



The Royal College of
Midwives

Response

Response to NHS Pay Review Body consultation on Market-Facing Remit on Pay in Local Areas: Comments on Evidence and Supplementary Questions

April 2012

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The Royal College of Midwives' response to NHS Pay Review Body consultation on Market-Facing Remit on Pay in Local Areas: Comments on Evidence and Supplementary Questions.

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
April 2012

General Comments

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. We welcome this opportunity to respond to others' evidence and answer the supplementary questions from the NHS Pay Review Body. This submission marks our commitment to national pay determination in the NHS and other parts of the public sector.

As stated in our evidence to the NHS Pay Review Body in September 2011 and our evidence in March 2012 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.

The RCM has some comments to make on the other evidence submitted to the NHS Pay Review Body, which are noted below, and has provided answers to the supplementary questions asked by the NHS Pay Review Body.

Comments on Others' Evidence

The RCM notes that the majority of respondents to the NHS Pay Review Body's consultation share the same views as the RCM and the other NHS Trade Unions and disagree with the Government's view that NHS pay determination should be changed to be locally determined and to take account of local markets.

Both the Scottish and Welsh Governments succinctly explain why a move to locally determined pay that takes account of local markets would be dangerous for the NHS:

"It could seriously damage the provision of public services in remote areas by making it more difficult to attract and retain skilled workers in key areas. It would also raise serious questions regarding equality of pay and work and could inhibit the movement of public sector workers across the country."¹

"The pay relativities between the two sectors are complex and are often appropriate reflection of a range of factors such as qualifications, age and experience. We also take the view that fair and reasonable levels of public sector pay are an important contributor to economic performance in less advantaged areas. Reasonably paid, high quality public sector employment supports growth and prosperity in our local economies which in turn creates

¹ Letter to the Office of Manpower Economics from John Swinney MEP Cabinet Secretary for Finance, Employment and Sustainable Growth, The Scottish Government March 2012

demand for the products and services of the wider public sector. This support is particularly important in the current economic circumstances.”²

Importantly, the NHS Employers submission also disagrees with the move to locally determined pay:

“There is limited appetite from employers for full local pay bargaining and moving away from Agenda for Change, which may involve the development of a bespoke job evaluation system. Such a move would raise issues of local capacity, increase administration costs and risk pay inflation as employers compete directly for staff on pay. Getting rewards wrong could have a significant impact on the quality of patient care and safety. Employers also recognised that fundamentally changing a pay system is not a quick fix.”³

The NHS Employers submission also noted that there could be equal pay issues by a move to locally determined pay and the NHS workforce is too sophisticated and complex to have a simplistic pay system.

“Employers would be concerned that a crude zonal or regional system will not work effectively across the range of occupations and professions which exist in the NHS.”⁴

One of the only respondents who actually agree with the move to local pay is the Government themselves. However, their response lacked clarity and in many cases provided no evidence to support their statements. For example, they state:

“In places where private sector firms have to compete for workers with public sector employers offering a large pay premium, the introduction of more local, market facing pay could help private businesses, particularly in some sectors, become more competitive and expand.”⁵

The Government does not follow this up with any evidence to support this statement or explain why this should be the case. As stated in our response to the NHS Pay Review Body there is little or no demand from the private sector for midwives as the vast majority are employed by the NHS.

The Government states that:

“There is an estimated pay premium of around 8% for those working in the public sector compared with similar jobs in the private sector. However, the level of this premium is not uniform across the UK. Public sector employees in some areas earn considerably more than their private sector counterparts, whereas in other areas public sector pay is more in line with the private sector.”⁶

² Letter to the Office of Manpower Economics from Jane Hutt Minister for Finance and Leader of the House, The Welsh Government March 2012

³ The NHS Employers organisation submission to the NHS Pay Review Body on market facing pay March 2012

⁴ The NHS Employers organisation submission to the NHS Pay Review Body on market facing pay March 2012

⁵ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

⁶ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

This statement is misleading; it is extremely problematic to attempt to compare pay in the public sector to pay in the private sector. This was illustrated in an article by Income Data Services: 'Public and Private Sector Earnings: Fact and Fiction':

*"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."*⁷

A study⁸ by the Office of National Statistics 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 to remain on the professional register.

The Government goes on to state that:

*"Public sector pay does not adjust to local conditions as well as the private sector. This can explain the existence of higher public sector pay premia in places where labour market conditions are less favourable to workers and price levels are lower."*⁹

Again, they provide no evidence to support the statement that private sector employers adjust to local conditions better than the public sector. The figures they provide look at the 'public sector pay premium' compared to price levels and unemployment rates, but the figures do not appear to have any correlation between them:

	Public Sector Pay Premium (%)	Unemployment Rate (%)	Price Level
North West	18.0%	8.6%	98.2
Wales	18.0%	8.6%	98.4
Yorkshire and the Humber	13.4%	9.5%	97.0
East	13.0%	6.7%	101.2
Northern Ireland	12.3%	7.2%	98.2
North East	11.7%	10.8%	98.2
West Midlands	11.5%	9.1%	100.6
East Midlands	11.3%	8.0%	99.4

⁷ 'Public and Private Sector Earnings: Fact and Fiction' Income Data Services Report 1075 June 2011

⁸ 'Estimating Differences in Public and Private Sector Pay' Office of National Statistics July 2011

⁹ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

Scotland	11.3%	8.0%	99.7
South West	10.4%	6.5%	99.5
London	4.6%	9.6%	107.9
South East	0.5%	6.0%	102.3
UK	8.3%	8.1%	100

If the Government's assertion is correct, that high levels of public sector pay causes private sector employers do be squeezed out of market, we would expect to see the highest levels of unemployment in areas that have the highest public sector pay premium – the table above¹⁰ (taken from the Government's evidence) shows this is not the case. Moreover, they state that higher public sector pay premia are found in areas of low prices, again the figures above do not show this.

The Government's submission goes on to state that:

*"Public sector pay premia have a clear impact on the quality and effectiveness of public services around the country. Their existence implies a sub-optimal use of public resources. In some areas, there may not be sufficient incentives to recruit, retain and motivate quality public sector staff. In other areas, the public sector pays more than is necessary to recruit the right staff."*¹¹

This statement assumes that in the areas where there is a higher 'public sector pay premium' individuals have chosen to work for the public sector rather than working for the private sector only because they have the potential to earn more money; it is far more likely in the case of midwives and other NHS workers that they want to work in their career because they want to work in the caring profession. Moreover, it still continues to assume that public sector pay is higher than private sector pay which is misleading as public sector workers who are qualified to degree level are paid 5.7% less than private sector workers (as stated above).

It is also a slightly discourteous statement to make about public sector workers as it assumes that in areas where there is a lower public sector pay premium the staff are not the 'right quality'.

The RCM would have welcomed the opportunity to respond more fully to the Department of Health's response to the NHS Pay Review Body, however their response was only submitted one working day before this evidence was due to be submitted so it has not been possible to fully respond to their evidence. However, we would like to comment on some parts of their evidence.

The Department of Health's evidence states:

"In summary, the DH view is that there is a prima facie case for the introduction of more market facing pay for AfC staff. NHS allocation processes and the tariffs for Payment by Results (PBR) that are used to fund most clinical services already take account of geographical variations of staffing costs. Current rates of pay in the NHS do vary geographically, but significantly less so than the pay of comparable staff in the private sector."

¹⁰ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

¹¹ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

The introduction of more sensitive Market Facing pay would therefore enable more efficient and effective use of NHS funds.”¹²

As stated previously, there is little or no demand from the private sector for midwives as the vast majority are employed by the NHS. Therefore, we do not agree with the statement that rates of pay vary ‘significantly less than the pay of comparable staff in the private sector’.

Moreover, as stated previously, the RCM believes that the current UK wide system is the most efficient and cost effective way to determine pay and agrees with the NHS Employers response that states ‘such a move would raise issues of local capacity, increase administration costs and risk pay inflation’.

Interestingly, both the Department of Health’s and the Government’s evidence include caution against their own recommendation:

The Department of Health caution against moving fully to locally determined pay and favour retention of nationally agreed pay bargaining while using local flexibilities.

“The DH therefore suggests giving consideration to retaining the existing scope for local pay flexibilities and supplementing these with the introduction of some form of additional centrally agreed geographical pay differentiation to reflect broad geographical issues... The White Paper also noted that whilst in the future all NHS employers will have the rights, as FTs have now, to determine pay for their own staff, many providers are expected to continue to use national contracts as a basis for local terms and conditions. The suggested approach to Market Facing Pay therefore seeks to retain local freedoms while delivering improvements to national frameworks so that they remain fit for purpose and attractive to FTs.”¹³

There are already 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 Government cautions against moving to locally determined pay as warns that it must be appropriate for the workforce:

“Changes to pay systems must therefore be implemented over the medium term in a way that is appropriate for each workforce. This ensures that the changes have a minimal impact on each workforce and ensures that the changes are consistent with the law on equal pay.”¹⁴

As demonstrated by the RCM’s, the NHS Staff Side, and the NHS Employers submissions to the NHS Pay Review Body the appropriate pay system for the NHS is the current nationally determined pay structure.

¹² NHS Pay Review Body – Market Facing Pay Written Evidence from the Health Department for England – April 2012

¹³ NHS Pay Review Body – Market Facing Pay Written Evidence from the Health Department for England – April 2012

¹⁴ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

Supplementary Questions

1. **Can you provide any further information on why a move to market-facing local pay will see an increase in equal pay challenges (page 5, 4th paragraph)? You state on page 7 that Agenda for Change is 'equal pay proofed' – is there any reason why a more market-facing pay system could not be 'equal pay proofed' also?**

The RCM fears that a move to locally determined pay that takes account of local markets would start to fragment the NHS pay system and end pay stability within the NHS. If the pay structure was fragmented this could have implications for the stability of Agenda for Change and the Job Evaluation Scheme.

Agenda for Change and the Job Evaluation Scheme are currently equality proofed systems; this is because they have been nationally determined based on principles of equality, transparency and fairness. In our view such robust and complex structures could not be determined locally.

Moreover, NHS Employers agree that a move to locally determined pay could open the NHS up to more equal pay challenges:

“Agenda for Change is underpinned by a job evaluation system consistent with equal pay principles. Differential pay increases for staff in the same pay bands could raise equal pay risks unless justified by evidence.”¹⁵

2. **In the RCM’s view, why are Agenda for Change flexibilities not widely used by NHS Trusts (page 6, 3rd paragraph), particularly to resolve any shortage of midwives?**

It is the RCM’s view that NHS Trusts are unwilling to use the flexibilities within Agenda for Change as they do not wish to move away from nationally determined pay, terms and conditions.

Interestingly, the Government’s submission also noted that NHS Trusts do not wish to use the flexibilities within Agenda for Change as they do not want to move away from national pay bargaining:

“Some current flexibility exists, allowing certain public services to set pay that responds to the local labour market. Academy Schools and Foundation Trusts, for example, both have the freedom to set their own pay based on their local recruitment and retention needs. However, they have tended not to use this flexibility and have kept to the parameters of national pay agreements.”¹⁶

3. **Do you have any further evidence to support the statement (page 7, 4th paragraph) that a ‘major implication of the move to market facing local pay would be low morale and motivation in the NHS workforce ... [and] poor employee relations ... ’?**

¹⁵ The NHS Employers organisation submission to the NHS Pay Review Body on market facing pay March 2012

¹⁶ Government Evidence to the Pay Review Bodies: Economics of Local Pay March 2012

The evidence we have is anecdotal; since the launch of this consultation and in particular the announcements in the Budget the RCM has received many queries from members about the moves to local pay. Members feel that there is an inherent unfairness about paying midwives different salaries in different areas of the country even though they are doing the same job.

Moreover, as stated in our response to the consultation in March 2012, the majority of RCM members are worried about their current financial situation:

“In November 2011 Income Data Services conducted a survey of Royal College of Midwives’ members 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 their concerns about their financial situation have increased in the last year.”¹⁷

Therefore, a move to local market facing pay would create a less transparent, fair and equitable pay system for the NHS which would damage morale and motivation, particularly at a time of increased financial concern.

4. What have been the effects of the ‘cliff edges’ created by existing HCAS (page 7, 7th paragraph) – has any action been taken to alleviate these effects to support recruitment and retention? Would these “cliff edge” difficulties be exacerbated by wider use of HCAS and local RRP?

The RCM’s submission stated:

“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”¹⁸

We are not aware that there have been any actions to alleviate these effects to support recruitment and retention. Local Recruitment and Retention Premia can be used currently and should be used to deal with recruitment and retention problems. Recruitment and Retention Premia can be awarded in the short term which can help employers solve their immediate problem of a shortage of staff but not allow them to become complacent by not training and developing their staff in the long term and allowing cliff edges to become entrenched.

As stated in our response, we argue that variations in pay by area can exasperate the problems of ‘cliff edges’.

Indeed, the NHS Employers submission also warns of ‘cliff edges’:

“Whether the approach to pay differentiation is regional or zonal, there are likely to

¹⁷ The Royal College of Midwives Response to the NHS Pay Review Body Consultation on Market-Facing Remit on Pay in Local Areas March 2012

¹⁸ The Royal College of Midwives Response to the NHS Pay Review Body Consultation on Market-Facing Remit on Pay in Local Areas March 2012

be issues along the boundaries where there is a significant contrast between higher and lower paying areas or 'cliff edges'. Staff who are within commuting distance of employers on both sides of the boundary, might be expected to opt for the employer offering the highest reward, making recruitment and retention very difficult for the employer on the lower paying side of the boundary. Any financial incentives offered in order to improve recruitment and retention could lead to 'pay spirals', where employers compete to retain staff in limited supply. Due to good transport links, proximity of employers and staff shortages, some employers outside of the inner London zone have already experienced this difficulty."¹⁹

Conclusion 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. We welcome this opportunity to respond to others' evidence and answer the supplementary questions from the NHS Pay Review Body. This submission marks our commitment to national pay determination in the NHS and other parts of the public sector.

As stated above, we are committed to nationally agreed pay, terms and conditions. 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. A move to market-facing local pay would undermine the whole structure and open the NHS up to unequal pay issues.

¹⁹ The NHS Employers organisation submission to the NHS Pay Review Body on market facing pay March 2012