The Royal College of Midwives

Response

Response to NHS Pay Review Body consultation on Market-Facing Remit on Pay in Local Areas

March 2012

15 Mansfield Street
London W1G 9NH
Tele: 020 7312 3535
Fax: 020 7312 3536
Email: info@rcm.org.uk

The Royal College of Midwives
15 Mansfield Street, London, W1G 9NH

The Royal College of Midwives' response to the Pay Review Body consultation on Market-Facing Remit on Pay in Local Areas.

The Royal College of Midwives (RCM) is the trade union and professional organisation that represents the vast majority of practising midwives in the UK. It is the only such organisation run by midwives for midwives. The RCM is the voice of midwifery, providing excellence in representation, professional leadership, education and influence for and on behalf of midwives. We actively support and campaign for improvements to maternity services and provide professional leadership for one of the most established clinical disciplines.

The RCM welcomes the opportunity to respond to this consultation and our answers to the consultation topics are set out below.

The Royal College of Midwives
March 2012

Introduction

The Royal College of Midwives (RCM) welcomes the opportunity to respond to the NHS Pay Review Body's consultation on market-facing remit on pay in local areas. This submission marks our commitment to national pay determination in the NHS and other parts of the public sector. As we stated in our evidence to the NHS Pay Review Body in September 2011 we are committed to nationally agreed pay, terms and conditions.

The RCM believes that the nationally determined pay system for the NHS, along with Agenda for Change, is the most transparent, fair and equitable system. Underpinning and supporting the whole system is a robust job evaluation scheme that is fundamentally based on equal pay for equal work. A move to market-facing local pay would undermine the whole structure and open the NHS up to unequal pay issues.

The RCM believes that the current UK wide system is the most efficient and cost effective way to determine pay. There are local flexibilities within the NHS Pay System that allow for adjustments for high cost areas and allows for adjustments for local areas to deal with particular recruitment difficulties.

Developing a system of market-facing pay in local areas would likely lead to an inefficient and unequal pay structure. It would be very likely that there would be a reduction in pay in some areas of the country that would further entrench low pay in those areas. Moreover, the Governor of the Bank of England recently made a speech[1] that made a link between the fall in real wages and the fall in consumer spending which has contributed to weak economic growth. Any changes, therefore, to the NHS pay structures have to take on board the fact that the NHS is the UK's largest employer and therefore the impact on local economies would be considerable.

The Chancellor's proposal to change nationally determined pay to local market facing pay structures follows on from a two year pay freeze, the announcement of a two year pay cap of 1%, both at a time of high inflation. In addition, in the next three years midwives will see their pension contributions increase from an average of 6.5% to an expected rate of 9.3%. Moreover, many NHS Trusts are reconfiguring their maternity units to reduce the number of Band 7 midwives; this means that not only are all midwives seeing a reduction in the real value of their pay and an increase in their pension contributions but some midwives are also seeing their pay decrease substantially due to down banding. On top of this, many midwives are working mothers and will see reductions to their household incomes through cuts to benefits such as working tax credits.

NHS pay should be determined by equal pay for equal work. High cost area supplements and Recruitment and Retention Premia (RRPs) should be used as necessary but basic pay should be the same across the UK. There is no difference in the roles and responsibilities of midwives in different areas of the country; therefore there should be no difference in their pay.

On of the Government's justifications for this consultation is that the difference between public and private sector wages varies 'considerably' between local labour markets. However, making this statement relies on being able to compare public and private sector

[1] www.bankofengland.co.uk/publications/speeches/2012/speech541.pdf

wages. This is extremely problematic as illustrated by an article by Income Data Services 'Public and Private Sector Earnings: Fact and Fiction'[2]:

"Most measures within Annual Survey of Hours and Earnings (ASHE) show higher average earnings in the public sector than the private, especially those measures that remove the impact of bonus pay, which is much higher in the private sector. But whether we choose to look at the hourly rate for a particular worker or the total annual earnings per employee across the two sectors, a comparison is only worth making when there are meaningful comparators. The key structural difference between the two workforces mean it is questionable whether this is ever possible."

A study by the Office of National Statistics[3] confirms the conclusions that IDS have made; that attempts to compare public and private sector pay is too complex. Part of their research found that employees who have a degree or equivalent qualification earn 5.7% less than those in the private sector.

This is particularly significant for midwifery. Midwives fit into the IDS description of professionals. To register with the Nursing and Midwifery Council (NMC) students must first earn a qualification in midwifery at degree level. Midwifery training involves a mixture of academic study and supervised midwifery practice in hospitals and the community. The degree is a three-year course, although qualified nurses can take a shortened programme that lasts for eighteen months. On completion of their degree students are awarded both an academic and professional qualification. During their career midwives are responsible for keeping their knowledge up to date in order to remain on the professional register.

The letter from George Osborne to the NHS Pay Review Body[4] states the Government's justifications for moving to regional pay are that:

"There is substantial evidence that the differential between the public and private sector wages varies considerably between local labour markets. This has the potential to hurt private sector businesses that need to compete with higher public sector wages; lead to unfair variations in public sector service quality; and reduce the number of jobs that the public sector can support for any given level of expenditure."

There is no evidence to support any of these arguments; in fact there is evidence that contradicts these arguments. Most private companies do not favour locally agreed pay but rather adopt nationally determined pay, terms and conditions, as Income Data Services reported in their recent article, 'Ten Myths about Local Pay Determination':

"Leading HR professionals in large companies with branches throughout the country would say that national pay structures and national pay determination provide simplicity, avoid the costs of duplication, allow better paybill control, create consistency and avoid poaching and leapfrogging."[5]

The NHS has previously attempted local pay determination that failed to work. Many Trusts were unwilling to negotiate and many of the settlements were the same across the board.

---

[2] 'Public and Private Sector Earnings: Fact and Fiction' Income Data Services Pay Report 1075 June 2011

[3] 'Estimating Differences in Public and Private Sector Pay' Office of National Statistics July 2011

[4] Letter to NHS Pay Review Body from George Osborne MP 7th December 2011

[5] 'Ten Myths about Local Pay Determination' Income Data Services Pay Report 1090 February 2012

This also opened the NHS to equal pay challenges. A King's Fund report from 2007 underlines that Agenda for Change supports fairness particularly in addressing pay equalities. The authors state that:

"Achieving equal pay for jobs of equal value was on of the key objectives of Agenda for Change. The trust managers were generally supportive of the move to standardised working hours and job evaluation based pay as providing a more transparent and 'fairer' pay system…While it cannot be confirmed that Agenda for Change has guaranteed equal pay, it does appear to have been an important factor in limiting the exposure of the NHS to equal pay claims."[6]

The Hartley judgement also confirmed that Agenda for Change is an equal pay proofed system, with the tribunal ruling that the job evaluation scheme is robust and that the pay system is fair.[7]

If there is a move to market-facing local pay we will see an increase in equal pay challenges that will end pay stability in the NHS. The RCM has a duty to protect our members and we are committed to equal pay for work of equal value so we would be left with no choice but to make equal pay challenges. As stated, not only would this end pay stability in the NHS but would also affect employee morale and motivation and lead to poor employee relations.

Currently, NHS Employers and NHS Trade Unions at the national level have good partnership working and have a good record of being able to reach agreements. Indeed, at the moment we are working together to ensure that Agenda for Change remains sustainable and are looking at the arrangements for sick pay and pay progression. This is a positive approach on the Trade Unions part and such positive partnership working may not continue if there is a move to market-facing local pay.

The consultation document has asked respondents to consider issues that have been outlined by the Government. The RCM's responses to the issues are outlined below.

Issue One: The extent to which Agenda for Change already recognise the impact of local differences in pay through recruitment and retention premia and High Cost Area Supplements and whether these could be used more effectively.

a. **The ability of the existing Agenda for Change (AfC) Agreement to deal with a market facing approach to pay in local areas. Any modifications needed to the AfC Agreement, or elements of the Agreement, that would enable it to be more market facing. Any alternatives to the AfC Agreement to achieve a more market facing approach.**
b. **The effectiveness of current national and local RRP in meeting national or local or other geographically differentiated labour market requirements. The usage of local RRP – geographical coverage, occupational groups and values. Any modifications needed for a more market-facing approach.**
c. **The use of High Cost Area Supplements, their effectiveness and any required modifications.**
d. **How current additional payments under the AfC Agreement distinguish between local recruitment/retention requirements and meeting variations in the cost of living.**

[6] Buchan J and Evans D (2007) *Realising the Benefits? Assessing the Implementation of Agenda for Change,* King's Fund.
[7] Hartley and others v Northumbria Healthcare NHS Foundation Trust 2009

The current Agenda for Change pay structure allows for a wide range of tools to address particular local labour market circumstances. High Cost Area Supplements are graded from Inner London to Outer London and the London Fringe. High Cost Area Supplements are also permissible in other parts of the UK where a sufficient case can be made for them. There are both long-term and short-term Recruitment and Retention Premia on both a national and local basis, available where the case can be made to justify them. Therefore Agenda for Change adapts to both regional cost of living factors and occupational recruitment problems.

In our submission to the NHS Pay Review Body in September 2011 we asked the NHS Pay Review Body to keep newly qualified midwives under review for Recruitment and Retention Premia and we asked the Pay Review Body to consider what guidance to the service they could provide about local Recruitment and Retention Premia in regions and/or nations where there is a long term shortage of midwives.

Agenda for Change already has flexibilities within it to allow Trusts to recognise local differences; however, in our opinion these are not widely used indicating that Trusts do not want to move away from national agreements. We would ask the Pay Review Body to provide guidance to the service In order to use existing flexibilities more effectively.

Issue Two: The way in which the Department uses the Market Forces Factor to reflect local labour market costs in PCT allocations and whether these might be used (or amended) to support more market facing pay.

a. **The effectiveness of the current Market Forces Factor in compensating for variations in labour costs and in accounting for boundary issues. How it fits with a more market-facing approach to NHS AfC pay with potentially greater variations. Any alternative mechanisms.**

The Market Forces Factor (MFF) is another example of the flexibility of Agenda for Change, since 67% of the MFF payment is pegged to geographical variations in private sector wages, enabling trusts to utilise extra funding that recognises local circumstances.

Issue Three: The need to recognise the implications of market-facing pay for the different staff groups within Agenda for Change at a local level, including any implications for equal pay.

a. **The implications of different pay approaches for different AfC groups.**
b. **The equal value implications of a market-facing approach and other anti-discrimination legislation set out in NHSPRB's terms of reference. Information on any Equalities Impact Assessment that has been conducted.**

The RCM is strongly committed to nationally agreed pay and we do not support the move to local market-facing pay. Nationally determined pay, terms and conditions provide the most equitable, transparent and fair system of pay for the NHS.

There are many implications for a move to local market-facing pay. Income Data Services wrote a report 'Ten Myths about Local Pay Determination'[8] and stated that:

"Employers in the public sector have spent much of the past ten years trying to develop pay systems that would minimise the potential for equal pay challenges. Paying people doing 'like work' at different rates of pay 'for no good reason' would reopen the gates to equal pay

[8] 'Ten Myths about Local Pay Determination' Income Data Services Pay Report 1090 February 2012

challenges and any number of challenges about unfair treatment. Even zonal pay systems can provoke arguments about unfairness over where the lines are drawn."

As above, the NHS has previously attempted local pay determination that failed to work. Many Trusts were unwilling to negotiate and many of the settlements were the same across the board. This also opened the NHS to equal pay challenges. A King's Fund report from 2007 underlines that Agenda for Change supports fairness particularly in addressing pay equalities. The authors state that:

"Achieving equal pay for jobs of equal value was on of the key objectives of Agenda for Change. The trust managers were generally supportive of the move to standardised working hours and job evaluation based pay as providing a more transparent and 'fairer' pay system…While it cannot be confirmed that Agenda for Change has guaranteed equal pay, it does appear to have been an important factor in limiting the exposure of the NHS to equal pay claims."[9]

The Hartley judgement also confirmed that Agenda for Change is an equal pay proofed system, with the tribunal ruling that the job evaluation scheme is robust and that the pay system is fair.[10]

A major implication of the move to market-facing local pay would be low morale and motivation in the NHS workforce, poor employee relations and ultimately equal pay challenges.

Issue Four: The impact of any 'cliff edges' in pay between different local labour markets and how this might be managed.

a. **Locations where 'cliff edges' between labour markets (local or otherwise) or NHS Trusts are a concern.**

The RCM cannot provide an answer to how 'cliff edges' might be managed, as we do not believe in the move to locally determined pay.

However, we have found that there are 'cliff edges' created by the High Cost Area Supplements as the surrounding areas tend to have problems with recruitment. This is one of the problems with variations in pay by area and would only be exasperated if there was a move to market-facing local pay.

We do want to draw the Pay Review Body to the comments made in the Staff Side's evidence to the NHS Pay Review Body in September 2011 'National Pay Determination in the NHS: Resilience and Continuity'[11] by Ian Kessler in which he warns against the idea of 'local labour markets'. He states that within regions there will be high cost and low cost areas so therefore regions do not have identifiable labour markets:

"In general, however, regions do not equate with labour markets: it is more common to find isolated labour market 'hotspots' within them."

---

[9] Buchan J and Evans D (2007) *Realising the Benefits? Assessing the Implementation of Agenda for Change,* King's Fund.

[10] Hartley and others v Northumbria Healthcare NHS Foundation Trust 2009

[11] 'National Pay Determination in the NHS: Resilience and Continuity' Ian Kessler - Staff Side Evidence to the NHS Pay Review Body September 2011

Issue Five: To consider what information in the future might be needed in order to make recommendations on local labour markets.

a. **How current NHS pay and workforce information would meet market-facing requirements including gaps and how they should be addressed.**
b. **What other information and data might be needed on the public and private sectors in local labour markets. How much is currently available and what are the gaps.**

The RCM cannot provide an answer to this question, as we do not support making recommendations on local labour markets.

Issue Six: The need to recruit, retain and motivate suitably able and qualified staff across the UK.

a. **How a more market facing approach to NHS pay might support AfC staff recruitment, retention and motivation.**
b. **Current AfC staff shortages by occupation and location. How these shortages would be solved by a market facing approach. Staff shortages that are driven by non pay factors.**
c. **Current AfC occupations attracting a surplus of suitable applications for vacancies in particular locations.**
d. **The AfC pay points which overpay or underpay in comparison with local labour markets by occupation.**

The RCM believes the current nationally determined pay system, along with Agenda for Change, is the best way to recruit, retain and motivate suitably able and qualified midwives across the UK. In 'National Pay Determination in the NHS: Resilience and Continuity' by Ian Kessler he states:

"National wage setting disciplines employers in an industry or sector to provide standard terms and conditions of employment. For the employee, standardisation is critical to the fairness of a pay system. For the employer the discipline of national pay determination generates a number of benefits: it limits employers from competing in pay terms with one another, so preventing a 'race to the bottom' or 'a race to the top', the latter, in particular, leading to 'leapfrogging' and inflated labour costs. It reduces the negative externalities which arise from more disaggregated forms of pay determination. Rather than seeking a quick fix by reneging on any responsibility to train its staff by poaching from others through higher pay rates, national pay determination forces employers to seek more sustainable solutions through investing in its employees."[12]

A move to market-facing local pay would create poor morale in the NHS and would lead to great uncertainty and a lack of trust in the pay system.

Issue Seven: The difference in total reward between the NHS workforce and those of similar skills working in the private sector by location – and the impact of these differences on local labour markets.

a. **The aspects of total reward (pay, pensions and other factors) to be taken into account. The importance of individual elements of total reward in recruiting and retaining AfC staff.**

[12] National Pay Determination in the NHS: Resilience and Continuity' Ian Kessler - Staff Side Evidence to the NHS Pay Review Body September 2011

b. **How pay, total reward and other elements of the remuneration package vary in the private sector by geographical area and by occupation. The differences in pay, total reward and other elements between the NHS workforce and those of similar skills working in the private sector, by location.**
c. **Impact of proposed changes to the NHS Pension Scheme.**

As stated above, it is problematic to attempt to compare the public and private sector. The Office of National Statistics[13] has recently undertaken work to estimate the difference in public and private sector pay. Their study found that, allowing for differences in types of job and employee characteristics as much as possible, public sector employees were paid on average 7.8% more than private sector employees. However, comparing employees who have a degree or equivalent qualification shows that on average, public sector employees earned around 5.7% less than those in the private sector.

Moreover, in the Income Data Services report 'Public and Private Sector Earnings: Fact and Fiction' they state that:

"Although individuals in the public and private sectors may sometimes be able to identify similar roles within their respective organisations, the sectors as a whole have very different profiles. The public sector employs a higher proportion of professionally trained staff, undertaking specific service roles such as those within healthcare, education and the emergency services. As a result, a much larger percentage of the public sector workforce is educated to diploma or degree level. Furthermore, unlike the private sector, the public sector workforce is two thirds female. Finally, as Will Hutton recognised in his report on fair pay, the differential between the top and bottom earners within an organisation is also much smaller in the public sector than in the private sector."[14]

Therefore, it is problematic to compare public sector and private sector pay and is almost impossible to do in terms of midwifery as the majority of midwives work in the NHS so we are unable to compare them to the private sector. As the answer to the next question will demonstrate, large private sector employers tend to favour nationally determined pay. Therefore we are unable to compare total reward between the NHS workforce and those of similar skills working in the private sector by location.

In terms of the current total reward package for midwives the RCM would like to raise the points that the Chancellor's proposal to change nationally determined pay to local market facing pay structures follows on from a two year pay freeze, the announcement of a two year pay cap of 1%, both at a time of high inflation. In addition, in the next three years midwives will see their pension contributions increase from an average of 6.5% to an expected rate of 9.3%. Moreover, many NHS Trusts are reconfiguring their maternity units to reduce the number of Band 7 midwives; this means that not only are all midwives seeing a reduction in the real value of their pay and an increase in their pension contributions but some midwives are also seeing their pay decrease substantially due to downbanding. On top of this, many midwives are working mothers and will see reductions to their household incomes through cuts to benefits such as working tax credits. These cuts to the real value of midwives wages are occurring across the UK and are not limited to any specific location.

[13] Estimating Differences in Public and Private Sector Pay' Office of National Statistics July 2011
[14] Public and Private Sector Earnings: Fact and Fiction' Income Data Services Pay Report 1075 June 2011

In November 2011 Income Data Services conducted a survey of Royal College of Midwives' members[15] and found that 55% of respondents reported that their earnings represent either more than half or all of their total household income; 89% of respondents reported an increase in their household expenditure over the last 12 months and 70.7% of respondents said that their concerns about their financial situation have increased in the last year.

Issue Eight: How private sector employers determine wages for staff in different areas of the country.

a. **What approaches and mechanisms for local pay determination in the private sector might be appropriate for AfC staff and why.**
b. **Migration or mobility patterns of AfC staff by occupational group and the key drivers for migration or mobility. How migration is influenced by the availability of progression or professional opportunities, and for which AfC groups.**

The reality is that most private sector companies have pay systems that are similar to the public sector; they have nationally determined pay and allow for regional allowances such as London weighting. Income Data Services wrote a report 'Ten Myths about Local Pay Determination' and stated that:

"The fact is that most large, multi-site private sector companies have national pay structures. These organisations, among them retailers, banks or telecom companies are not dissimilar to large, multi-site public sector organisations that have national pay structures…. In reality, large, multi-site private sector companies operate with up to 4 or 5 bands or zones within a national framework. Typically, these bands or zones are based on the established pattern of inner London, outer London, South East and large city allowances."[16]

Issue Nine: What the most appropriate areas or zones by which to differentiate pay levels should be.

a. **Pay variations in geographical areas between AfC staff and the private sector and geographical or occupational areas that show the greatest or least variation.**
b. **The labour markets into which AfC occupational groups fall – international, national, regional, sub-regional or local.**
c. **Possible NHS pay structures to account for areas or zonal variations in pay including defining boundaries and how they would be managed.**
d. **The capability and capacity of local NHS employers and trade unions to manage and underpin any local pay systems, whether these are determined locally or nationally.**

The RCM cannot provide an answer to this question as we do not support changing pay to local areas.

Issue Ten: The affordability of any proposals in the light of the fiscal position – these should not lead to any increase in pay bill in the short or long term.

a. **The pay bill and implementation costs involved in introducing a more market-facing approach to NHS pay.**
b. **The funding or resources available within NHS Trusts current financial plans to introduce any new pay systems.**

[15] Income Data Services Royal College of Midwives Membership Survey November 2011
[16] 'Ten Myths about Local Pay Determination' Income Data Services Pay Report 1090 February 2012

The RCM believes that any moves to locally determined pay would be costly and overly bureaucratic. In 'National Pay Determination in the NHS: Resilience and Continuity' by Ian Kessler he stated that:

"The current national arrangements for pay determination based on NHS Pay Review Body recommendations and for Agenda for Change… have provided relatively modest and affordable settlements, minimising the transaction costs expended by Trusts, and removing pay as a source of conflict in Trusts relations with employees and their representatives."[17]

"If you look at those parts of the economy that have moved from national to local bargaining, which are the only real options here, over a period of time it has not worked very effectively. National bargaining pays considerable dividends to the employers and employees and to the people who pay their taxes at a local level. It produces the right result in most cases; it provides a mature system. It provides an enormous amount of discipline. It is cost effective. If you disrupt national bargaining, the chances are, in times of strong pressure on finance, it will cost more."[18]

It is curious that one of the issues for consideration is the cost of these proposals and that the change should 'not lead to any increase in the pay bill in the short or long term'. This assumes that a move to locally determined pay would ultimately result in lower pay (and certainly unequal pay) but could not result in higher pay. If pay awards are to be determined locally there would be no way of nationally controlling the pay awards; the only way for there to be control over pay awards is to have nationally determined pay.

Issue Eleven: The need to ensure that proposals are consistent with the law on equal pay.

As stated above, the RCM is strongly committed to nationally agreed pay and we do not support the move to local market-facing pay. Nationally determined pay, terms and conditions provide the most equitable, transparent and fair system of pay for the NHS. If there were a move to market-facing local pay there would be an increase in equal pay challenges as the RCM has a duty to protect our members and ensure that they are treated equally.

There are many implications for a move to local market-facing pay. Income Data Services wrote a report 'Ten Myths about Local Pay Determination'[19] and stated that:

"Employers in the public sector have spent much of the past ten years trying to develop pay systems that would minimise the potential for equal pay challenges. Paying people doing 'like work' at different rates of pay 'for no good reason' would reopen the gates to equal pay challenges and any number of challenges about unfair treatment. Even zonal pay systems can provoke arguments about unfairness over where the lines are drawn."

The NHS has previously attempted local pay determination that failed to work. Many Trusts were unwilling to negotiate and many of the settlements were the same across the board. This also opened the NHS to equal pay challenges. A King's Fund report from 2007 underlines

[17] National Pay Determination in the NHS: Resilience and Continuity' Ian Kessler - Staff Side Evidence to the NHS Pay Review Body September 2011
[18] National Pay Determination in the NHS: Resilience and Continuity' Ian Kessler - Staff Side Evidence to the NHS Pay Review Body September 2011
[19] 'Ten Myths about Local Pay Determination' Income Data Services Pay Report 1090 February 2012

that Agenda for Change supports fairness particularly in addressing pay equalities. The authors state that:

"Achieving equal pay for jobs of equal value was on of the key objectives of Agenda for Change. The trust managers were generally supportive of the move to standardised working hours and job evaluation based pay as providing a more transparent and 'fairer' pay system…While it cannot be confirmed that Agenda for Change has guaranteed equal pay, it does appear to have been an important factor in limiting the exposure of the NHS to equal pay claims."[20]

The Hartley judgement also confirmed that Agenda for Change is an equal pay proofed system, with the tribunal ruling that the job evaluation scheme is robust and that the pay system is fair.[21]

Issue Twelve: Whether and how the new approach could be delivered within national frameworks.

The RCM cannot provide an answer to this question as we do not believe that this approach can be delivered at all. We do dispute that this is a 'new approach', local pay bargaining was attempted in the NHS in the 1990s and was an unmitigated failure as illustrated by a report by Income Data Services Report that stated that:

"Under John Major's Conservative Government in the mid-1990s national pay bargaining was ended in the NHS and replaced by bargaining at Trust level. The system lasted for just three to four years and was abandoned around 1997, having been deemed a failure due to the fact that the system wasted large amounts of time, energy and money with almost all of the trusts settling at the same rate of 3%."[22]

Issue Thirteen: Whether proposals should apply to existing staff, or just to new entrants.

a. **The advantages and disadvantages of applying any changes to existing or new AfC staff.**

The RCM cannot provide an answer to this question as we do not agree with any NHS staff moving to locally determined pay.

Issue Fourteen: Any evidence that the public sector is crowding out the private sector in local areas.

The RCM has not seen any evidence that the private sector is 'crowded out' by the public sector, in fact it the current climate of high unemployment it would appear that the opposite is true. In the Income Data Services Pay Report they have reported that even the Government cannot provide any evidence to support their claim that the public sector is 'crowding out' the private sector.

"The question of whether the private sector is being squeezed out was the subject of a recent presentation given by the Department for Business, Innovation and Skills (BIS) entitled 'The Local Labour Market Effects of Decline in Public Sector Employment.' Which concluded that

[20] Buchan J and Evans D (2007) *Realising the Benefits? Assessing the Implementation of Agenda for Change,* King's Fund.
[21] Hartley and others v Northumbria Healthcare NHS Foundation Trust 2009
[22] Income Data Services Pay Report 1088 January 2012

the crowding out of the private sector could occur in a tight labour market, but at typical unemployment rates there is no evidence of 'crowding out'. Current labour market conditions would suggest that it is unlikely that the private sector is being 'squeezed' in this way."[23]

As above, midwives fit into the definition of professionals and have to complete a degree in order to become midwives. The vast majority of midwives work for the NHS and it is unclear why the Government believe that paying midwives a suitable wage impacts on private sector employment since there is not a strong demand from the private sector for midwives.

Conclusions and Summary

The RCM welcomes the opportunity to respond to the NHS Pay Review Body's consultation on market-facing remit on pay in local areas. This submission marks our commitment to national pay determination in the NHS and other parts of the public sector. As we stated in our evidence to the NHS Pay Review Body in September 2011 we are committed to nationally agreed pay, terms and conditions.

Developing a system of market-facing pay in local areas would likely lead to an inefficient and unequal pay structure. It would be very likely that there would be a reduction in pay in some areas of the country, which would further entrench low pay in those areas. Moreover, A move to market-facing local pay would undermine the whole structure and open the NHS up to unequal pay issues. Indeed, as stated above if this proposal were to go ahead the RCM would have no choice but to make equal pay challenges and this would in effect end pay stability in the NHS.

The Chancellor's proposal to change nationally determined pay to local market facing pay structures follows on from a two year pay freeze, the announcement of a two year pay cap of 1%, both at a time of high inflation. In addition, in the next three years midwives will see their pension contributions increase from an average of 6.5% to an expected rate of 9.3%. Moreover, many NHS Trusts are reconfiguring their maternity units to reduce the number of Band 7 midwives; this means that not only are all midwives seeing a reduction in the real value of their pay and an increase in their pension contributions but some midwives are also seeing their pay decrease substantially due to downbanding. On top of this, many midwives are working mothers and will see reductions to their household incomes through cuts to benefits such as working tax credits.

Ian Kessler sums up the advantages of nationally determined pay by saying:

"In public services, the transparency and consistency of national pay determination contributes to the promotion of employee motivation, equality and mobility. In terms of motivation, the employment of the same occupational groups by public service providers allows for ready and legitimate pay comparisons. Similarly, a shared configuration of occupational roles in different parts of public services ensures the viability of a national job evaluation scheme, which guarantees equal pay for work of equal value. Finally, a national model of pay determination allows public service professionals, in particular, to move readily between organisations, their skills and capabilities under-written by their registered and regulated status."[24]

[23] Income Data Services Pay Report 1088 January 2012

[24] National Pay Determination in the NHS: Resilience and Continuity' Ian Kessler - Staff Side Evidence to the NHS Pay Review Body September 2011

The RCM believes that the current UK wide system is the most efficient and cost effective way to determine pay. There are local flexibilities within the NHS Pay System that allow for adjustments for high cost areas and allows for adjustments for local areas to deal with particular recruitment difficulties.

The RCM believes that the nationally determined pay system for the NHS, along with Agenda for Change, is the most transparent, fair and equitable system. Underpinning and supporting the whole system is a robust job evaluation scheme that is fundamentally based on equal pay for equal work.