, for this particular cadre pay is a significant factor affecting recruitment and retention.'

It endorsed the three rates of RRP at OR4 (£3 per day), OR6 (£12 per day) and OR7-9 (£20 per day) but noted that the RRP proposal did not set out success criteria and recommended that the MOD put these in place. It also noted that with the introduction of the new trade-differentiated base pay structure in April that year that it would be important to ensure that the way in which RRPs are paid remains appropriate given revised expectations of base pay and recommended that MOD adopt a consistent approach to the routine review of RRPs in future, with a greater focus on measures of success.

By contrast, the total cost of RRPs for non-medical staff in the NHS has reduced by 74 per cent since 2008/09, falling from £57 million to £15 million in 2015/16. (NHS PRB 30th Report, 2017²¹).

²⁰ AFPRB 2017 46th Annual Report.

²¹ NHS PRB (2017), 30th Annual Report. Available at:

<https://www.gov.uk/government/publications/national-health-service-pay-review-body-30th-report-2017>

Table 2.1: Aggregate cost of Recruitment and Retention Premia Payments, England, 2008/09 to 2015/16

H1	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
HCHS non-medical staff	£57m	£62m	£61m	£51m	£36m	£22m	£18m	£15m

Source: Department of Health, Headline HCHS Paybill Metrics (Experimental)

The proportion of staff receiving RRP payments has also declined, from 3.4 per cent in March 2013 to 0.9 per cent in March 2015. Both the British Medical Association (who fear it can lead to inconsistency of treatment and unfairness) and NHS Employers (who believe such action fails to address the core issue of shortage of supply) have raised issues with their use in their evidence to the PRB.

But the NHS PRB notes in its latest report (2017)²²:

'NHS Trusts currently have the flexibility to target pay in response to local recruitment and retention concerns through Recruitment and Retention Premia. These may have different effects in different areas. However, despite evidence of significant localised supply pressures, employers are, in the main, choosing not to use these flexibilities. We continue to believe that RRPs are an important flexibility and that local targeting of pay is, in general, a better approach than targeting through national pay scales.'

In the last two years we have seen a national supplement for hard-to-recruit specialities introduced in the new junior doctors' contract, and a new GP specialist training flexibility payment to try and address the shortages of GPs that is evident in parts of the country.

The PRB therefore seems to support greater usage, but concludes that, in line with our own research objectives:

'The fact that their use is dwindling alongside an increase in the very pressures they are intended to alleviate suggests that there is a problem. It seems to us that the costs and benefits of using RRPs need to be better understood by trusts and health boards.'

As part of the new contract for Junior Doctors introduced in 2016 are a number of what are called 'flexible pay premia' for 'hard-to fill-training programmes', covering psychiatry, emergency medicine, oral and maxillofacial surgery, those undertaking academic placements and general practice. The GPs payment is the largest of these at £8,282 full-time rate pa to GP specialist trainees in years 1 – 4 during general practice placements only.

²² Ibid.

Like the AFPRB, the Police Remuneration Review Body (PRRB) also appears to have been supportive of supplements as aids to pay flexibility and as part of wider pay reforms. It reported (2016) that '*there are some emerging shortage groups, e.g. detectives in the MPS, and we support the development of local mechanisms under the reform programme*'.²³ The National Police Chiefs' Council (NPCC) agreed with all forces in late 2016 the draft principles for a future reward strategy including: a national framework with the flexibility to reflect local needs through market uplifts or supplements; a link between pay and specialist and/or scarce skills – officers will require particular skills and qualifications relevant to a specific post that could attract remuneration to a higher level than the next rank; and a review to consolidate allowances into basic pay.

2.3 Review of the Evidence on Effectiveness

There is a perhaps surprisingly very little quality academic research on the role of supplements and financial incentives to address recruitment and retention and skill shortages, and especially concerning the evaluation of their effectiveness. Gerhart and Rynes (2003)²⁴ believe that the dominance of economics in the management and business field helps to explain this neglect in research and practice, with a limited range of acceptable research methods in economics and with senior managers often regarding pay, as in classical economics, as 'the only incentive'.

The existing research does, however, throw significant doubt on the ability of financial payments to generally and strongly influence rates of recruitment and retention for specialist and in-demand staff and skills. There is a large body of predominantly American, private sector research on the role of pay as an incentive to remain with an organisation. This research consistently shows bonuses for performance help to retain high performers for example. But other studies in contrast on 'continuance commitment' suggest that departure may just be delayed by retention payments and that financial payments to certain groups can be associated with demotivation and dissatisfaction elsewhere in the organisation.

For example, in the academic literature, salaries are frequently studied as a potential determinant of teachers' retention. Numerous studies have shown that salary differentials are often insufficient to compensate teachers for differences in working conditions such as poor performing schools or areas of high deprivation Murnane et al. 1991; Hanushek, Kain, and Rivkin 1999; Loeb and Page 2000; Boyd et al. 2005;

²³ Police Remuneration Review Body (2016), *Second Report, England and Wales 2016*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534649/55909_Police_PR_B_Report_PRINT.pdf

²⁴ Gerhart B and Rynes S (2003), *Compensation: Theory, Evidence and Strategic Implications*. Sage Pub, London.

Scafidi et al; all cited in Clotfelter et al., 2008)²⁵. For example, Springer, Swain and Rodriguez (2016)²⁶ studied the impact of a \$5,000 retention bonus for teachers in poorly performing schools. There was no evidence of any overall impact, which was attributed to the stronger influence of the desire among teachers to quit low performing schools, a conclusion supported by wider research on performance-related payments carried out by the OECD (2012).²⁷

Similarly, Clotfelter et al (2008) studied the effectiveness of a \$1,800 annual bonus programme for maths, science and special education needs teachers in low income or low performing schools in the US state of North Carolina. They found that teachers and principals favoured the use of such monetary incentives to boost recruitment in their schools but that the bonus failed to reduce teacher turnover rates. It was, however, not clear whether this failure reflected the relatively small value of the bonus or the design and implementation difficulties associated with the particular programme (Ibid.). However, another US study by Kelly, Tejada-Delgado and Slate (2010)²⁸ examining the use of financial incentives on teacher recruitment and retention found that almost 80 per cent of teachers reported that a signing bonus would encourage them to apply for a teaching position in another school district, with the study concluding that school districts offering signing bonuses of at least \$2,000 would increase the number of applicants they would receive.

Liu, Johnson and Peske (2004)²⁹ conducted a longitudinal, qualitative study of the experiences of 13 recipients of a large \$20,000 teachers' signing bonus, introduced to address concerns about the supply of quality teachers in Massachusetts. Indeed, the unprecedented magnitude of this bonus, paid over four years to encourage retention, garnered national attention. Four years after the programme implementation the bonus had appeared to be an effective recruitment tool, with almost 4,000 candidates in forty states and eight countries having applied for the bonus programme and the recipients of the bonus having impressive and diverse professional experience.

However, Liu et al's study revealed that firstly recipients in the study stated the bonus money had very little influence on their decision to enter the teaching profession (rather

²⁵ Clotfelter C T, Glennie E J, Ladd H F, Vigdor J L (2008), 'Teacher Bonuses and Teacher Retention in Low-Performing Schools Evidence from the North Carolina \$1,800 Teacher Bonus Program', *Public Finance Review*, Volume 36 Number 1, pp.63-87.

²⁶ Spinger M G, Swain W A, Rodriguez L A (2016), 'Effective Teacher Retention Bonuses', *Educational Evaluation and Policy Analysis*, Vol.38, Issue 2, pp.199-221.

²⁷ OECD (2012), *Does performance-based pay improve teaching? Pisa in Focus*, 16. Available at: <http://www.oecd.org/pisa/pisaproducts/pisainfocus/50328990.pdf>

²⁸ Kelly P C, Tejada-Delgado C, Slate J R (2010), 'Financial and non-financial incentives on teacher recruitment and retention: Teachers' perspectives', *International Journal of Educational Leadership Preparation*, Volume 5, No. 1.

²⁹ Liu E, Johnson S M, Peske H G (2004), New Teachers and the Massachusetts Signing Bonus: The Limits of Inducements', *Educational Evaluation and Policy Analysis*, Washington 26.3, pp. 217-236.

responding to the programme's fast-track training) and secondly, although the signing bonus was paid out over four years to support retention, the payments played:

'... virtually no role in participants' decisions about whether (or for how long) to stay in public school teaching or in Massachusetts. Instead, working conditions at the school site, which affected the new teachers' ability to realise the intrinsic rewards that they expected of teaching, played the biggest role in their decisions.'

(Liu, Johnson and Peske, 2004: 218)

Within the academic literature, the US military is also a source of some limited evidence on the effectiveness of financial payments. The US military services have long offered financial bonuses and 'golden hellos' to new recruits and to re-enlistees (especially in critical military occupations). Data available from military administrative records have been used by various researchers to study the effects of bonuses on rates of enlistment and re-enlistment. Studies by Lakhani (1988)³⁰ and more recently Simon and Warner (in 2009³¹ & 2010³²) explored the effect of retention bonuses in the US military. The focus of the Lakhani study was a bonus (with a maximum of \$16,000) paid to those who agreed to re-enlist in shortage occupations in the US Army six months prior to the end of their term of service.

It was hypothesised and supported by the study's findings that those with combat experience would be more affected by the payments and more likely to re-enlist than those without combat experience, on the grounds that their skills were less marketable in civilian life. It was also found that level of pay was not a major influence but the retention bonus was. The recommendation resulting from the study was that the retention bonus should be increased for non-combat personnel.

Simon and Warner's 2009 study examined a bonus programme introduced by the US Air Force (in 1999) to encourage longer enlistment terms. The study found that a \$5,000 bonus would increase the probability that a recruit would choose a six-year enlistment over a four-year enlistment by 30 percentage points and found the bonus programme was cost-effective relative to other policies to increase enlistment-years (Simon and Warner, 2009). The Simon and Warner (2010) follow up study also found significant positive effects of selective re-enlistment bonuses on the likelihood of re-enlistment and on the length of re-enlistment, particularly at the first re-enlistment point.

³⁰ Lakhani H (1988), 'The effect of pay and retention bonuses on quit rates in the U.S. army', *Industrial and Labor Relations Review*, Vol 41, Issue 3, pp.430–438.

³¹ Simon C J and Warner J T (2009), 'The supply price of commitment: Evidence from the Air Force enlistment bonus program', *Defence and Peace Economics*, Vol 20, Issue 4, pp. 269-286.

³² Simon C J and Warner J T (2010), 'Army re-enlistment during oif/oef: bonuses, deployment, and stop-loss', *Defence and Peace Economics*, 21:5-6, pp.507-527.

Carrell and West (2007)³³ also found that bonuses for army personnel moving to serve in undesirable locations increased retention and increased the numbers in undesirable locations. But the study reported that too frequent changes in these bonuses commonly created uncertainty about future bonus earnings and demotivation, particularly among the more risk-averse individuals.

Overall, the empirical findings from the education sector and armed forces highlight the importance of both intrinsic and extrinsic rewards in the design of policies to recruit and retain. A forthcoming review by Kings College London and IES for the MOD on the role of financial and non-financial incentives in recruitment and retention similarly concludes:

‘... that no one approach will be effective and there is no magic bullet. Rather, both financial and non-financial incentives have to be geared to the context and to the individuals in question.’

(IES confidential client report, 2017)

Similarly, a literature review carried out by IES for NHS Employers (2016)³⁴ on the factors driving employee engagement, concluded that:

‘... the reward-engagement relationship is complex, situation-specific and generally involves multiple factors and drivers, financial and non-financial, highlighting the importance of a total reward approach in engaging the diversity of the workforce and meeting the wide variety of employee needs’.

The limited academic evidence also suggests that these payments may generally be more effective in recruitment rather than retention-driven situations, whereas in some employers we see such supplements used as though they are equally effective in both scenarios.

³³ Carrell S and West J E (2007), ‘A sequential equilibrium for the army's targeted selective reenlistment bonus program’, *Human Resource Management*, Volume 46, Issue 1, pp.21-34.

³⁴ Brown D, Callen A, Robinson D (2016), *The relationship between total reward and employee engagement. An evidence-based review*, NHS Employers. Available at: <http://www.nhsemployers.org/~media/Employers/Publications/Reward/Total%20reward%20and%20employee%20engagement%20report.pdf>

3 RRPs for Nurses and IT Workers in the NHS

3.1 Background and context

Pay decentralisation was first seen in the National Health Service (NHS), with trusts free to set their own terms and conditions from 1992 until 1997 when the Labour Government came to power. The then Secretary of State for Health, Frank Dobson, abolished the market mechanism in the NHS and all that went with it. By 2004, as part of a return to a wider decentralisation of decision making in the NHS, certain aspects of wage determination were devolved again. Local variations in pay rates (in the form of recruitment and retention premia) within a common national job evaluation framework and pay banding structure were introduced under the Agenda for Change (the programme of pay arrangements in the NHS) and in the context of the newly formed NHS foundation hospitals, which were given greater management freedoms in pay setting, including having their own remuneration committees, to reflect their track record of good stewardship.

Under the previous Whitley Council arrangements, there were a series of payments made to nurses in particular sub-occupational groups, such as to geriatric, psychiatric and intensive care nurses. Although not required, on many occasions these allowances were then incorporated into base pay within Agenda for Change by trusts locally, as an alternative to other solutions.

Where a case can be made on market grounds, recruitment and retention premia can also be awarded nationally, with the agreement of the Pay Review Body for Nursing and Other Health Professions (forerunner of the NHS Pay Review Body) and/or the NHS Staff Council. There is provision both for long term and short-term premia. The distinction naturally reflects whether it is believed the recruitment and retention problem is temporary or enduring and the main practical difference is that the long term, RRP is pensionable and reckonable for overtime and other base pay linked payments. A limit of 30 per cent of base pay is set on the value of RRPs (although Foundation Trusts have the freedom to exceed this figure).

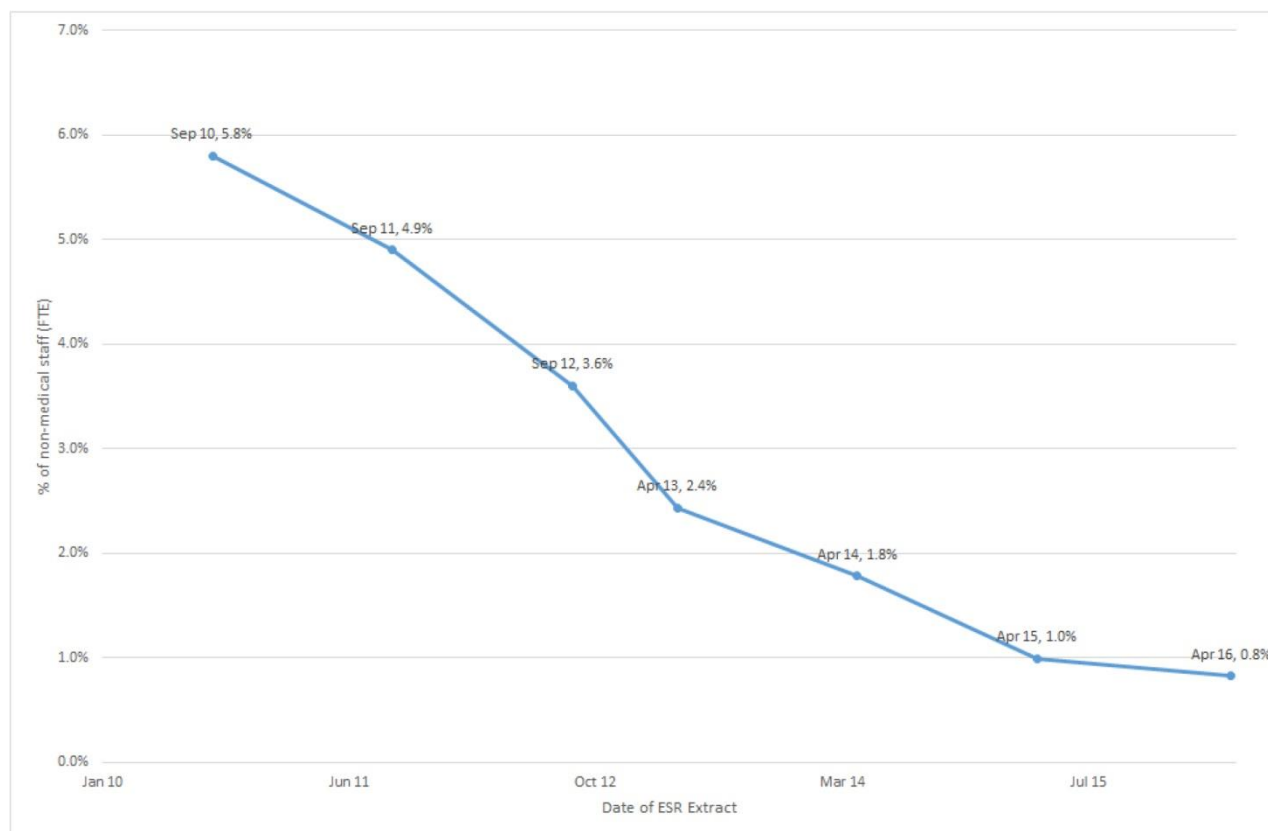
The negotiators of Agenda for Change agreed on a number of roles where there was *prima facie* evidence that a recruitment and retention premia was required to maintain the NHS's position in the labour market during the transition to the new pay structure. The occupations covered fifteen roles including chaplains, pharmacists, perfusionists and biomedical scientists, but nursing and IT were not on this list.

From the launch of Agenda for Change national recruitment and retention premia were agreed for qualified maintenance craft operatives and technicians with full electrical, plumbing and mechanical craft qualifications. This payment was supported by an independent review by the University of Greenwich. Their report suggested consideration being given to extending the RRP to include building trades. The Staff Council did not concur with this recommendation, partly because of equal pay concerns.

A further review of national RRPs took place in 2010 conducted by IES. This argued that in the absence of recruitment and retention problems, a national RRP looked unjustified and open to legal challenge, despite data suggesting pay rates were behind the market. IES proposed that local RRPs might be more appropriate. No other national RRPs were recommended.

3.1.1 Current use of pay supplements

At present, comparatively little use is made of RRPs and the incidence has declined in recent years. Only 0.8 per cent of full-time equivalent non-medical staff (FTEs) are receiving RRPs in April 2016 compared with nearly 6 per cent in 2010 (when the national RRPs were in place). The proportion of staff varies from 2.5 per cent for 'hotel, property and estates' occupations to 0.3 per cent for 'support to scientific, therapeutic and technical staff.'

Figure 3.1: Time series of non-medical staff in receipt of RRP (full-time equivalents)

Source: NHS Employers, 2016³⁵

One per cent of ‘qualified nursing, midwifery and health visiting staff’ receive RRP at an average of £1,000 per head with the East of England region using them the most (at 4.4 per cent). It appears that many RRP are a hangover of the pre AfC pay supplements which were converted into RRP on transfer to the new system. Thus, the number of nursing RRP is declining with the retirement/resignation of these longer-serving staff explaining the reduction between April 2014 and April 2016 from 3.1 per cent to 1.0 per cent of the population receiving the supplement.

IT is included within ‘NHS Infrastructure support’ category under ‘Central Functions’, which makes analysis of recruitment and retention among IT professionals across the NHS at a macro level, challenging. However, some 0.5 per cent of central function staff are receiving recruitment and retention premia; with this rising to 4.2 per cent for Band 9, and 2.8 per cent and 2.9 per cent respectively, for Bands 8c and 8d. The application

³⁵ NHS Employers (2016), NHS Employers’s *Submission to the NHS Pay Review Body 2017/18*. Available at:

<http://www.nhsemployers.org/~media/Employers/Documents/Pay%20and%20reward/NHSPRB%20%20FINAL%20sent%20to%20PRB%20201718.pdf>

of RRP's within central functions is most common within the London region (NHSE, 2016).

3.1.2 Impact and Emerging issues

In one recent survey³⁶ both nurses and IT developers featured in the 'top 10' list of the UK's most in-demand occupations, with unfilled vacancies recorded in April 2017 at 57,000 and 56,000 respectively. We go on to consider the emerging labour market issues in each of these two occupations.

Nursing

There is undoubtedly a supply shortage in nursing; the only debate is about its size given the lack of definitive data. Based on a November 2015 employer survey, NHS Employers calculated a very approximate gap of 21,200 FTE nurses against employer demand³⁷. According to the Nursing and Midwifery Council statistics, the number of nurses leaving the NHS was exceeding the numbers joining it. The fear in some quarters is that Brexit (and any associated other immigration restrictions) is likely to make matters worse. Indeed, according to the Health Service Journal, the DoH's own planning suggests that if nurses from EU and non-EU countries stop coming to the UK in 2019, there would be a nursing shortage of between 26,000 and 42,000. Indeed, nurses (together with a few other NHS groups) are included on the Migration Advisory Committee's shortage occupation list. This gives greater freedom to employers in recruiting from abroad.

The RCN has evidence that there are about 40,000 nursing vacancies in England alone. (See Safe and Effective Staffing – The Real Picture May 2017.) NHS Employers from their November 2015 survey also estimated an average vacancy rate of 10 per cent (with a spread of 7 per cent to 18 per cent). Three-quarters of trusts have a nursing turnover rate of between 9 per cent and 14 per cent and Health Education England data suggest a 9 per cent rate nationally (AFPRB, 2017). This is partly driven by an ageing workforce, with 100,000 nurses still able to retire at 55 without a pension penalty.

An NHS Employers survey found that all the respondent trusts had tried to address the turnover problem with strategies concerning attraction, work environment, engagement and development. Remuneration based actions were pursued by half the survey participants. Work has been done on careers and creating new roles (especially the Nursing Associate role). The NHS Employers give guidance on these issues and

³⁶ Available at: <http://www.thisismoney.co.uk/money/news/article-3592534/Britain-s-demand-jobs-revealed-pay.html>

³⁷ Available at: <http://www.nhsemployers.org/~media/Employers/Publications/Workforce%20Supply/NHS%20registered%20nurse%20supply%20and%20demand%20survey%20findings%20Dec%202015%20FINAL.PDF>

Health Education England are supporting a pilot for Nursing Associates. If this works it could, in theory, ease supply challenges for fully qualified registered nurses as some of their work could be devolved to Associates. Sustainability and Transformation Plans have also been looking at ways of transforming health and care services in England in line with the NHS five year forward view. These reviews include developing new ways of working and delivering care across localities which might affect nurses' jobs.

From other sources, it is apparent that NHS trusts aim to recruit up to 3,000 registered nurses for England in order to help with the short to medium term national labour shortage on a three-year fixed training contract.-Trusts are also actively recruiting in the European Union with Italy, Spain and Portugal the most targeted countries for recruitment activity during the last 12 months. Recruitment in non-EEA countries has also taken place especially in India and the Philippines.

At the same time, following a reduction in training places (19 per cent over the ten years to 2014/15), there has been an increase in the commissioning of undergraduate nurses and an expansion of placement capacity. Despite this situation, in England the nurses' training bursaries were withdrawn on 1 August 2017, and their tuition fees will no longer be paid by Health Education England (replaced by the usual student loan). The government believes this will add 10,000 places for nursing, midwifery and allied health students, but employers in the NHS and the trade unions appear doubtful. Although, in February 2017, the number of applications since the change was reported to have fallen by 23 per cent in the period 2016 to 2017. According to the universities involved there are still sufficient numbers of good quality candidates coming through: *'our members report receiving a high number of good quality applications for most courses and they will continue to recruit through to the summer'*, according to Professor Jessica Corner, chair of the Council of Deans of Health³⁸.

IT staff

Resourcing certain central function positions (IT, HR, finance) within the NHS has been found to have challenges, especially due to broader competition from external organisations in public and private sectors for these skills. IT is one function where there is a significant shortfall in new talent in key areas such as service management (the management, operation and support of IT systems already in operation) and cyber security, and the recent ransomware-induced problems with the IT systems in the NHS³⁹ showed just how vital these groups of 'back office' workers can be. Moreover, the NHS is increasingly seeing the need not just to protect data but also exploit data such that there is more emphasis being placed on analytical activities.

³⁸ <https://www.theguardian.com/education/2017/feb/02/nursing-degree-applications-slump-after-nhs-bursaries-abolished>

³⁹ See for example: <https://www.theguardian.com/society/2017/may/12/hospitals-across-england-hit-by-large-scale-cyber-attack>

Over half of UK organisations report skills shortages amongst IT staff (57 per cent) (XpertHR, 2016⁴⁰) and a recent report from the Recruitment and Employment Confederation⁴¹ highlighted that the hardest areas to recruit into currently are C#, C++ and JavaScript developers. The overall level of turnover nationally for technology specialists is approximately 8 per cent and the public sector, on average, reports it takes 73 days to recruit to hard-to-fill technology specialist positions.

3.2 Stakeholder interview findings

3.2.1 Nursing

There is a general consensus among stakeholder interviews that the current shortage issue is 'nuanced and complex' with recruitment and retention both important to the numerical shortfall. There are various supply and demand factors, but the emphasis attributed to them varies according to stakeholder group.

It could be argued that the supply gap is due to a failure of workforce planning, but this in turn is due to changing government actions and priorities. All note the fall in nursing training places at just the wrong point in the demand cycle. There is also concern that it will be at least three years before new nurses arrive on wards and that there is a lack of experience in nursing ranks which worries employers more than the numbers of trainees.

Other restrictions on the supply side that were noted in our interviews include the fact that the Nursing and Midwifery Council has tightened language demands thereby reducing the supply from outside the UK. Brexit and immigration rules may make the situation worse. Removing jobs and levels in the organisation and cuts to community nursing provision have both removed promotion possibilities and in some cases the chance to work part-time. Removing these options has discouraged nurses from staying in the profession.

Regarding demand, it has been argued that increased staffing requirements have been driven by the Francis Inquiry's response⁴² to the Mid-Staffordshire scandal (requiring public statements on nursing staffing ratios) and by Care Quality Commission audits leading to informal minimum nursing staffing levels.

As to other causes of the shortfall, the trade unions give more emphasis to wages. In their view since 2009, and the economic downturn, the supply situation has

⁴⁰ Available at: <http://www.xperthr.co.uk/survey-analysis/reward-strategies-and-priorities-survey-2016/157566/>

⁴¹ Available at: <https://www.rec.uk.com/news-and-policy/press-releases/employers-concerned-for-future-of-the-economy-despite-booming-jobs-market-rec>

⁴² Report available at: <https://www.gov.uk/government/publications/mid-staffordshire-nhs-ft-public-inquiry-government-response>

deteriorated and the pay situation worsened year on year with below inflation increases: a drop in median earnings of between 9 per cent and 14 per cent since 2011 (submission to NHSPRB).

NHS Employers is sceptical about the importance of pay levels to future nursing supply, asking how well informed about remuneration are students embarking on their choice of studies, especially when they do not know what the pay situation will be in three years' time. More formally, it stated in its 2016 submission to NHS Pay Review Body that it *'found no evidence to suggest that the shortage of qualified nurses is directly linked to levels of pay, or that using additional pay would help resolve the recruitment or retention problem'*.⁴³

NHS Employers noted other potential deterrents to recruitment including a perception that it is a tough job with unsocial hours, and is not always positively reported in the press. Moreover, there seems to be a lot of variation in trust recruitment performance suggesting that local factors (reputation, branding and HR policies) affect popularity of specific trusts.

On retention, turnover is seen to be partly caused by the growing take up of agency employment. Another cause especially valid for community nursing is the impact of restructuring and relocating work in a way that might not meet personal circumstances. Although employee engagement figures have held up well in staff surveys, issues to do with workload and a lack of flexibility in the employment offer (especially regarding working patterns/work life balance issues) are arguably as significant as or even more important than pay in retention decisions, according to NHS Employers.

Consequently, there was agreement that trusts have rightly looked to other things besides pay such as employee engagement, work/life balance, training opportunities, the total reward package and the benefits of working in the NHS (both intrinsic and extrinsic). Trusts have also tried tackling the attraction of agency or bank working but these options may be attractive precisely because of working pattern flexibility and greater freedom in setting working hours (NIESR, 2017)⁴⁴. The absence of responsibility may be another reason for agency work. These benefits may be personally more valuable than higher earnings. (It should be acknowledged though that there are nurses who choose to squeeze in extra shifts into their working week to boost earnings.) Trusts have been considering e-rostering solutions but perhaps the problem is that working patterns are too constrained rather than not well-organised.

At a national level, NHS Improvement has a recruitment and retention project focussing especially on temporal flexibility and quality of working environment. The NHS Staff

⁴³ Available at:

<http://www.nhsemployers.org/~media/Employers/Documents/Pay%20and%20reward/NHSPRB%20%20FINAL%20sent%20to%20PRB%20201718.pdf>

⁴⁴ Available at: <https://www.gov.uk/government/publications/use-of-agency-workers-in-the-public-sector>

Council Health, Safety & Wellbeing Partnership Group has been examining shift patterns and well-being issues. NHS Improvement has taken action to reduce the costs of agency working by introducing price caps that Trusts are expected to follow.

Regarding the movement of nurses between specialisms, say between acute and community, or into midwifery, this is affected not just by the attraction of the job but also by the stability of the service. Mental health has suffered from under investment and outsourcing; and community services from transfer to local government and downsizing. If there are difficulties recruiting to these posts it may be nothing to do with earnings but with perceptions of organisational instability. In these circumstances, investment in services would have to operate in parallel with a recruitment campaign to persuade staff to take a risk of retraining.

RRPs

Nursing RRP's are currently determined locally, though there remains advice in the national Terms and Conditions of Service Handbook (<http://www.nhsemployers.org/tchandbook/annex-4-to-10/annex-10-local-recruitment-and-retention-premia>). There may be informal discussions between HR Directors in an area but no co-ordination as previously provided by the Strategic Health Authorities. The new Sustainability and Transformation Partnerships (STPs) and the local Workforce Action Boards might provide the potential for this governance that was lost with the demise of the SHAs

There has been no evaluation of the use of RRP's and a lack of detailed data about their deployment. So, it is not known whether they are working or not. We only have individual examples to work with. Success would likely be judged on recruitment and retention effectiveness.

There are various theories to explain the low usage of RRP's. Clearly, there is the challenge of paying for them as they are unfunded. The RCN points the finger at the lack of national funding leaving cash strapped NHS organisations without 'any incentive' to introduce RRP's Where would the money come? NHS trusts would not be keen for it to come out of the one per cent pay budget: it would need extra government monies in their view. Would it in effect be 'robbing Peter to pay Paul'? As Unite argues with limited funds trying to satisfy the needs of one group will have a marked effect on the situation of another. The size of the nursing population (over a third of non-medical staffing) means that RRP's are an expensive option.

The Department of Health points out that there is currently a disconnect between the tariffs, which are set by Clinical Commissioning Groups (CCGs) and determine trust income, that contain a market force factor (an acknowledgement of local labour market challenges) and the money trusts allocate to pay solutions around recruitment and retention difficulties. In theory, those trusts which might struggle to attract and retain have additional monies to deal with this situation. However, the extra money is not hypothecated and may go into general funds. Since 70 per cent of trust budgets is spent on staffing this extra cash is likely to at least partly be spent on employment

costs. It may be that the money goes into extra resources or a richer staffing mix. It does not seem to go into RRP.

Next, there are several knock-on effects trusts may be concerned about. Would radiographers and physiotherapists (and other health professional groups) make a claim for RRP for the same reasons? Would the RRP squeeze differentials in the grade hierarchy in an unwelcome fashion? What effect would an RRP in one trust have on neighbourhood trusts? The fear may be that all that will happen is that other trusts will follow suit and everybody will be 'losers'.

Another objection might be utility: Is pay really a driver of nursing supply difficulties? Would extra remuneration make any difference such that an RRP would actually increase the supply? Could it be used to bring nurses back into the profession? If this is the aim, how big is this population and would it be affected by extra money? With retention, do we know whether RRP would keep people from leaving who would otherwise have left or it has just given money to those who would have stayed anyway? Local labour markets are very different: which would be sensitive to RRP and where would they be a deadweight cost? Could recruitment and retention problems be better dealt with by increasing High Cost Area supplements in areas such as London?

Where it is known that RRP have been applied, the evidence (which is very limited indeed) suggests that they are not particularly effective. Oxford University Hospitals applied an RRP to critical care nurses and saw turnover reduce from 16.8 per cent to 16.3 per cent at a cost of £144,000⁴⁵. This was a much less successful outcome than for other occupational groups at the same trust (eg estates, medical physicists and radiographers and sonographers).

These doubts might have led trusts to consider leveraging total reward first before reluctantly looking at RRP, according to NHS Employers. For example, Oxford University Hospitals is offering accelerated advancement for all band 5 clinicians who successfully complete their two-year Foundation Training Programme, combined with the creation of a recognised 'senior registered nurse/AHP' role. Other trusts have used recognition schemes from formal thank yous through instant awards to annual prizes.

There are also practical considerations. Trusts must have the data to justify payments in response to actual recruitment and retention issues and these data are not always available. Moreover, it is hard to judge the appropriate level of an RRP. It should be determined in relation to competition in the local labour market but it is hard to establish who the comparators might be given the NHS's near monopoly position. Once RRP are paid they seem difficult to remove and they end up being a 'retainer'.

⁴⁵ <http://www.ouh.nhs.uk/about/trust-board/2017/may/documents/TB2017.50b-appendix-2.pdf>

One thought expressed in different ways is that Trusts lack the reward capability and physical capacity to introduce RRP. In particular, HR tends to lose out to Finance (the stronger function in most trusts) in arguments over money. Finance emphasises control of spending not getting value for money. So, a spend to save argument made by HR (ie by paying RRP, recruitment and agency costs are cut; discretionary effort is sustained) may not find favour.

In a similar vein, the trade unions observe that employers do not have a good track record of exploiting devolved reward responsibility (eg with respect to call payments and flexible use of increments) and so in their view it is not surprising that local RRP are not employed much. They add that in their experience trusts are too concerned with hitting short-term government targets and meeting daily staffing needs than devising long term supply strategies. This means that they have been prepared to use agency workers, who, though expensive, are immediately available.

Then there are the other remuneration devices which have been used to tackle recruitment and retention problems rather than deploy RRP. These include appointing staff above the pay band minimum; stretching job content to justify rebanding; facilitating faster promotion; using Golden Hellos to address student debt; and offering newly recruited nurses the possibility of opting out of the NHS pension scheme, auto-enrolling them in a cheaper scheme and returning the employer pension fund contribution to them in higher pay. There have been objections to many of these approaches – you need to ensure retention for a decent period to get a proper return from golden hellos and you risk a ‘beggar-my-neighbour’ situation by distorting the local NHS market and driving up costs for all; the short term thinking behind reducing pension build up; and the misuse of job evaluation.

All parties accept that RRP may be justified if determined correctly with an awareness of equal pay considerations. Using RRP appropriately is generally thought to be a better way to maintain the integrity of pay structure rather than promoting grade drift which can undermine the job evaluation system⁴⁶. However, it is also regarded by some stakeholders, including Unite, that RRP are an ‘imperfect fix’ to deal with issues caused by other system failures, especially through job evaluation’s inability to address changing responsibilities or new requirements.

There are, however, some differences of view regarding the relative benefits of national and local RRP. The trade unions, for example, point to Scotland where they believe there are several national RRP operating very successfully and are well managed with agreement by all parties. In England, according to the unions, there is no overall governance, no data, no evaluation of their use. There is no framework on how they should be operated, including on the size of the reward (other than the upper limit).

⁴⁶ Frontier Economics in research for the NHS Council found a somewhat higher proportion of Band 6 nurses in inner London compared with the rest of England suggesting that regrading might be a response to labour market conditions. <http://www.frontier-economics.com/documents/2014/09/review-of-high-costs-area-supplements.pdf>

NHS Employers and NHS Providers believe there is a better case for local than national RRP. NHS Employers has always resisted national RRP because they see any justification must reflect local labour market conditions. Similarly, NHS Providers would want trusts to have the freedom to respond to their own local recruitment and retention 'pressure points'. Moreover, the problem with nurses, given the size of the population, is that paying sufficient money to have a real effect is likely to be too expensive and so you are forced to pay it to sub sections of the workforce. The Department of Health's view is that it is disappointing that local RRP are not more widely used. The Employers are more cautious. For them, local RRP for nursing are problematic given that as it is a national supply problem, modest increases in pay are unlikely to make much impact and they question whether you do want to engender greater churn and unnecessary competition between employers. Nonetheless, there may be reasons to use local RRP in specific circumstances. As they argue, it has to be recognised that a national pay system may not work well in all places. For example, in Cambridge there are particular labour market challenges due to a high demand for labour and limited local supply.

The unions agree that there are hotspots especially in the M4 and M11 corridors out of London and that there is migration away from the South East to other cheaper parts of the country. There is, however, a paucity of data to describe these challenges properly.

Besides targeting on the basis of geography, an RRP could be segmented on the basis of grade (eg just to Band 5 nurses) but that could adversely affect differentials. Or RRP could be restricted to specific sub specialisms (eg psychiatric nurses), but there is no national data of any quality to see where there are recruitment and retention challenges per sub group, and what the causes might be of any staffing challenges. Because there is no real external labour market, RRP need to be based on internal data (vacancy, turnover evidence) but records are as yet incomplete at national level.

3.2.2 IT Workers

A number of parties see the logic of RRP for IT staff more than they do for nurses given their choice of sector and potential mobility. The NHS Pay Review Body is supportive of greater pay flexibility and targeted use of supplements. In its 2017 report, for example, it noted that:

*'... there is a difference between the likely effectiveness of RRP in situations where the pool of potential new recruits is limited, as is currently the case for trained clinical staff, and where the pool is not fixed, which applies to those staff whose skills are widely used in other sectors (such as IT workers). Trusts and Health Boards should be able to differentiate between these.'*⁴⁷

⁴⁷ NHS Pay Review Body (2017), *Thirtieth Report 2017*. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/602309/58551_NHS_PRB

NHS Employers point out that Nursing and IT are very different occupations from a recruitment and retention perspective. IT in the NHS (like other corporate services eg Finance or HR) faces competition from other sectors. There is less risk of undesirable competition amongst trusts breaking out. There is a real labour market to compare with and easier to establish the local going rate.

The Department of Health similarly sees IT staff as a 'classic' example of where RRPs might make sense: there is a perceived public-sector shortage of IT skills such that a case could be made for a market supplement (without undermining equal pay for equal value). Moreover, at local level individual trusts might be able to justify RRPs to secure its own employed staff in circumstances where it might be cheaper than using more expensive contractors.

Unison supports the use of RRPs in principle and has done so since the inception of AfC. However, in their view, they should be properly justified (mindful of equal pay issues where the IT population is predominantly male) and their operation should conform to the terms of the national agreement.

However, IT staff are not a separately identified occupational group (unlike for the Civil Service) with national data on recruitment, retention, vacancies or even numbers employed, such that a national supplement could easily be introduced. Moreover, NHS Providers point out there is variation across the country in the competitive challenges around the supply position.

In considering local RRPs, Unison would want to see a return to the 'brokerage' role previously performed by SHAs in ensuring that trusts thinking of applying RRPs would check with neighbouring organisations on the possible impact upon them. Unison points to Scotland for a role model of how to manage RRPs (noting that the country does not use IT RRPs).

The resourcing context for IT is more complex than for nursing with important distinctions between specialist groups – hardware, software, web, cyber, etc. Moreover, there is variation in what is done in-house or contracted-out. There are also examples of spinning out IT work into arm's length bodies/special purpose vehicles/social enterprises allowing variation in terms and conditions including remuneration (over time) and adjustment to working practices. Sometimes it is project work that is outsourced and sometimes infrastructure support. Where the former occurs, Unison observes that trusts tend to have an hourglass structure – senior people to provide the necessary governance and risk management with some junior staff carrying out basic functions. The professional middle (like software engineers) might be largely missing. There are, however, trusts that are IT centres of excellence (like University of Birmingham and tele-medicine) that will have a different workforce profile.

Unison is surprised that RRPs are not more widely used for IT staff. Less than 12 per cent of NHS Digital IT staff, for example, receive a supplement. The union believes this is largely due to reasons of affordability. Speculating, the union also believes that it might be due to the more senior jobs (8c, 8d and 9) being removed from AfC rules and dealt with outside the main scales (a facility introduced in 2013). Grade drift is another possible explanation for the lack of RRPs: the job content is inflated to allow upward regrading or simply that AfC has not properly recognised the sort of contribution some IT posts make.

There are no national IT recruitment and retention initiatives. This is despite the fact that there are non-pay challenges both for the wider NHS workforce and for IT staff specifically. Unison's member survey indicated that the top factors for staff considering leaving their posts included workload, stress, feeling undervalued by management, as well as *'feeling undervalued due to low levels of pay'*.

Just under half the survey respondents said that a lack of career or promotion prospects might cause them to leave. Given the structure of IT work in many trusts, this is likely to be a concern for the IT occupation. Unpaid overtime (half of respondents) and additional duties beyond their employed role (20 per cent) were widely reported problems. For IT staff specifically, on call duties can be demanding with a small team having to fulfil the rota.

3.2.3 Conclusions

The different stakeholder groups place RRPs in different contexts though there is a general wish that they should be considered strategically in the light of recruitment and retention drivers. Thus, with respect to nurses, the RCN argues: *What is really needed is a comprehensive workforce strategy linked to NHS finances; RRPs could be a very useful part of the solution to the current shortage of nursing staff* (IES interview). Both NHS Employers and the Department of Health would similarly want trusts to use a strategic not ad hoc approach to decision making avoiding 'fudges' that lack objective justification.

But there are different views on the causes of recruitment and retention problems with the unions arguing that pay is a more significant driver than NHS Employers. To the unions RRPs would not be necessary in the first place if nurses were properly paid. Nevertheless, the RCN would want a far-reaching workforce strategy. For them it would offer a:

'... coordinated approach to pay, terms and conditions, workforce supply, training and development, career progression, working environment and job design, health and wellbeing at work and staff management... to acknowledge the effects of workplace pressures in many trusts and organisations, with the most common being long hours, burnout, the pay freeze and low morale.'

(RCN, 2016⁴⁸)

All parties emphasise the importance of governance to any process in setting up and managing RRP and early engagement between management and staff side on the possibilities. All stress the need for the justification being evidence based (eg through labour market and recruitment/retention analysis) and as AfC is equality proofed any deviations from it need to be done for very good reasons. Moreover, decision making should take account of potential knock on effects inside and outside their organisation. Trusts must also be able to see that they get value back (easier recruitment/better retention) for their expenditure.

3.3 Case study findings

There were four case studies in this review; two examined RRP for nurses and two for IT staff. The two occupational groups we included were selected to contrast with each other. The NHS has a near monopoly of nursing jobs and the challenge for employers is the shortage of supply, irrespective of institution, as stated in the earlier evidence. In the IT labour market, the NHS is a relatively small player in competition with many other organisations in other sectors seeking the same sort of staff. There are supply shortages in specific specialisms, but the challenges are more about inter-organisational rivalry than about building the initial pipeline.

Nursing staff

There were contrasting challenges for our two case studies. With one (outside London) the issue was with the difficulties of nurse recruitment, particularly into certain specialisms (to elderly care and neuroscience wards), because of competition with neighbouring trusts against a limited supply from the local university. With the other, recruitment was relatively straightforward (as a London trust) but retention was harder.

The consequence was that the two organisations had different RRP approaches. In the outside-London one the RRP was restricted to two wards with the greatest recruitment difficulties, paid monthly (and non-pensionable), to be reviewed annually. In the other, the RRP was paid to all registered nurses at the Trust as a single payment with a plan that over three years all nurses would receive a payment. The aim was to do something of significance, large enough to be meaningful but affordable, rather than take a series of smaller initiatives.

Health Care Assistants were excluded from both schemes because there were no data to suggest recruitment or retention problems. There was more regret expressed in this decision by the London trust because of difficulties with the equity of this approach

⁴⁸ RCN, 2016, PRB submission. Available at: <https://www.rcn.org.uk/professional-development/publications/pub-005803>

expressed by some nurses as well as HCAs, especially in the light of this trust's emphasis on team working.

For one of the trusts, the RRP was seen as an action of last resort because of the actions already taken to improve attraction. A lot of effort had gone into improving recruitment performance through examining advertising methods, changing the approach to recruitment fairs with senior staff attending and considering international recruitment. Moreover, the use of agency staff was explored and the use of NHS Professionals increased (with a higher pay rate offered). Sickness absence, already low, was reduced further (to ease pressure on the wards). Time allocated to management was reduced.

The London trust has undertaken a series of staff engagement events to better understand workforce retention and launched a workforce strategy with an emphasis on the importance of staff recognition (from formal thank yous through instant awards to annual prizes) and a range of good additional staff benefits and discounts in local stores and health and wellbeing services. It has also been examining the feedback it has received on work/life balance, and the role shift patterns and flexible rostering can play in making this easier or more difficult for nurses. A Birmingham trust had reduced its vacancy level to 7 per cent following a more open attitude to shift arrangements. Similarly, the non-London trust does not have retention or motivation problems relating to work/life balance or shift inflexibilities. E-rostering is in place and staff have plenty of scope to manage their leave.

In both cases HR and clinical leaders worked together to produce a business case. The non-London trust indeed argued that all possible measures had been taken and the cost of RRPs could be justified on the basis that if successful it would reduce the need for bed closures, expensive overtime, overworked and stressed staff leading to higher absence and poorer patient care. It was to be funded out of general budgets, but it could be afforded given the level of vacancies being carried and the additional costs incurred as a result.

Affected nurses in the non-London trust were briefed on the introduction of the RRP as were other nurses not receiving it, presenting the evidence and justification for the selective application. Other trusts in the region were informed by the Director of Nursing about the plans for an RRP. Little concern was shown because in the specialist areas where the RRPs were to be paid they are not in competition for nurses.

There has been a formal evaluation of the effectiveness of RRP in the London trust. Its RRP is regarded as having a 'moderate' impact but less than expected. For the other trust it is too soon to see its impact or calculate the savings made, though there have been positive signs including the reaction of students at recruitment fairs to the extra money (a more meaningful sized payment to poorer students than to established nurses). The ward nurses were pleased with the RRP, not so much for the money, which after deductions was not a large amount, but more for the fact of demonstrating they are valued; and they also felt that staffing should improve thereby making their jobs easier and patient care better.

Learning points from these two case examples include:

- Have a rigorous decision-making process to approve any RRP and similarly to continue them;
- Design the scheme based on workforce data and evidence, and share the evidence in an open and transparent way;
- Secure executive and nursing leadership support and engagement in the process as early as possible;
- It is especially important that employee representatives are involved in the design of the scheme and understand both the logic and the practicalities;
- Staff receiving the RRP, as well as adjacent staff who are not, need to understand the rationale for its introduction (and conditions for any possible future withdrawal);
- Anticipate that the response to any proposal is likely to be both emotional and rational and you must be prepared and able to handle both;
- Money alone will make very little difference to recruitment or retention. You will only get the ROI you want if you invest in a full range of strategies which reinforce each other to encourage recruitment and retention, including educating potential recruits on the wide range of financial and non-financial benefits of working at the trust;
- Where there are recruitment problems you need to tackle the underlying causes of poor supply. And as these cases illustrate, labour markets are very local and so one uniform approach will not suit the different needs of individual employers.

IT staff

Staffing issues with the IT labour market in the UK relate to specific disciplines and locations, rather than being a universal problem. Places like Leeds and London are 'hotspots' for IT activity. This means IT people are drawn to work there, but there is also significant competition amongst employers to ensure they get their requisite share of this talent. From an employee perspective, these are good centres for networking and exposure to private sector firms (eg project contractors). This means staff turnover is to a degree inevitable whatever you do internally. Having said that, in different ways our two case studies have worked hard to ensure that their organisations are attractive places to work and turnover kept to an acceptable and affordable level.

Another challenge, especially felt in London, is the need to reduce dependence on expensive agency staff, caused in part by an inability to compete in the wider market-place, both on pay and opportunities.

A third issue is that where NHS organisations are heavily investing in new technology and change projects rely on new software, existing staff may lack the necessary skills and experience to tackle these initiatives.

Before turning to the RRPs, both these organisations had previously, as a formal policy, tried appointing above the pay band minimum where extra experience could be demonstrated, but this had not had the desired effect on recruitment.

Both our case studies were also careful in applying RRPs to specific groups rather than all IT staff: technical architecture, IT design, business systems and system engineering were represented.

The value of the allowance in both case studies is represented as a percentage of salary and tends to rise with seniority. However, this is not universally true and one HR manager stressed that the RRP level should be based on a labour market comparison, not grade. Payments range from 8 per cent of salary to as much as 30 per cent. Despite the feeling that the RRPs might be enduring, the payments are subject to annual review. There has been some consideration of making the payments long term and pensionable but, apart from the question of whether supply problems will persist, making the payments pensionable cuts the take home pay (due to employee pension payments) as well as increasing the cost to the employer (an agency staff typically receive no pension).

For one of these organisations RRPs are funded out of the existing IT salary bill. In practice, this has not meant staff cuts elsewhere as there are always sufficient vacancies to cover the cost. In the other organisation it is funded out of the general IT budget and declared a 'cost pressure'.

The idea for IT RRPs in both cases came from departmental management and HR working together, using external salary surveys to review the external market values against internal salaries and identify shortfalls. In one organisation business cases for RRPs are submitted to the organisation's remuneration committee for review. (They have been accepted and rejected in the past, depending on the quality of the evidence.)

In the other, proposals are considered by an RRP committee (comprising management and staff side) acting on delegated authority from the Board through the HR Director. The committee requires 'hard' evidence of recruitment and retention difficulties (for example, three failed hiring attempts, numbers of unsuitable candidates, etc.), as well as market pay data and a demonstration that other tactics have been employed (for example, promotions and career development) before it will sanction a payment. The funding of the payment should be set out and an equality impact assessment made. The department determines the size of the RRP in conjunction with HR and in the light of its budgetary position.

The formal policy document requires the following evidence:

1. The post or group of posts is business-critical
2. Lack of suitable applicants and/or worsening retention over a minimum of 12 months.

3. Labour market shortage
4. Benchmarking of vacancy and turnover rates with neighbouring trusts
5. Consideration of non-pay benefits in order to attract candidates and improve retention.
6. Consultation with affected staff.
7. Consideration of Trust-wide implications
8. Cost of the proposed RRP and measurable benefits
9. Plans to improve the situation going forward in resourcing, role or structure changes.
10. Where the application is for a range of bands –should payments vary by band?

Both organisations have had some ‘boundary issues’ internally (especially with Finance and Procurement staff) partly because similar skills to those deployed in IT may be found elsewhere. There are no real problems evident with ‘knock on’ effects on other NHS trusts near their locations, as the scope of the work is somewhat different. To their knowledge, none of these contiguous trusts have been forced to pay an RRP in response.

Both organisations have tried to improve their labour supply with the introduction of apprenticeship programmes. In one organisation this is linked to explicit development pathways into technology careers, with graduate placements and internships ‘to continually attract young people into the department and grow the skills internally’. The challenge of giving staff the necessary experience to move up the IT career path remains to be solved.

Both organisations have attended to their employment brand and what might be the attractors to working in the organisation, especially pride in its work and leaving behind the commercial pressures of the private sector. They have emphasised good working conditions with a lot of flexibility around hours (including flexitime); and location (a lot of home working, especially in one of the two cases).

In a separate initiative, the IT department in one of the case studies has introduced a 6-month probationary period to a) allow it easily to remove mis-recruits and b) to give confidence to recruiters that they can take some risks (previously they have been very risk averse because a fear of not being able to remove poor recruits). There have also been attempts to improve performance management to ensure staff justify their reward.

There has been no formal evaluation of the effectiveness of RRPs in either organisation. For one, it is too soon to see their impact or calculate the savings made. For the other, recruitment effectiveness has improved, agency spend has undoubtedly dropped and turnover has fallen: so it is felt to be working.

On a pragmatic basis RRPs are seen as better than using agency workers or suffering grade inflation, and may be more acceptable to union representatives. Certainly,

having a formal RRP policy helps when, as in one case study, there have been increases in requests for job evaluations from other functions, proposals for the payment of responsibility allowances and attempts to pay additional increments without proper cause.

Learning points from both cases include:

- Have a stringent decision-making process to approve payments;
- Do not just jump into 'pay solution' mode as a reflex action: look at other possible recruitment and retention factors (eg culture and image)'
- Be careful about 'scope-creep' of RRPs into adjacent areas;
- Make plain that the RRP is lost on movement out of the team: it is explicitly role-related and not person-based.
- Recognise you need to explain to potential recruits that RRPs are temporary, but reassure them that they will only be removed if the market changes;
- Accept that this means some moderate performing staff in RRP-attracting roles get extra remuneration, where better performing staff in other roles do not: it is about addressing market factors;
- Make clear that RRPs are not paid during absence (including sickness);
- Invest time in communications, especially to explain the logic of the approach and boundaries on its application, noting that it is not just the money that might irk the non-recipients it also the emotional 'kudos' attaching to the payment (an organisational recognition of the importance to recipients, which might make non-recipients feel unrecognised by contrast).

4 RRP for Nurses in the Armed Forces

4.1 Introduction and Context

The Armed Forces has a comprehensive range of financial retention incentives (FRIs), Recruitment and Retention Payments (RRPs), golden hellos, and in some cases such as nurses, bespoke and distinct pay spines. In April 2016, there were 16 different categories of RRP for Armed Forces' personnel including nurses, with 17,582 RRP payments made over the year costing around £107m (*AFPRB Annual Report, 2016*).⁴⁹

RRPs are paid to specific groups in the Armed Forces where there are long-standing recruitment and retention issues involving difficulties inherent to some cadres/trades or an external market competitive pressure on a particular group, and generally where MOD does not consider a bespoke pay spine is warranted (although in nursing both apply). FRIs are typically used to address shorter-term issues and may be withdrawn when an RRP is considered necessary. Golden hellos are targeted at identified recruitment issues. A detailed overarching policy guides and regulates the introduction and use of RRP covering core principles (including that RRP can be frozen, increased or decreased and withdrawn; and that all cease on promotion to Officer rank OF7); and their application – for example they may be paid on a continuous basis for the individual's career or a non-continuous basis while someone is in a specific post and then moves on. Then for each occupation they are applied to, such as nursing, there is a further policy document outlining the aims, scope and regulation of the payments. Each RRP category is subject to regular formal review where the analysis is focused on key manning data such as strengths, requirements, inflow and outflow, and a cost/benefit analysis made.

Following the introduction of the a new pay structure, Pay16, in April 2016, with higher pay ranges for the trades that are paid more highly externally, the Ministry of Defence (MOD) is in the process of reviewing the overall framework for RRP, in order to ensure its on-going coherence. Findings and recommendations will be considered by the Armed Forces' Pay Review Body in its 2018 report.

There are approximately 1,500 Regular nurses employed in the Defence Medical Service (DMS) across all three Services and also around 1,200 Reserve nurses. Each Service recruits separately. They are employed in a wide variety of specialist and

⁴⁹ Armed Forces' Pay Review Body (2016), *Forty-Fifth Report 2016*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/505928/53949_Armed_Forces_Pay_Review_2016_Accessible.pdf

generalist roles, with the largest group working for the Army. There has been a shift in the requirement for nursing support in recent years from generalist to specialist roles. Two-thirds of the nursing workforce is female, compared to 10 per cent of the Armed Forces as a whole, with one-third in Officer and the rest in Other Ranks. Voluntary Outflow (VO) is relatively high compared to other professional groups within the Armed Forces, in mid-single figures, and higher for Other Ranks than Officers.

Student nurses can join DMS from age 18, are trained at Birmingham City University and undertake a 3 year degree programme following initial military training. Direct entrant Registered Nurses will enter aged at least 22 years, on a minimum four-year engagement, whilst the earliest age for officers joining is aged 23 years, on a minimum three-year commission. Specialist training to meet the defence requirement is carried out at a variety of universities on both a full and part-time basis. All three services have generally failed to achieve their recruiting target numbers in recent years, although the staffing improved following a series of reforms in 2009, before falling back somewhat in 2013.

The nurses generally work in multi-disciplinary teams, but also undertake singleton roles in the pre-hospital and primary care environment. They provide support to operations throughout the world and in the UK are employed in a variety of locations and units. The Armed Forces no longer run dedicated Military hospitals. The largest concentration of nurses work at the Royal Centre for Defence Medicine at Queen Elizabeth Hospital (QEH) in Birmingham and there are a further four Defence Medical Group Units in various locations. Defence Medical Group staff are fully integrated with civilian staff at their respective hospitals, who are on NHS terms and conditions. Nurses are additionally employed in Defence Primary Healthcare and single Service roles.

4.2 Labour Market Rationale and Differentiated Pay Arrangements Applied

Pay supplements for nurses have a long history in the Services. The current structure of a differentiated pay spine, RRP – which was known as specialist pay (SP) until 2013, and paid on a rate-per-day basis, golden hellos, commitment bonuses (part of an Armed Forces-wide scheme) and FRIs for Armed Forces' nurses was largely introduced in August 2009, with regular updates and adjustments since then, and a further detailed review and adjustment in 2014.

Over the period 2004-05 to 2006-07, the Defence Medical Service had seen increasing nurse staffing levels. However, during 2007-08, DMS staffing levels decreased, recruitment numbers fell, and turnover increased (from 120 leavers to 170 leavers). Although there was a surplus of generalist junior nurses, shortages were evident in the speciality cadres; particularly in OPP specialties (Emergency Care (EC) and Critical Care (CC)) and; Orthopaedics, Infection Prevention and Control (IPC) and Operating Theatre (OT). For example, EC was at 47 per cent manning and CC at 39 per cent in

2007-08. Between 2006 and 2009, very few direct entrant specialist nurses were recruited across the three Services. There was also little financial incentive to encourage general nurses to undertake specialist training as the existing Armed Forces' pay scale did not reward the achievement of a specialist nurse qualification.

Operational requirements in Iraq and Afghanistan were placing significant pressure on specialist nurses and Reservists and civilian contractors were being used in supporting roles; with the DMS spending over £1m on contractors in 2007. Pressures were reported to be acute in certain specialities; for example; a nurse could be expected to fill an operational post every six months due to the low number of trained and deployable nurses to fill posts.

Meanwhile, following the implementation of the Agenda for Change pay reforms in the NHS and a period of above-inflation NHS funding, the Continuous Attitude Survey in the DMS showed that experienced regular nurses were aware of the growing pay disparity with the NHS. With more DMS nurses working alongside their NHS counterparts on a regular basis in NHS hospitals, knowledge of civilian and NHS remuneration packages became more transparent. In 2004 (before the impact of AfC was known to DMS nurses) 89 per cent indicated that they felt their salaries compared favourably with the NHS, whereas by 2007 this had reduced to 55 per cent of officers and 49 per cent of other ranks. All Armed Forces' personnel including nurses do receive an 'X' factor pay uplift to reflect the demands of military service.

The recruitment and retention of Service Nurses is strongly influenced by the NHS. The 2009 AFPRB report concluded that NHS salaries were generally 'more favourable' than for those in Defence on the current main pay award scale. Significantly, the comparisons also showed that in the period following specialists' and generalists' return of service (ROS) training, NHS salaries were higher, which is the period in which the DMS is most vulnerable to losing personnel to the NHS.

It was within this context that the MOD and AFPRB accepted that the current military pay structure did not provide the flexibility to attract Service Nurse recruits, retain Generalists (as a recruiting pool for Specialists) or reward Specialist competencies. A bespoke solution was developed governed by the following principles: achieving comparability with the NHS; retaining promotion incentives and targeting career points; improving numbers 'clinically current'; and providing differentiation between Generalists and Specialists.

MOD concluded that two pay spines should be introduced, an Officer and an Other Ranks' spine, for all nurses, both specialist and generalist, regular and reserve. The spines were intended to address the pay disparity with NHS general nurses across the AfC bands. Pay was also targeted at particular areas where it was considered necessary and to encourage personnel to serve beyond RoS points, in order to retain experienced nurses and to keep them in 'front-line' activity, rather than moving into administrative and managerial roles. The uplift for Officers against the core Armed Forces' scales ranges from 2 per cent to 6.5 per cent and for Other Ranks it is between 4 per cent and 6.8 per cent.

A new Specialist Pay supplement was also proposed and introduced for specialist nurses (those with a formal specialist qualification and the relevant Defence Nursing Operational Competency Framework Level 3), on a Career Continuous Basis, in order to provide an incentive to train and remain deployable as a specialist. It was intended that this change would *'assist in reducing the frequency of operational deployment in each specialty and mitigate the threats to work/life balance, career development and to recruitment and retention'* (restricted management paper, 2008⁵⁰). The Other Ranks' staffing is predominantly under 30 years' old with less than seven years' experience, raising concerns about the lack of in-depth experience.

To give an example, a Flight Sergeant Emergency Department Manager in 2008 was paid in a range from £30,914 -£36,183 on the military pay structure. This would compare to an NHS nurse team manager in Agenda for Change Band 7 paid between £35,723 and £47,095. Following the reforms, the military role was paid in a range from £35,242 - £41,249 plus SP/now RRP of £3,588 pa.

To provide an incentive for generalist nurses to gain a degree of specialist competency, they also received SP on a Non Career Continuous Basis for those generalists in a specialist post requiring specialist Defence Nursing Operational Competency Framework Level 2. As the AFPRB explained,

'In terms of generalist nurses, the reward for experience and for a validated level of competence would improve retention, removing the risk associated with a predominantly young and inexperienced generalist workforce.'

(Ibid)

In 2007, the AFPRB had also endorsed the payment of Financial Retention Initiatives (FRIs) for specialist nurses in the areas of CC, EC and OT, for a period of three years. The FRIs were intended to encourage nurses in those specialties to remain clinically current and, therefore, deployable. It also rewarded those who deployed more frequently and who would, consequently, have been tempted to leave. However, following evaluation of the success of the FRIs and the new pay spine, it was concluded that different approaches would be taken for each speciality. The FRI for OT nurses was removed in July 2009, before the introduction of the new pay spine; while the labour market situation meant it was retained for a further year for EC and CC nurses.

Specialist nurses in shortfall specialties (EC, CC and OT) had been paid an £8,000 Golden Hello from April 2003 for the Army, and April 2004 for the Royal Navy and RAF. In spring 2007, the AFPRB endorsed an increase in the level of the Golden Hello to £20,000 (taxable) to improve the number of direct entrants. Payment is made on successful completion of Phase 1 training for Other Ranks and successful completion of all Phases of the Initial Officer Entry for Officers or on re-entry (for those with

⁵⁰ Unpublished client Paper of Evidence

relevant previous clinical experience). It in effect buys out the costs of student and specialist nurse training and so is regarded by the AFPRB and MOD as good value for money. The payments are made to a handful of students each year so total costs are low.

A Commitment Bonus had also been in operation for Other Rank posts to aid retention and in 2009 this was increased from £5,500 to £15,000, paid after eight years' service. The intention is to reduce this to £7,500 from 2019. This is a Services-wide bonus.

The major review of this structure of payments which was agreed by the AFPRB in their 2014 report saw:

- The nursing pay spines, retained and revalorised in order to ensure comparability with the NHS;
- The RRP for specialist nurses of £10.41 per day retained, but the £4.90 per day supplement phased out for Registered Nurses/generalists;
- The retention of the golden hello for qualified Emergency and Critical Care nurses and its extension to a range of other specialities – OT, Burns/Plastics (B/P), etc.

This followed a review of the Services' future staffing requirements in 2012 (DMS 20) which led to a rebalancing of numbers, with an overall reduction in the requirement for regular nurses but increase in some specialist areas such as B/P. Staffing levels had improved since 2008 to between 80 per cent and 90 per cent of that required, but that fell away again in 2013.

4.3 Wider HR and Employment Measures

The 2009 pay reforms for nurses were introduced as part of a wider Defence Nursing Strategy which aimed to deliver and sustain the required defence nursing capability for current and future operations. The focus since then has been on a number of work-strands in that strategy:

- Improved training and career management and encouraging the take up of additional professional qualifications;
- Enhancing the work experience so as to improve retention rates,
- Positioning DMS more strategically in relation to contemporary developments in the healthcare profession and personnel practices, with improved internal and external communications, better links with the RCN, more media coverage, etc.

The provision of particularly specialist training is regarded as a key recruitment and retention vehicle. To address the higher voluntary turnover evident for Officers, since 2013 the Royal Navy has allowed newly qualified nurses to apply for Officer selection and training without two years of post-graduate experience.

The development of new roles, such as Military Nurse Practitioner in the Army, allows nurses to train across a number of different specialities to an advanced level of clinical practise and is regarded as an important retention initiative given the reduction in operational deployment opportunities. A review of Senior Pathways is also considering how to open up more pathways for Officers to enter senior management and for more practicing nurses to continue practicing, both intended to enhance rates of retention. DMS has also been testing a bursary programme for Reservists, Partnering for Talent, to determine whether an improved offer to student nurses has an improved effect on recruitment.

Activity also continues in the areas of professional development and recognition. A full academic career pathway has been opened up under the Academic Department of Military Nursing, with opportunities for example to undertake PhDs. And closer working with the regulatory and professional bodies continues.

Progress on flexible working in an attempt to, for example, retain experienced nursing staff after having children, seems less developed, with part-time service not available for example. The 2009 review had noted the *'essential move to develop flexible working patterns'* (AFPRB Report, 2009⁵¹).

4.4 Effectiveness

The 2009 changes were fully costed and included as part of the 2.5 per cent limit on public sector pay budget increases set by HM Treasury. The MOD described the programme as *'a high priority, comparatively low cost measure'* (restricted management paper, 2008).

The review in 2013/14 concluded that *'while the measures introduced in 2009 act in support of sustainable manning, recruitment remains challenging, especially for Officers, and retention remains patchy, with vulnerabilities across a number of groups'* (restricted management paper, 2013).

The three years after the 2009 reforms saw staffing levels increase but they fell again in 2013, leading the MOD to conclude that *'the Nurses' pay spines are not themselves a panacea... a necessary but not sufficient condition for attaining and maintaining full manning'* (ibid).

In terms of the objective of competitiveness with the NHS package, again that Review concluded on the basis of detailed comparisons that *'broad pay comparability has been maintained assuming the retention of RRP'* linked to the achievement of the Specialist Nurse qualification. However, the Generalist RRP was held to be unjustifiable against

⁵¹ AFPRB, 2009, 39th Report. Available at: <https://www.gov.uk/government/publications/armed-forces-pay-review-body-thirty-eighth-report-2009>

the stated purpose of RRP's and given the distinct pay spine for all nurses. Its removal has resulted in a substantial cost reduction.

Golden Hellos were found by the 2013 Review to be good value for money relative to the costs of pay and training, but other specialities other than those eligible were found to have equivalent or greater staffing shortfalls.

The 2012 DMS Continuous Attitude Survey results highlighted the four most important retention factors for nurses as:

- A post/location of choice;
- Pay;
- Promotion;
- Pension.

Officer perceptions of their pay being reasonable increased from 55 per cent to 66 per cent of that population between 2007 and 2012, with Other Rank perceptions improving from 49 per cent to 68 per cent, despite that latter two years of public sector pay freeze.

4.5 Summary and Conclusions

Our interviewees and all of the detailed reviews we have referenced clearly conclude that as one put it, *'we need to utilise a full range of (financial) incentives to help make this an attractive place to work'*. The outcomes of the current major review of all of these additional payments and incentives right across the Armed Forces, in the light of the pay structure reforms and new employment model introduced in 2016, cannot yet be anticipated.

The evidence required for the introduction of these financial incentives and any changes to them is extensive, covering labour market data, levels of pay and wider total rewards competitiveness and cost/benefit analysis, while the procedures and controls for their application are the most rigorous found in this research study.

However, amongst our interviewees there seems to be a sense in regard to nursing at least that these financial incentives may have reached the limit of their effectiveness, and possibly gone beyond that. It has produced a complex web of payment arrangements which is not always supportive of varying and flexible staffing needs, possibly duplicates in some areas and is difficult to administer and communicate. Correspondingly, some of the key issues the incentives were partly designed to address – for example retaining experienced nurses in clinical roles – remain very live ones. There seems a strong sense now that some of the non-financial initiatives, such as career pathing, leadership development and flexible working, are more important in addressing these issues.

As one interviewee expressed it, *'we need to look at the bigger offer'* and if the evidence suggests that people are leaving mid-career for greater stability and work-life balance, then perhaps more radical solutions in these areas need to be considered. Golden hellos and bonuses are at best a 'short-term fix', pay just *'one lever in the set of tools'* required.

There was also a very realistic view evident that although the NHS is a labour market competitor, developments and trends there and for the wider UK nursing workforce will have at least as significant effect on the DMS workforce as actions which DMS itself institutes, such as the impact for example of Brexit on labour supply. There was also a perception that the NHS has made more progress in areas such as flexible working in recent years, as well as the impact of the NHS pension on the relative attractiveness of working there for older, more experienced nurses (RRPs of course are not pensionable).

'People leave' we were told *'as they have a family and don't want to be deployed at a moment's notice'* and so if the Armed Forces' wants to retain them, then greater flexibility and stability seems a must. With greater career and pay flexibility available in the NHS, then financial bonuses of even *'£10,000 don't work: we need a fundamentally different offer'*.

The nursing pay spine was seen generally as the most significant and effective pay vehicle in supporting recruitment and retention, with one interviewee commenting that *'if your pay is right, you don't need additional (financial) incentives'*. Although here too there was some criticisms evident, tactically in terms of the nurses' pay spine not being revalorised and the differentials maintained every year; but also more strategically and significantly in terms of its continuing alignment with the structure of Service ranks. Some felt that this ultimately restricts competitiveness with the professional NHS pay structures at the higher bands, and means that within the Armed Forces *'there are too many nurses not nursing'*. In the current Review, *'we need to look at alternative, more flexible structures, allowing for professional development'* and consider other pay models such as the Armed Forces doctors' approach of an entirely independent career and pay structure, which could also possibly be a more effective approach if applied to nursing.

5 RRP's for Social Workers in Local Government

5.1 Background and context

A brief scan of the press headlines and job ads highlights the apparently common reaction of local authorities to this 'staffing crisis' they are experiencing with social workers by offering enhanced, more attractive reward packages including up-front cash payments and supplements. But how common is this response and what is the impact in a sector strongly influenced by national terms and conditions?

'UK social care sector in crisis due to staff shortages', The Guardian, 8.3.17⁵²

'Golden hellos and handcuffs: the local authority bidding war for social workers', The Guardian, 15.3.16⁵³

'£15k bonuses, sabbaticals and supervision: how a council is fixing its social worker retention crisis', Community Care, 23.2.17⁵⁴

'We offer competitive pay and reward including market premium payments in addition to your salary' Kent County Council website advertisement for children's social workers, 23.8.17

Terms and conditions of employment in local government are negotiated between the local government employers and recognised trade unions and the outcome is set out in what is colloquially known as the 'Green Book'. This goes back in its current form to the National Agreement of 1997.

This is an employer/trade union national agreement with national pay spines and additional payments and various remuneration and benefits set out within it. There have been periods when councils have derogated from the national system. For example, in the late 1980s around 30 local authorities in south east England opted out

⁵² Slawson N (2017), 'UK social care sector in crisis due to staff shortages', *Guardian*. Available at: <https://www.theguardian.com/society/2017/mar/08/uk-social-care-crisis-staff-shortages>

⁵³ Andalo D (2017), 'Golden handcuffs and hellos: the local authority bidding war for social workers', *Guardian*. Available at: <https://www.theguardian.com/social-care-network/2016/mar/15/social-work-recruitment-councils-bidding-war>

⁵⁴ Stevenson L (2017), *£15k bonuses, sabbaticals and supervision: how a council is fixing its social worker retention crisis*, *Community Care*. Available at: <http://www.communitycare.co.uk/2017/02/23/15k-bonuses-sabbaticals-culture-change-council-fixing-social-worker-retention-crisis/>

of national collective bargaining for administrative, professional, technical and clerical staff in favour of local decision-making. They did so because they believed that the national agreement constrained their ability to recruit and retain staff in a tight labour market especially so close to London (with its additional location allowance). The authorities involved increased pay levels and more explicitly related them to the market. They denied the trade unions negotiating rights, preferring to link base pay or allowances to indices of external pay levels. They introduced individual performance-related pay and, in some cases, profit-related pay.

However, with the loosening of the labour market, the rush to opt out stopped, and by 1992–93 the levels of pay award returned to the sector norm under the pressure of budget constraints and the sudden introduction of a public sector pay policy.

The 1997 National Agreement gave more flexibility to councils in decisions about placing jobs against the national pay spine, but again over the years some 50 councils in the South East and East of England chose to conduct local bargaining to suit local circumstances. This number has remained pretty constant in recent times, though the London Borough of Bromley has just decided to move outside the national arrangement.

The Green Book has always had a provision for market supplements where '*it is not possible to recruit and/or retain employees at the job-evaluated rate, because of local or national shortages*'.⁵⁵ Three paragraphs in the original agreement cover the issue. While stressing that '*pay should generally be set at a level that will recruit and retain employees*' there are clear, if brief, generic, provisions set out to ensure that such payments are justified for '*a small number of jobs*'. These conditions include making reference to market data to ensure the additional amounts are justified, and then the payments being '*time-bound*', kept under regular review and equality-proofed. If circumstances change and the payments cannot be justified against these criteria then the agreement is clear that they '*should be discontinued*'.

5.1.1 Current use of pay supplements

The occupations in parts of local government where market supplements have been felt to be necessary have varied over the years. The current position, according to the recent Local Government Association *Workforce Survey* (published in March 2017)⁵⁶, is of a wide range of occupations where there are recruitment and retention problems – 59 in total for single and upper tier councils; 32 in total for shire district councils – but far fewer where market supplements are employed as part of strategies to address these problems.

⁵⁵ See Part 4.9, para 3.57: <http://www.unitetheunion.org/uploaded/documents/LGGreenBook11-3717.pdf>

⁵⁶ Local Government Association *Workforce Survey 2015/16*. Available at: <https://www.local.gov.uk/local-government-workforce-survey-201516>

Occupations where more than a quarter of single and upper tier councils reported recruitment problems (see table 24 below) included social workers (mental health, adult and children), planning officers, legal professionals, occupational therapists (adults), educational psychologists, ICT professionals and engineering professionals. However, children's social work was by far and away the most problematic profession with three quarters of councils having recruitment and retention difficulties. Just under half reported the councils have recruitment challenges with adult social workers and 38 per cent with mental health social workers. (Retention was reported to be easier.) And in line with this challenge, nearly half of these councils are paying children's social workers market supplements, which were much less commonly reported and far more focused. The next highest proportion was 9 per cent for legal professionals.

In the rural/shire district councils planning officer posts suffer the most recruitment difficulties (55 per cent) and retention difficulties (31 per cent). Building control officer and planning officer posts were the most likely to receive market supplements (14 per cent and 13 per cent, respectively). Supplements were not used at all for social workers.

Table 24: Please indicate in which of the following occupations your authority is experiencing recruitment and retention difficulties and whether the occupation receives market supplements (single and upper tier councils)

Response	Recruitment difficulties (%)	Retention difficulties (%)	Market supplements (%)
children's social workers	74	71	43
adult social workers	45	33	8
mental health social workers	38	19	8
planning officers	36	23	3
legal professionals	32	7	9
occupational therapists (adults)	29	18	5
educational psychologists	29	18	3
ICT professionals	29	15	8
engineering professionals	27	16	5
occupational therapists (children's)	21	12	6
chartered surveyors	19	15	8
adult care workers	19	12	0
building control officers	18	12	6

Source: LGA (2017) *Local Government Workforce Survey 2015/16*⁵⁷

⁵⁷ Local Government Association *Workforce Survey 2015/16*. Available at: <https://www.local.gov.uk/local-government-workforce-survey-201516>

London Councils also collect pay data on a regular basis⁵⁸. Their latest survey suggests that only half a dozen of the 32 boroughs use market supplements and these are predominantly for adult and children's social care. There are also supplements in use for planning, environmental health, building control/surveying and traffic, but only one or two boroughs apply them. So, of the 691 posts in London which attract supplements, according to the survey, 87 per cent are for social workers.

Outside of London, a review by Lancashire County Council of social worker pay and benefits in 17 county councils found four offering golden hello payments, five market or retention supplementary payments and a number making additional incremental payments available to social workers, alongside a range of other inducements and rewards including relocation packages and out-of-hours premium payments.

A *Community Care*⁵⁹ survey of over 100 local authorities in 2016 found:

- 53 per cent providing additional financial rewards – 19 per cent golden hellos, 21 per cent market supplements and 27 per cent retention awards, most commonly for children's and mental health workers. They were most common in the South East (77 per cent), London (70 per cent) and South West (70 per cent). One council, interestingly, described such payments as an effective alternative to '*starting a basic salary price war*' in the locality.
- 18 per cent offered relocation payments, or up to £8,000. This was largely in the South East but Derby council offered £10,000 to help recruits passing their probationary period with buying a home;
- 58 per cent in or considering regional memoranda capping agency wages.
- Of the 47 per cent that did not make additional payments, a number had withdrawn them. Stoke on Trent had done so and instead redesigned working arrangements so social workers were grouped into small 'pods' to work with families. One of the South East authorities said additional payments were '*a reality*' around London but that '*effective supervision, flexible working, transport and other factors*' were at least as important. Bev Maybury, the lead for commissioning at the Association of Directors of adult Social Services similarly feels that she would '*expect to see financial incentives increasing but as a small part of the bigger picture: staff want to feel valued, to be respected and proud of social work... that way you get a full package, the right people with the right users to support service users*' (all referenced in *Community Care*, 2016).

⁵⁸ See: <http://www.londoncouncils.gov.uk/node/4063>

⁵⁹ *Community Care* (2016), *Social Work's great employment challenge*. Available at: <http://www.communitycare.co.uk/2016/06/28/social-works-great-employment-challenge/>

5.1.2 Impact and Emerging issues

Recruitment and retention payments are commonest therefore for social workers and this can be seen as part of a much more wide-ranging response in recent years to a situation where a long-standing shortage of supply has worsened as a range of developments (ageing population, rising rates of family break up etc.) mean that the demand for staff is rising. The number of children in care in England is the highest for 30 years,⁶⁰ with a 40 per cent rise between 2010 and 2015 in those subject to formal child protection. Adult social work now has to meet the requirements of the Care Act, with its emphasis on personal care budgets, and respond to ageing populations. There has been an 8 per cent increase in jobs between 2013 and 2015 to 44,700 social workers in statutory services, divided almost two to one between children's and adult services, but a fall of 20 per cent of students in training over roughly the same period.⁶¹

The Chief Executive of Birmingham City Council in November 2013 told a local government conference that it was the risk of a social work failure that kept him awake at night and that the Council found it difficult to hire children's social workers. More recently, in 2016 the leader of Newcastle Council Nick Forbes was still telling the National Children and Adult Services Conference that councils needed to do more to attract people into the profession⁶².

Falling budgets and social work-related scandals (e.g. dating back at least to the Victoria Climbié case in 2000 and exacerbated by the 'Baby P' case in Haringey in 2007) has made it harder still to attract and retain staff in what has become an increasingly demanding profession. Baginsky (2013)⁶³ concluded '*Heavy caseloads, burnout, poor pay and conditions, dysfunctional organisations, and low levels of training and support have all been found to explain this exodus (from the profession)*'. A 2015 Guardian Jobs' survey of social workers, *Social Lives*, raised concerns over working conditions and wellbeing.⁶⁴

⁶⁰ See <https://www.parliament.uk/business/committees/committees-a-z/commons-select/education-committee/news-parliament-2015/children-social-work-reform-report-published-16-17/>

⁶¹ See <https://www.theguardian.com/social-care-network/2016/sep/06/social-work-sustainable-solution-recruitment-crisis>

⁶² Stevenson, L (2016) Social work shortages at 'crisis point', warns council leader, *Community Care*. Available at: <http://www.communitycare.co.uk/2016/11/03/social-work-shortages-crisis-point-warns-council-leader/>

⁶³ Baginsky M (2013), *Retaining Experienced Social Workers in Children's Services: The challenge facing local authorities in England*, Department for Education

⁶⁴ Murray K (2015), 'Mission impossible on a daily basis' – the real effect of spending cuts on social work', *Guardian*. See: <https://www.theguardian.com/social-care-network/2015/dec/08/mission-impossible-on-a-daily-basis-the-real-effect-of-spending-cuts-on-social-work>

DfE statistics from 2014 showed an average 15 per cent vacancy rate (22 per cent in London) and an average 17 per cent turnover rate (21 per cent in London).⁶⁵ More recent data (September 2015) shows 5,000 agency workers in the role, three-quarters of whom are covering vacancies. The situation varies significantly across the country however, with turnover ranging from 7 per cent in Yorkshire and Humberside to 29 per cent in Outer London.⁶⁶

The average working life for social workers has been calculated to be less than eight years, compared to 16 years for a nurse and 25 for a doctor (Curtis et al, 2010)⁶⁷.

In response, as with teachers, the government has introduced a mix of financial and non-financial forms of support to help build the supply of social workers including: graduate and post-graduate bursaries; and fast-track training schemes, such as Step Up to Social Work, Frontline and Think Ahead. There has also been the 'I Care...' Ambassador initiative to encourage people to come into social work and improved support to newly qualified social workers to aid their retention.

Employer solutions to improve supply have included growing 'their own' locally and support for national initiatives, such as hiring from abroad (especially South Africa and South-East Asia) and using agency temporary staff (albeit an expensive approach). For example, Northamptonshire County Council found itself with half its workforce employed through an agency (compared with an English average of 15 per cent) because the staff could earn more that way.

Councils have also set up social work academies. This has been done for example, by Northamptonshire County Council with the University of Northampton to speed the process of getting newly qualified social workers into more experienced roles through a year-long programme of intensive training and support.

Central Bedfordshire has taken a similar approach to attract new permanent staff with an academy, but has in addition focused on service redesign by creating smaller teams with smaller caseloads. A new support role of consultant social worker without casework offers advice, guidance and challenge.

⁶⁵ Department for Education (2015), *Children's Social Work Workforce during year ending 30 September 2014*, *Statistical First Release*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/406660/Children_s_Social_Work_Workforce_2013-14_SFR.pdf

⁶⁶ Department for Education (2016), *Experimental official statistics: Children's social work workforce during year ending 30 September 2015 for England*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503071/SFR07_2016_Main_Text.pdf

⁶⁷ Curtis L, Moriarty J and Netten A (2010), 'The expected working life of a social worker', *British Journal of Social Work* 40(5)

A more radical approach has been chosen by Bath and North-East Somerset Council which has transferred social care and community health services to Virgin Care along with 43 social workers. We have no information on the terms and conditions offered.

In pay and cash terms, besides recruitment and retention allowances, some employers have been using golden hellos and handcuffs (though the extent of their usage is not known) and in the past⁶⁸ there have been situations where inflating the job content has been used to justify upgrading and resulting higher base pay levels and/or parallel pay and career tracks created for experienced social workers to progress their pay without moving into management posts.

The pay response appears to have been most evident in areas with high turnover rates, such as Outer London and the South East. Following an 'inadequate' rating from Ofsted in 2015, West Berkshire introduced a £15,000 retention payment over three years for children and family social workers. Buckinghamshire County Council pays new recruits to its first-response team up to £8,250 pa in retention payments and up to £5,125 to new recruits there. In the year 2015/2016 it made 56 golden hello payments and eight golden handcuffs, and claims vacancy rates fell from 25 per cent to 22 per cent. Their HR director however, while feeling that the *payments 'made some difference'* expressed concern *that 'we are diverting money away from the services we are trying to protect'* (*The Guardian*, 2016)⁶⁹

West Berkshire also saw its turnover fall to 26 per cent along with a reduction in agency workers to 17 per cent. The turnover of social workers' managers also reduced. Rachel Wardell their Director of People said that their three- year payment was in response to their social workers *'telling us that what they wanted was a stable workforce'*.⁷⁰ The payments were focused on workers in four child protection teams and not offered to other social workers. The payments were however, only part of a wide-ranging package of measures ranging from parking allowances to hot-desking arrangements. As well as setting up an academy to improve the training and support for newly qualified social workers, the Council introduced a two-months paid sabbatical for all social workers with more than three years' service, designed to combat work burnout.

Wardell says that as a result of this package of measures the proportion of families and children working with only one or two social workers has doubled and the numbers of looked-after children declined as a result. In response to questions of the effectiveness of the payments and that staff might just pocket them and leave, she says that helped

⁶⁸ Reilly P (2004), *Pay and Location: What are the Key Issues for Employers?* IES Member Paper

⁶⁹ *The Guardian*, 15.3.16, *Golden Handcuss and Hellos: The local authority bidding war for social workers*. Available at: <https://www.theguardian.com/social-care-network/2016/mar/15/social-work-recruitment-councils-bidding-war>

⁷⁰ *Ibid.*

to inform the three-year phasing, in order to help staff build a deeper commitment to the authority and their work.⁷¹

Concerns at the risk of ‘beggar-my-neighbour’ competition on pay, through RRP and other means, led London Councils collectively to discuss a set of ideas on *‘Talent and agency management around Children’s Social Workers’* and to a proposal for a protocol at Chief Executive and functional Director level *‘to agree pay constraint measures’*. Councils in other parts of the country have also signed up to memoranda of co-operation capping the spend on agency workers, although the agreements are voluntary.

This risk more widely in a rapidly tightening labour market, alongside other risks such as increasing the scope for discriminatory pay treatment, led employers and the trade unions to discuss and agree a more detailed 18 page addendum to the NJC terms and conditions in the form of a technical note on market supplements published in January 2016.⁷²

The note recognises that *‘financial pressures and pay restraint’* had increased recruitment and retention issues, meaning that paying a market *supplement ‘may be necessary’*. The note:

- Sets out guiding principles for their use, including the need for a formal policy (to ensure consistency in application); only using them where it can be shown the staffing issues cannot be resolved by the use of the standard job evaluation and grading processes; and with due attention to fairness and transparency.
- Describes how to assess relevant criteria in order to determine the usage of supplements and minimise the risk of any resulting equal pay claims – through using quality market data for example.
- Gives practical guidance on determining and managing them – size, duration etc., although the note also recognises variations in practice as well as usage, such as whether supplements are included as part of gross pay in calculations for sick pay, holiday pay etc.

5.2 Stakeholder Interview Findings

There was a high level of agreement between our stakeholder interviewees in employers and trade union organisations as to the impact and position of market pay

⁷¹ See <http://www.communitycare.co.uk/2017/02/23/15k-bonuses-sabbaticals-culture-change-council-fixing-social-worker-retention-crisis/>

⁷² *Local Government Services Job Evaluation Scheme: Technical Note No. 15: Market supplements* (2016). Available at: [http://www.emcouncils.gov.uk/write/Tech_Note_15_Market_Supplements_Jan16_\(003\).pdf](http://www.emcouncils.gov.uk/write/Tech_Note_15_Market_Supplements_Jan16_(003).pdf)

supplements for social workers. Their comments and the supporting papers they provided helped to reinforce the long-running, wide-ranging and intractable nature of the challenges, and also an interesting contrast in perspectives.

The Role of Pay

The interviewees pointed to the series of government and policy investigations and enquiries over the past decade into social work –the Munro Review (2011); *the Social Work Task Final Report* (2009); *Skills for Care’s Recruitment and Retention Strategies for the Adult Social Care Workforce* (2011-2014 and 2014 -17); House of Commons Education committee Inquiry into Social Work Reform (2017) and a variety of think-tank reports such as Policy Exchange’s *Reforming Social Work* (2013)–which all heavily focus their recommendations on the skills and careers agenda and addressing the high workloads of social workers.

For the Common’s Education Committee ‘*existing career pathways are confusing... a national career development framework is urgently required*’,⁷³ repeating the recommendations of the Social Work Task Force eight years earlier for a ‘*single and nationally recognised career structure*’ alongside better initial training.⁷⁴ Policy Exchange favours ‘*more diverse career routes*’ and ‘*fast-tracked social work education*’.⁷⁵ Similarly most recommend ‘*improved working conditions*’ (Commons’ Education Select Committee)⁷⁶ covering realistic caseloads and better supervision and support, while improved workforce planning and addressing the poor image of social work also feature heavily.

Although progressing a career is usually associated with progressing pay, there is perhaps surprisingly little comment in these reports on any aspect of pay, including market supplements. General comments such as ensuring ‘*that social workers are paid fairly, in line with their skills*’ (Social Care Taskforce) are typically the limit of any recommendations.

Individual council enquiries and actions generally support this emphasis, although often seem to comment more fully on pay. A report on Manchester Council’s social work strategy to address ‘*stubbornly high*’ staff turnover for example, found typical caseloads of up to double the target of 25 per person, but also noted that social workers showed

⁷³ House of Commons Education Committee (2016), *Social Work Reform, Third Report of Session 2016-17*. Available at: <https://publications.parliament.uk/pa/cm201617/cmselect/cmeduc/201/201.pdf>

⁷⁴ Social Work Taskforce (2009), *Building a Safe, Confident Future*.

⁷⁵ Holmes E, Miscampbell G, Robin B (2013), *Reforming Social Work, Improving social worker recruitment, training and retention*, Policy Exchange. Available at: <https://policyexchange.org.uk/wp-content/uploads/2016/09/reforming-social-work-1.pdf>

⁷⁶ House of Commons Education Committee (2016), *Social Work Reform, Third Report of Session 2016-17*. Available at: <https://publications.parliament.uk/pa/cm201617/cmselect/cmeduc/201/201.pdf>

lower levels of satisfaction with their pay (17 per cent) than any other group of workers (Community Care, 2014⁷⁷).

An interesting exception is research which the Trade Unions on the Local government NJC carried out with IDS, reported in September 2011⁷⁸. This found that:

- There was surprisingly little variation across the country in experienced social worker pay, with most graded at the same grade *'suggesting that career progression arrangements are not functioning effectively'*.
- However the recruitment pressures were evident in *'significant variation in new starter pay'* around the country.
- Entry level rates for social workers were found to be above comparable professions such as teachers and healthcare workers. However, their rate of promotion and progression saw them fall behind by senior professional level, with very few social workers actually graded/paid at that level, compared to over half of teachers for example.
- Average gross earnings in London and the South East were c10 per cent higher than in the rest of the country.
- Additions such as market supplements to base pay averaging 5 per cent, which was similar to that reported for other occupations.

Rationale/Drivers of the Problems

A whole range of issues explain the shortage of social workers according to our interviewees, with long-standing problems particularly in London of declining student numbers, excessive workloads and poor image worsened by Austerity and the on-going impact of the continuing one per cent cap on pay awards. According to *the Guardian's* survey of social workers, 92 per cent feel undervalued by the media, and just 3 per cent valued by government.

Pay in local government has become increasingly uncompetitive they felt, even in comparison with the public sector and especially for social workers, given the skills needed, their workloads, levels of responsibilities, etc.

They all felt that pay is only one element in the social worker crisis and arguably not the most important. But the relative decline in pay levels is a major concern and needs to be 'fixed' as part of more wide-ranging actions and solutions. While the emphasis needed

⁷⁷ Community Care (2014), *Councils struggling to retain social workers'*. Available at: <http://www.communitycare.co.uk/2014/01/30/councils-struggling-retain-social-workers-face-high-caseloads-competition-pay/>

⁷⁸ Unpublished client material.

to be on getting base pay and pay progression 'right', all also accepted that there are recruitment and retention 'hotspots', particularly in London. This has driven the use of market supplements, although both the variations even in London in supply and the pressures to introduce more of them meant that they needed to be effectively managed and monitored.

However, interviewees also pointed to signs that the proverbial corner may have been turned and there are signs that the labour market and recruitment and retention is now improving, with more younger people coming into the profession for example, and numbers wanting to leave declining (The Guardian, 2017)⁷⁹

Supplements and their Operation

Generally interviewees felt that supplements had until now been generally justified and controlled, with the now more detailed NJC guidance to help ensure this continues and risks with their use such as poaching and unequal pay avoided.

The voluntary non-poaching agreement between councils for social workers was felt to have contributed, even though it was never written down or monitored. The memorandum of understanding agreed by councils on agency workers covering children's social workers (although some have included adult workers too) was leading to a clear shift back to permanent rather than agency staffing, which was regarded positively. IR35 also meant we are seeing this marked shift back from temporary to permanent staffing.

Unison felt however, that now there were significant risks of supplements multiplying and hence the 2016 NJC technical guidance. Their records from job advertisements point to more RRPs, golden hellos and retainers and mobility/relocation payments for social workers in various councils.

They were described as a necessary flexibility/'evil', not a long-term solution, but a short-term 'fix' to recruit in situations of severe shortage. They were never going to be a replacement for effective workforce planning and development, with interviewees also pointing out how short-termist and potentially damaging recruiting overseas could be, which some London councils are currently engaged in.

A joint management/union taskforce had also agreed to do national social worker profiles to support effective grading of social worker roles. Some felt that the skills and value of some in-demand roles, in social work, IT and finance, for example had often been under-estimated and graded too low by council job evaluation committees.

⁷⁹ *The Guardian* (2017), *Social Lives Social Workers Survey*. Available at:

<https://www.theguardian.com/society/2017/mar/28/social-workers-hopeful-leave-profession>

Wider Strategies and Methods

Again, there was complete agreement amongst the interviewees that as the Social Work Taskforce put it, a *'comprehensive, co-ordinated, wide-ranging, ambitious reform'* programme (p6) to address all aspects of the supply, recruitment, development, support and retention of social workers is required, *'co-ordinated long-term strategies to address supply and retention issues'* as one interviewee expressed it.

Workforce planning to ensure the supply is there and work-life balance to ensure it is retained were strongly emphasised in our discussions, with 6,000 qualified social workers not currently working in the profession. The latter has come out of social workers surveys as a key issue and the LGA is now working with Timewise to develop a truly flexible social work model. Interviewees felt that councils were generally good on flexitime but not on true flexible working. All roles should be open to flexible working, and more traditional views need to be challenged.

We also discussed career development and moving across the sector to more of a *'climbing frame career model'*. There needed to be more emphasis on *'growing more of your own'* using apprenticeships and linking social work and social care work more effectively, as well as greater movement and career progression across councils:

'A model assuming you can chain someone to one job or employer is outdated: if people want to move and progress we need to support and enable that, we want to keep them in the occupation and the sector.'

Management was also a big issue: social workers were felt to be often weak at managing other social workers, and better at helping others than their own staff. There was need for more flexibility in staffing management, and much better management development. Only 1 in 6 social workers currently want to go into management roles.

Finally we also discussed in our interviews the image of the profession – the Department of Health will shortly be launching a national campaign to promote social work: *'we need to fundamentally shift the image of how social work is regarded – in schools, the media, parliament and so on'*.

So rather than pay supplements, *the 'solution is to offer really good working conditions, flexible working, good management, a learning culture, and making social workers feel recognised and valued'*. The employer standards for social workers developed by the LGA with trade unions were seen as positive and have been adopted now by c 90 per cent of councils, but there was recognition that their delivery in practice in the current economic climate is hard.

- *'Pay is not the main issue – workloads, administration, lack of supervision, support and recognition, the blame culture, stress, these all contribute to the problem. Most of all, we need to provide opportunities for people to grow and develop.'*

- *'Agency workers is another problematic response – a short term 'crisis' solution, when good social work needs to be long-term in orientation, with stable staff who can get to know the area and people.'*

Effectiveness

- *'We all know they don't work.'*
- *'What works for some doesn't work for others and therein lies the problem – that's how you can get a situation like the North London price war.'*
- *'Short-termist at best: look for other means of addressing in medium to long term.'*

Interviewees felt that market supplements and similar financial payments were at best a short-term response to staff shortages. Other measures were required to achieve a more sustainable solution and all agreed that price competition between neighbouring authorities was a bad outcome for all concerned. Hence the need for more detailed guidance on supplements' use. Unison felt that different pay structures and rates for social workers between London authorities presented similar risks.

As mentioned, interviewees were cautiously optimistic that the social workers staffing situation was starting to improve, quoting data from *the Guardian* social work survey, that 84 per cent felt proud to be social workers.

Summary/conclusions

Key learning points on supplements and their use made by our interviewees were as follows:

1. They should be a last/low priority solution, used only as part of wider workforce strategy to plan, recruit retain and motivate an effective social worker population.
2. That can be achieved by *'making your organisation a great place to work'*.
3. Supplements may be a minor part of this, to address specific recruitment problems in the short term.
4. They carry risks of becoming permanent and encouraging poaching between authorities. Therefore when considered and used, authorities should: Build an evidence base and case using labour market/shortage/turnover statistics; ensure that social worker jobs are fully understood and graded correctly; they should be time-limited and regularly reviewed; and the equality impact should be assessed.

5.3 Case Study Findings

5.3.1 Havering and Newham Councils' Social Worker RRP

Context

The London Borough of Havering is in north east London, bordering Essex to the north and east, and the neighbouring boroughs of Redbridge and Barking & Dagenham to the west. The London Borough of Newham is in east London, about five miles east of the City of London.

Reflective of the national shortage of experienced social workers, the London Borough Councils of Havering and Newham pay market supplements to social workers in efforts to fulfil increasing demands for the role. Havering Council have approximately 73 FTE established posts for qualified social worker positions (up to Team Manager level) in Adults Services, and 149 FTE established posts in Children Services. Newham Council have established posts for 167 FTE social workers (up to Team Manager) in Children's Services; and 143 FTE established posts for social workers (up to Team Manager) in Adult Services. The demographics of the two boroughs place different demands on the social care workforces within each council; with an ageing population in Havering focusing demand on Adult Social Care alongside a rising child population. Newham also has one of the highest child poverty rates in London, placing increasing demands on Children's Services. To address recruitment challenges, Havering Children's services launched Face-to-Face in 2016⁸⁰, with a brand objective to reposition the service within the highly competitive social care marketplace.

Whilst challenges exist for both councils around retention of social workers, the most acute issue is the attraction of experienced qualified social workers to both boroughs. Within the Adult Social Care workforce, there are particular challenges recruiting experienced staff to work in Supporting Care, Hospital Social Work teams, together with Best Interest Assessors (BIA) and Approved Mental Health Professionals (AMHP). For the latter group, there are also acute difficulties in encouraging existing social workers to become an AMHP, due to its specific professional training requirements.

⁸⁰ Social Workers are offered a role where they spend increased time working directly with families and children. Face to face incorporates systemic practice and equipping social workers with the most innovative tools to deliver direct interventions with children and families. A new fully integrated business support team facilitates the same working model, offering streamlined business processes to support frontline work.

For example, in 10 years Newham has recruited fewer than 12 AMHPs and over the last two years, five new social workers have been attracted but only one of these was an AMHP.

Following the Supreme Court decision in March 2014, at a national level, the ruling substantially increased the number of people who required assessment by a trained BIA, to undertake the suite of assessments required to determine whether a Deprivation of Liberty Safeguards (Dols) authorisation is required.

In Havering, partnership arrangements exist with the North East London Foundation Trust (NELFT) to provide integrated mental health services, which has to some degree reduced the recruitment pressure for AMHPs and BIA within the borough. However, the Council is still working towards increasing their qualified social workers pool to become trained BIAs.

In Children's Services across both councils, roles in the *Front Door Teams* are some of the hardest roles to fill.

Following IR35 reform, many social workers operating through their own limited company signed up with agencies where the earning potential is higher than as a permanent council employee, even with the recruitment and retention payment and other employment benefits offered. Despite efforts by both Councils to recruit permanent social work staff in Children's Services, (22 qualified social workers across adults and children were recently employed directly following IR35 implementation), many experienced agency social workers in Children's Services have remained with the agency and/or signed up with an umbrella company, rather than seek permanent employment with the local authority as the pay is still higher. However, a memorandum of cooperation on children's agency social workers pay has been signed by most London boroughs which imposes pay caps on agency social workers to address the key workforce issues affecting Children's Services. No detailed analysis has yet been done on the impact of this collaboration.

The location of the two councils is also considered to partly contribute to their recruitment and retention issues. For example, Newham applies the outer London borough weighting, whereas its neighbouring authorities – Hackney and Tower Hamlets- operate with the more competitive, inner London weighting. Despite good transport links to Newham Council's Dockside, the location is not considered readily accessible due to restricted parking facilities. The Council have had to purchase business permits for permanent staff. Similarly, Havering has an outer London location paying outer London weighting with the additional perception that significant travel is required for those living outside of the borough. It is about 30 minutes from Liverpool Street to Romford Station and 17 minutes from Stratford to Romford.

Design and Application of the Supplement

In Newham, all social workers up to the level of Team Manager, receive a recruitment and retention payment worth £3,000pa, paid monthly and pensionable; and AMHPs receive an additional £1,500 on top of this supplement [totalling £4,500].

The market supplement has been in place for over ten years but the level has been adjusted. Prior to 2009, the supplement was £1,500 for all social workers across Adult Social Care and £3,000 in Children's Services. In 2013, the RRP for all social workers was enhanced to £3,000. This uplift was made to bring the payment in line with the level of supplement received by social workers in Children's Services in Newham.

In 2011-2012, following a redesign of the social care pathway and the introduction of the Social Care Officer role, a number of Social Workers in Adult Social Care in Newham were made redundant. At the same time the Council reviewed the terms and conditions of all staff and took the decision to remove the market supplement of £1,500 for social workers in Adults Assessment and Care Management as there was no longer a need to continue the payment. Those in receipt were given notice of its removal. However, it was reintroduced 18 months later due to changes in service needs, together with an increase in the expectations of social workers and difficulties in recruiting Assessment and Care Management social workers in specific areas. It was re-introduced at the higher level of £3,000 for all in order to bring consistency across the social care workforce.

Within Newham, an RRP is paid for all Children's social workers. In 2008/9, the RRP was £1,500pa for fostering, adoption, and leaving care teams, with the exception of the Front Door Team, where the RRP was set at a higher level of £3,000pa, due to the demands of the role. In 2012-13, it was decided to uplift the RRP to the higher level [£3,000] for all social workers in Children's Services due to the challenging cases occurring across all of the Service.

The original RRP offer in Havering was £2,000 per annum paid over 12 months. In June 2014 the market Supplement was withdrawn and those in receipt of the £2,000 received confirmation that the payment would continue for three years with a light touch review each year. However, the withdrawal of the market supplement for new recruits appointed after June 2014 created a divide between the lowest and highest paid social workers.

A benchmarking study in November 2015 and March 2016 showed that Havering social workers average base pay was comparable to other similar authorities. However, other authorities offered on average an additional £5,000 in monetary benefits.

In March 2016, there was a high level of agency social workers in Havering which was not dis-similar to other outer borough councils in London. Part of this benchmarking work was to develop a holistic recruitment and retention strategy. This focused on the development of an in-house recruitment programme to reduce the number of agency workers and increase the permanent workforce. In September 2016, the business

case was approved to increase the market supplement payment from £2,000 to £4,000. In conjunction with the additional payment, Children's Services launched the Face-to-Face programme, mobile working, systemic training, and an internal change campaign to develop an engaged workforce. This holistic approach resulted in a significant increase in permanent staff, decrease in leavers and a high influx in staff applying for posts leading up to IR35.

Havering does not offer the RRP to newly qualified social workers in the ASYE programme [Assessed and Supported Year of Employment], however, it is awarded following successful completion of the programme.

In Newham this group do receive the payment to provide consistency in application, despite the borough having no recruitment difficulties among newly qualified social workers.

Within the newly qualified group, retention is the biggest challenge. Accredited systemic practice training is offered to all newly qualified social workers (in Newham this is offered to ASYE's once they have completed one year), in addition to social workers, managers and support staff (in Havering), in an effort to retain them following ASYE.

The Director of the Service makes the decision to recommend the RRP; with the actual amount of the RRP guided by benchmarking data. Benchmarking and comparisons of other authorities' offers are conducted to guide a recommendation. Such data is chiefly obtained through job advertisements on council websites. The latest market analysis included neighbouring boroughs and beyond such as: Westminster; Kensington and Chelsea; Redbridge; Hackney; Hillingdon; Barking and Dagenham; and Thurrock.

In Havering, the process of agreement for the RRP requires a business case submission to be approved by the senior leadership team in April each year. The Director of the Service has to develop the business case and coordinate the benchmarking data, which HR will review and support. The RRP is approved for a period of one year but it has never been completely removed in Havering.

In Newham, the business case for the RRP is approved by Directors, HR and the Resourcing Panel, which is chaired by the Deputy Director of HR, the Chief Operating Officer and the Finance Director. They give final agreement to approve any continuance or increase in payments. It is written into the pay and grading policy that supplements must be reviewed annually. A template is provided to ensure that all the relevant elements of a proper business case are included, such as: the specific roles the RRP would apply to; benchmarking data; context around service or legislation change; factors relating to on-going recruitment difficulties and other measures implemented to address these; cost of agency workers; equality data concerning the profile of the staff group; and the impact if unable to recruit, particularly around safeguarding. The RRP is then funded through the Service budget, although historically, in Newham Children's Services, a Growth Bid has been applied for and granted to finance the RRP.

Historically, it has been accepted within the wider council workforces that social workers will receive the RRP. High profile cases such as Baby P and Brandon Muir have highlighted the degree of challenge and risk that is associated with the role and it is acknowledged and accepted that social workers expect to be compensated for this risk.

Wider HR and Employment Measures

Wider recruitment and retention efforts, outside of the market supplement, have been made, for example, Havering offers all permanent social care staff accredited systemic training, clinical support, a clear career progression path and opportunities for increased personal development through innovative training; subsidised onsite parking; local business discounts; and a £7,000 relocation package.

Newham offer a clear progression path, systemic training with up to a £7,000 relocation package [with international recruitment also attempted in Canada and Romania with limited success – recruiting half the numbers desired]. In Newham and Havering, all social workers, including ASYE, in Children's and Adult Services also receive annual double increments up to the experienced Social Worker level [beyond which single incremental steps are applied]. Newham also offers a shared equity housing scheme to social workers and partners with a Housing Association to provide housing in the borough at affordable rates to social workers. However, the payment of the market supplement is still considered necessary for both boroughs to remain in line with the salaries offered by competing authorities.

Both councils also offer Oyster card (for business use only) and season ticket loans to social workers as part of their employment package. For example, Newham's season ticket loan is a maximum of £1,500 or a sum equal to 10 per cent of employee salary.

Career development is an area of major focus within both councils. Havering is about to launch a Social Care Academy to improve recruitment and retention by offering on-going training to social workers at all stages of their career.

Effectiveness

The RRP is now regarded as 'part and parcel' of the social worker salary in London. Both authorities have to continually remain competitive with other boroughs and there is an expectation among social workers that the RRP will be paid. However, recruitment and retention issues persist because of the chronic shortage of individuals entering or remaining in the profession.

In Newham, Children's Services conducted exit interviews over a three-year evaluation period up to and including 2015-2016. The sample was small but it reviewed reasons for leaving and views on pay and benefits etc. In 2015-2016; pay and conditions were a significant factor for many leavers, with 52 per cent of leavers citing better pay. This had increased from 46 per cent in 2014-15 and 33 per cent in 2013-14.

Limited exit interviews have taken place in Havering. However, before IR35 the primary reasons for social workers leaving permanent appointments to move to agency work were; the higher wages, the freedom of being able to leave and start roles without lengthy notice periods, and the tax breaks that came with setting themselves up as a limited company. There is also no agreement or control around the use of market supplements between the neighbouring authorities and beyond, so there is a risk that each authority could be driving up pay. This is why the yearly market analysis is considered important to review the status quo.

Havering Children's services no longer contracts external recruitment agencies to source permanent social care staff. By implementing an in-house recruitment programme, the service was able to develop a new brand offer, highlighting an innovative organisation. Recruitment campaigns then launched at strategic times during 2016/2017.

Summary/conclusions

Learning points include:

- An RRP is not the only factor that recruits and retains a social worker. Consideration needs to be given to the wider package such as available line manager support and support from the senior management team and an organised and well-structured social work department.
- Market analysis and benchmarking should only be treated as a guide as a degree of caution is needed around the robustness of the data available. The context of supplements or other payments or benefits are often not captured in data collection which can mislead decision-making. Manager's views of what should be paid needs to be evidenced in the market.
- When implementing an RRP or adjusting its value, affordability needs to be considered alongside choice over where to make the investment, for example, would a higher RRP or greater investment in how to record casework deliver the best return? Strong internal and external evidence is needed to support the payment and provide a convincing business case.

6 Summary, Conclusions and Implications

'A sticking plaster that doesn't stick.'

'An action of last resort.'

'A sticking plaster over a wound.'

'A short-term fix.'

'Like overseas recruitment, a short-term solution that just creates bigger problems.'

'We need to create opportunities for people to grow and develop in the long-term.'

'Better than fiddling grading.'

'What works for some doesn't work for others.'

Having in earlier sections of this report presented our findings and the initial implications drawn from each occupation and situation, in this final section we draw out the overall implications from the research for our study aims and questions and for policy makers and employers.

6.1 The Research Questions Answered

The aims of this research were to assess the effectiveness of market pay supplements and recruitment and retention premia and payments, as well as to better understand how the processes of their management and use can impact on effectiveness.

Perhaps not surprisingly, the answer to the first question is a contingent one: it depends. Such payments are neither universally successful nor unsuccessful, good value for money nor a poor return on their cost. The situations and settings and the aims and nature of these payments vary enormously across the populations we have studied. Yet the conclusions drawn as to what is likely to make them more or less effective are perhaps surprisingly consistent. We would draw out the following factors as supporting the use and effective use of such payments, both at the national policy and PRB levels and at the local employer level:

- Severe, generally long-established and evident skill shortages and recruitment and/or retention issues, were present in all of our supplements studied.

- National pay structures with limited ability to reflect market differences in base pay. Where pay structures have high flexibility to reflect occupational and market variations in base pay then the use of supplements potentially becomes a questionable duplication.
- Wide-ranging actions across the HR and employment field to address the defined staffing issues, typically encompassing workforce planning, career management, recruitment and training and development, in order to boost the supply of staff; as well as actions across the 'total rewards' sphere designed to make the employer more attractive in a recruitment setting and more effective in retention thereafter. Supplements it appears can be an effective component of these wider strategies in the appropriate circumstances.
- Employee representation and involvement in the development and operation of pay policies, building understanding, support and trust in the fairness of having the supplement in the first place and then operating it consistently in practice.
- Employer co-operation in ensuring that 'tit-for-tat' escalation in supplements and costs does not occur.
- Clear definitions of the aims of the payment and the population which it is targeted at. Payments, as shown also in academic research, seem to have had more impact where the objective is very specific, for example to serve out a contract term in the Armed Forces, or to re-enlist. General, broadly-based, payments that persist over many years seem to have no or very limited impact.
- Detailed and well drafted procedures and controls to ensure that employers and their managers operate the supplements in the manner intended.
- Regular monitoring and review of the supplement's operation and the situation which led to and justified its development and usage— labour market shortages, turnover rates etc.

While there is some support in research for the contention that larger incentive payments can have more impact, here we also have highlighted a number of key trade-offs and balances in the use of these market supplements: judging the appropriate balance in each situation appears to be a key factor underpinning success.

Some of the key judgements required appear to be in the following areas:

- Between defining the population eligibility narrowly and specifically to target payments, which seems more liable to have the desired impact on recruitment and retention, and limits the overall costs of any payment; and defining it sufficiently broadly to ensure that the mix of payments does not become too complex to administer and starts to impact on the necessary flexibility of staffing between and across areas with different supplements, or supplement and no supplement groups.

- A larger and broader population covered tends also to make the employee relations implications of usage easier but design and funding harder. There are rational and emotional aspects to the use of supplements and both 'sides' of their use needs to be managed and dealt with.
- Between making any payments large enough to impact on the behaviour of those it is targeted at, but not too large to distort the overall pay structure and reward package for the occupation targeted and in relation to the other roles working alongside them.
- Between pay and non-pay actions to address shortages and between permanent and temporary staffing solutions. Hiring contract and agency workers has clearly become an alternative strategy to paying full time staff more through supplements, although this too can carry risks such as bidding up the price of agency staff, as we have seen occurring, for example, with social workers and hence the agreements between neighbouring councils and NHS trusts.

6.2 Implications and Learning for Policy Makers and Employers

Some of the key practical implications of our findings, particularly based on the experiences and advice of our case study employers, are listed below.

- Recruitment and retention problems are not the same. A small-ish RRP might work to attract, but may not be sufficient to retain. Generally there is a need for differentiated measures within an overall HR and reward strategy to address these two different issues.
- Get to the root of any retention problems: it may be nothing to do with money and more to do with non-pay matters (eg working time flexibility in nursing). Similarly, the supply problem might be out of your hands. We also were struck by how local and varied labour markets are.
- Similarly, distinguish between difficulties which are caused by a shortage of supply and those caused by an inability to attract a fair share of recruits. And is the latter due to your recruitment processes or your offer to the market? There generally needs to be, we have found, a much wider employment and HR strategy addressing supply issues combining reward (typically with financial and non-financial components), resourcing and capability building elements.
- A recruitment based RRP has to be combined with active management of the recruitment process; and similarly, a retention based RRP has to look at all areas of discontent, not just financial.

- Funding RRP may be more possible than one thinks if the costs of overtime, agency staffing etc. are taken into account along with (in ward situations) the cost of unoccupied beds.
- Organisations can be selective in the granting of RRP even with occupational groups if the rationale for their use is clear and well communicated to all concerned.
- An exclusive selection of RRP recipients allows more focus on the core problem and more money to be offered; whereas an inclusive approach, broadening the range of recipients, makes employee relations management easier, but less targeting is likely to result in smaller payments being made and other solutions more generic.
- Have very explicit and transparent criteria in selecting RRP; establish a rigorous approval process (with formal business case) and governance arrangement to confirm future deployment.
- It is better to have an explicit RRP than 'fiddling grading'. Other options such as appointing above the scale minimum may be manageable (if internal relativities are properly considered and managers properly trained and controlled), but other solutions, such as persuading staff to opt out of pension scheme, can be even more contentious.
- Communication with nearby organisations in your sector is essential and may not impact the organisation's choices as feared, as your staffing demands (eg speciality requirements) may be different to others.
- Investigate the use of collaboration, as an alternative to RRP, where the organisations can work together to move staff around for developmental purposes. (eg The Capital Nursing Programme⁸¹)
- Understand your local labour market including travel to work areas to see a) where there are gaps in your hiring and/or b) overlaps with other organisations' recruitment pool. Different improvement actions will flow from such an analysis, and may alter your views on the necessity of an RRP or not.
- Be clear that RRP is role not person-related and is lost on individual transfer.
- It is especially important that employee representatives are involved in the design of any RRP scheme and understand both the logic for and the practicalities.
- Anticipate that the response to any proposed payments is likely to be both emotional and rational and you must be able to handle both areas and sets of demands.

⁸¹ <https://www.healthylondon.org/workforce/capital-nurse>

In conclusion and perhaps surprisingly, despite the widespread existence of skill shortages and many UK employers experiencing recruitment and retention issues, we have not seen significant growth in the use of supplements as a 'knee-jerk response' to the tightening labour market. Employers and policy makers have perhaps learned the lessons of the past and the risks of these payments, and so mitigated these by being highly selective in their introduction and usage and also well controlled and managed in their practical application.

Funding issues have also played a part and so we have generally found in this research detailed control processes operating, requiring comprehensive evidence to justify a supplement and with annual renewal.

Used selectively and with strong targeting, there is evidence of some positive impact from using supplements, particularly in lump sum form. This is more likely and likely to be enhanced where the following factors are evident:

- very clear criteria and goals of usage, and close monitoring and review;
- tight targeting on specific groups with effective guidelines on usage;
- good availability of external market and internal HR data;
- HR, line and staff involvement in the development and operation of the supplement;
- co-operation with other employers locally.

Appendix: Research Tools Used

- Stakeholder interview guide
- Case study research guide
- Case study write up guide
- Literature review and labour market information protocol

Stakeholder Interview Guide

- Purpose of the stakeholder interviews:
 - To obtain policy level perspective on the reasons for, operation and effectiveness of the supplement ;
 - To place in the context of any wider strategy to address labour market/recruitment and retention issues.
- c3-4 interviews per supplement, with policy level people: review bodies, government, employer associations, (trade unions?). suggested bodies/individuals contained in our main methodology report
- Interview contents/questions as follows:

Discussion Area/Questions	Comments (IES to complete)
Introduction Study aims and outputs Interview contents Confidentiality	
Rationale Why was this supplement introduced? What is the history, have other similar supplements or other rec/retention incentives and initiatives been used before? What was/is the labour market and rec/retention situation for this group of workers eg shortages? What are the main drivers of these issues and how significant was/is pay level as a contributor? What other factors are important eg recruitment methods, organisation brand, financial package, nature of job/work etc. Do you see your issue more as one of attraction, or retention, or were both equally important? In your view was there clear and sufficient justification for the payment? Was there a clear aim for the supplement, was it set up as a temporary/withdrawable payment?	
The Supplement and its Operation Please describe the process of how the supplement was developed and agreed, who was involved, how long it took, who made the decisions, etc. How clearly defined was the supplement and the population it has been applied to?	

Discussion Area/Questions	Comments (IES to complete)
<p>Is the financial size of it appropriate? How is it funded, who pays? Has the take up been in line with what you expected from employers? How has it impacted on base pay competitiveness? What support/encouragement has been in place to support employers using the supplement? What controls are applied to its operation? Have you been satisfied with the governance arrangements?</p>	
<p>Other methods used in parallel to address recruitment/ retention issues Was the supplement introduced as part of a wider strategy to address rec/retention issues? Have you tried other approaches to improving rec/retention before turning to supplements? Or were they used in combination? Have there been other financial incentives/rewards in place? What is the employment philosophy, wider HR/ engagement strategy and Total reward approach for this group of staff? Have parallel initiatives been taking place on careers and talent management eg promotions, training and development provided etc? Has action been taken to address environmental and work factors eg workload, pressure/stress' autonomy, communications, management style and culture, job and organisation design etc? In your view, how important has the supplement been relative to any other measures in addressing rec/retention issues?</p>	
<p>Effectiveness Frequency/scale and location of use Any evaluation of impact carried out Success/evaluation measures used Any data on use, success/failure The future: operation and impact</p>	
<p>Summary/conclusions Summarise main points made, draw out implications Has it worked? Why have some employers used it and some not? Should more/less employers have used it? Knowing what you know now, would you have introduced the supplement in this way now and repeated what you did? In general are these supplements in your view effective, a sticking plaster at best, or useless? What factors/situations influence their success Are they a good use of public money, how might that money be better spent/invested? 2-3 key learning points for others 2/3 key do's/don'ts when considering/using pay supplements. Best and worst thing about the supplement in question</p>	

Discussion Area/Questions

Comments (IES to complete)

Next steps
Thanks

- Stakeholders will be promised a copy of the final report.

Case Study Research Guide

This research is examining the use and effectiveness of market pay supplements. It **aims** to develop a better understanding of why they are or are not used and in what situations they may be more or less effective, as well as the processes around their introduction and operation.

The research has been designed to combine and contrast a 'macro' national and policy perspective with a 'micro' employer and practical experience perspective. The local component will involve spending one day in two case study employers in connection with each of the three pay supplements being investigated.

Each case study will involve a one-day onsite visit by a senior IES researcher. During this research day, we would want to:

- explore a range of different perspectives on the supplement, the part the various actors have played in connection with it;
- how it has been used/not used; and
- the lessons which they would draw out from their experiences regarding pay supplements and addressing the wider labour market/recruitment and retention issues that the supplement was designed to help address.

Prior to the visit IES will:

- send a briefing note to the lead contact;
- send details of the types of information we would like to gather;
- request that we can publish the research findings.

The research day will involve scheduling up to four meetings during the day and gather a range of relevant information.

The following are essential:

- meeting with the director/department head responsible for authorising the supplement;
- meeting with the HR Manager responsible for pay and the wider resourcing/retention strategy and approach.

Ideally, we would like to include a meeting with a sample of employee receiving the supplement and/or their trade union rep.

The outline agenda is as follows (the specific focus items will vary according to each case and interviewee):

- your local labour market and policy context;
- the rationale for and introduction of the supplement;
- the operation and experience with the supplement;
- the effects and effectiveness of it;
- conclusions and learning points.

More detailed questions and supporting information to gather is as follows (this can be sent to the case study organisation in advance if helpful):

Discussion Area/Questions	Supporting Information/Data
Introduction Study aims and outputs Interview contents Confidentiality	
Rationale What was/is the labour market and rec/retention situation for this group of workers locally eg shortages, competitors? What are the main drivers of these issues and how significant was/is pay level as a contributor? What other factors are important eg recruitment methods, organisation brand, financial package, nature of job/work etc How did you find about the supplement/ability to pay more for this group of workers? Why would you say the supplement was introduced? What is the history, have you used other similar supplements or other rec/retention incentives and initiatives before? Do you use them for other groups of staff? Was there a clear aim/objective for the supplement?	Organisation size and staff numbers Number of staff in question, eligible and receiving it Attrition data for the employer and this group of staff Recruitment data eg acceptances rates, vacancy duration Any exit interview information Any leavers' destination information Any local labour market studies Any engagement survey information eg attitudes to pay levels by occupation
The Supplement and its Operation Please describe the process of how the supplement was developed and agreed, who was involved, how long it took, who made the decisions, etc How clearly defined was the supplement and the population it has been applied to? Do you apply to all in that occupation or selectively? If selectively, how are the posts/people receiving it decided and agreed on? Is the financial size of it appropriate do you think?	Written policies on the supplement and its use

Discussion Area/Questions	Supporting Information/Data
<p>How is it funded, who pays, how much has it cost? How has it impacted on base pay competitiveness? What support/encouragement has been in place to support employers using the supplement and what controls are applied to its operation? How far do you co-ordinate the supplement with other pay and reward initiatives eg base pay policy, supplements for other groups of staff etc Was it set up as a temporary/ withdrawable payment? Can you see it ever being withdrawn? How easy will it be to withdraw if circumstances change Do you think supplements are justified/ needed for other groups of staff as well? How is it perceived by other groups of staff, do they know about its use? Are other employers locally using it? Is there a risk that you might all just drive up each other's costs? What controls are applied to its operation? How well has the governance worked?</p>	<p>Written policies Reward strategy and policies Pay structures Any pay competitiveness research Any other retention devices eg contractual Resourcing policies Talent management policies Defined values and culture/employer brand</p>
<p>Other methods used in parallel to address recruitment/ retention issues Was the supplement introduced as part of a wider reward strategy/ strategy to address rec/retention issues? Have you tried other rec-ret approaches before turning to supplements? Or were they used in combination? Have there been other financial incentives/rewards in place? What is the employment philosophy, wider HR/ engagement strategy and Total reward approach in your organisation and for this group of staff? Have parallel initiatives been taking place on careers and talent management eg promotions, training and development provided etc? Has action been taken to address environmental and work factors eg workload, pressure/stress' autonomy, communications, management style and culture, job and organisation design etc? In your view, how important has the supplement been relative to any other measures in addressing rec/retention issues?</p>	<p>Any data on: Costs of supplements Impact on turnover and savings Relevant human capital metrics</p>
<p>Effectiveness Frequency/scale and location of use Any evaluation of impact carried out Success/evaluation measures used Any data on use, success/failure The future: operation and impact</p>	

Discussion Area/Questions

Supporting Information/Data

Summary/conclusions

Summarise main points made, draw out implications

Has it worked?

Why have some employers used it and some not? Should more/less employers have used it?

Knowing what you know now, would you have introduced the supplement in this way now and repeated what you did?

In general are these supplements in your view effective, a sticking plaster at best, or useless?

What factors/situations influence their success Are they a good use of public money, how might that money be better spent/invested?

2-3 key learning points for others

2/3 key do's/don'ts when considering/using pay supplements.

Best and worst thing about the supplement in question

Next steps

Thanks

Following each case study visit

- We will write up drafts of individual case studies and send them to you for approval.
- We will produce a final report with all the case studies and common learning drawn out.

Case Study Write Up Guide

- c2500 word write ups, drafted by IES, agreed by participant.

Discussion Area/Questions	Length
Introduction/context	250 words
Rationale: Labour Market/Staffing situation Recruitment and retention issues	250 words
The Supplement, how it has been used/applied and any issues	750 words
Wider HR/employment measures to address rec/retention situation	500 words
Effectiveness Has it worked? Any evaluation of impact carried out Success measures Costs, funding and return on that Any data	250-500 words
Summary/conclusions Would they have used it knowing what they now know? What general conclusions do they draw re using supplements in future?	200 words 2-3 key learning points for others; 2/3 key do's/don'ts Best and worst thing about the supplement Key final quotation

Literature Review and Labour Market Information Protocol

	Sources/criteria/approach	Explanatory notes
Purpose		Research the use and effectiveness of pay supplements and allowances to address recruitment and retention issues
Academic literature	Business Source Premier; Emerald, Wiley, XpertHR; Sage; International Bibliography of the Social Sciences (IBSS);	Includes business and management disciplines and applied social sciences. Include general search of terms across all sources to gauge level of return.
Grey literature:	OME, CIPD, National Audit Office, World at Work, Other Professional Bodies Work Foundation, IES, NIESR, Warwick Institute for Employment Research, HR Trade publications eg. e-reward, employee benefits, Personnel Today, People Management, XpertHR, management journals (eg. Harvard Business Review) Aon Hewitt, Deloitte, PwC, Willis Towers Watson, McKinsey, Mercer, KPMG, Hay Group	
Main search terms:	“market pay supplement” (in abstract) AND Golden Hello/handshake Golden handcuff Allowance Premia/Premium Specialist pay Technical pay Retention Recruit* Effective*	

	Sources/criteria/approach	Explanatory notes
Exclusion criteria:	Non-English language Partial text Book chapters not available online due to practicalities of obtaining them in timescales Pre-dating 2007	
Inclusion criteria	Market trends Best practice. Methods and evaluation/effectiveness Examples from outside UK where relevant/useful	
Quality assessment	<i>Considerations:</i> Type of source Level of discussion/Strength of evidence Approach Type(s) of evidence provided to support conclusions Any concerns or limitations of the sample, analysis, or findings?	Grey literature, Web document Subjective judgement Quant, Qual , Literature review, Other Eg. Surveys, consultations, case studies, data analysis, primary source, secondary source

Labour Market Information: National employment and pay datasets for selected employee groups

	Sources/criteria/approach	Explanatory notes
Purpose		Identify national employment data and labour market trends (eg turnover/vacancy/workforce size etc) for the selected employee groups to provide context for the discussion
Sources	Nurses: NHS Digital: Healthcare Workforce Statistics from NHS Digital : http://content.digital.nhs.uk/catalogue/PUB23540/nhs-hlth-care-work-stat-sep-rep-2016.pdf NHS Workforce statistics/census: http://content.digital.nhs.uk/searchcatalogue?q=title%3A%22NHS+Vacancies+Survey%22&area=&size=10&sort=Relevance http://content.digital.nhs.uk/article/2021/Website-Search?q=%22nhs+workforce+statistics%3a+overview%22&infotype=13367&sort=Relevance&size=10&page=1&area=both Turnover rates England/NI – joining rate/leaving rate NHS Annual Earnings by staff group: http://content.digital.nhs.uk/article/2021/Website-Search?q=earnings&go=Go&area=both	

Sources/criteria/approach	Explanatory notes
NHS Staff survey for the measurement of morale and motivation of staff	
NHS Vacancy survey (historical)	
RCN	
Skills for Care	
The Kings Fund	
NHS Employers:	
http://www.nhsemployers.org/~media/Employers/Publications/Workforce%20Supply/NHS%20registered%20nurse%20supply%20and%20demand%20survey%20findings%20Dec%202015%20FINAL.PDF	
ONS/ASHE	
OME	
IT	
XpertHR	
NHS Employers	
ASHE/ONS	
E-skills/ The Tech Partnership	
Social workers	
Department for Education Statistics: social work workforce in all local authorities includes data from covers the:	
<ul style="list-style-type: none"> ▪ number of social workers ▪ vacancy rate of social workers ▪ number of agency workers ▪ turnover rate of social workers ▪ sickness absence of social workers 	
: https://www.gov.uk/government/statistics/childrens-social-work-workforce-2013-to-2014	
British Association of Social Workers Research and surveys: https://basw.co.uk/	
Health and Care Professions Council http://hcpc-uk.co.uk/	
Local Government Association: Workforce and HR Support: Social workers https://www.local.gov.uk/our-support/workforce-and-hr-support/social-workers	
Skills for Care: http://www.skillsforcare.org.uk/Search-Results.aspx?search_keywords=social%20worker	
The Kings Fund	
Policy Exchange: (relevant paper found) https://policyexchange.org.uk/wp-content/uploads/2016/09/reforming-social-work-1.pdf	

	Sources/criteria/approach	Explanatory notes
Main search terms:	<p>“Workforce”/“Workforce data”</p> <p>AND</p> <p>Nurses</p> <p>Social Workers</p> <p>Information technology/ICT/</p> <p>IT Industry/Sector</p> <p>Retention</p> <p>Recruit*</p> <p>Labour market</p> <p>Employment</p> <p>Market pay supplement</p> <p>Pay premia/Premium</p>	