Analysis of the South West Pay Terms and Conditions
Consortium discussion papers

Introduction
The stated aim of the two discussion papers: The economic, financial and service challenges and Addressing pay terms and conditions is to ‘assist in the production of a full business case’ to cut pay, terms and conditions.

The RCN has analysed the discussion papers. This document questions statements made in both papers and presents facts to support the response from the RCN and other NHS trade unions.

Discussion Paper: The economic, financial and service challenges
This discussion paper has been produced to assist the consortium steering group in its production of a business case and will be used alongside future papers as well as the ‘Addressing pay, terms and conditions’ paper published with it. The paper seeks to quantify the economic, financial and service challenges faced by NHS Trusts in the South West.

Introduction
The South West Consortium (SWC) remains committed to achieving a “fit for purpose” set of terms and conditions through national negotiations and providing high quality, value for money patient services’ (page 2).

RCN response: If this is the case why has the South West embarked on a parallel set of discussions which undermine the national approach?

The South West context
‘The NHS workforce, as a whole, across the South West region has grown by over 20% in the period 2001-2011 (on average by 2.3% per year). During 2010/11 the total workforce was reduced by 1.1%’ (page 2).

RCN response: RCN analysis shows that between May 2010, when the Coalition Government came into power, and May 2012 (the latest figures available), the total NHS workforce in the South West decreased by 2.16 per cent. This compares to an average drop of 2.14 per cent across England. Nurses were hit harder than average; numbers decreased by 3.54 per cent. This is the only SHA region where this was the case.

The economic challenge
‘Since 2008, private sector pay levels have fallen behind the public sector – although it appears that this gap is closing as the private sector recovers and public sector pay restraint occurs’ (page 3).

RCN response: The XpertHR survey private sector pay forecasts for 2012 predict that pay rates in the private sector will grow at 2.5% over the coming year compared to the 1% cap in the public sector. Inflation predictions stand well above the 1% pay cap. The Staff Side evidence to the NHS Pay Review Body shows that by 2013, inflation will have stripped between 8% and 12% out of NHS wages.

On page 4 it says: ‘It is worth noting that NHS pay continues to rise despite a freeze on pay due to the relatively new pay systems still undergoing development and the nature of annual increments.’

RCN response: In evidence to the NHS Pay Review Body, the Department of Health stated in 2012 that incremental rises represent a 1% annual uplift in the pay bill. 32% of NHS staff receive no benefit from incremental increases as they are at the top of their pay band.
The NHS financial challenge

On page 4 it says the SWC has indicated that it could save over 6,000 jobs through a more ‘fit for purpose’ system of pay and conditions. However, SWC also argues that the money saved from cutting, pay terms and conditions is needed to achieve savings targets.

**RCN response:** We do not believe the savings from cutting pay, terms and conditions would be re-invested in jobs; the evidence in the documents suggests savings from terms and conditions would be used to meet ‘cost improvement’ targets.

New evidence from the Audit Commission exposes the scale of under spending across the South West SHA – a £206.6m surplus. Based on an average salary of £40,000, which is used by the Cartel in their own calculations, a surplus of £206m would pay for 5,165 jobs.

Modelling the financial and service challenges

On page 7 it says the alternative to addressing pay, terms and conditions is a wholesale reduction in headcount. This potentially challenges minimum staffing levels and therefore patient safety. It is extremely undesirable and costly.

**RCN response:** We believe that reducing the pay, terms and conditions of staff in the South West is not the only choice that employers have and this course of action is highly likely to impact negatively on patient care. There a real risk that staff will be forced to leave the NHS, it will be difficult to recruit, and the morale of remaining staff will be damaged further.

There is widespread consensus in support of shifting services into the community. It is this sort of whole system reorganisation which will produce savings and is also in the best interests of patients.

This change would create challenges for the workforce but simply reducing pay or making short-sighted workforce cuts is not the answer at a time when the health care needs of the population are set to increase.

Discussion Paper: *Addressing pay terms and conditions*

This document presents a view that the Agenda for Change (AfC) pay terms and conditions package is something imposed on employers. NHS Employers were joint signatories to the original AfC Agreement in 2004 and sit in partnership with the trade unions on the NHS Staff Council. National pay was not created and implemented without buy in from trusts. If there are problems with pay, terms and conditions, then these have been allowed to develop (or have not been prevented) by the employers. Employers are not passive in the pay process.

Decade 2000 and pay reforms

On page 5 it says both AfC and GP pay reform systems were implemented without being fully tested in advance (despite efforts to do so with Agenda for Change).

**RCN response:** In fact, there was a system of early implementers (EIs) in England and Scotland, and at least one was in the South West. Suggesting that the ‘problem’ is to do with ‘not testing Agenda for Change’ belies what happened in reality. There were detailed and prolonged negotiations with unions, employers and Government to deliver what employers and Government had wanted for years – a harmonised system of pay and terms for NHS staff that delivered equal pay for work of equal value.

Agenda for Change was designed to deliver in two stages:

1) The first stage was a technical exercise to move over one million staff onto a harmonised system of pay terms and conditions from over 10 different Whitley Council arrangements. As mentioned in the Public Accounts Committee assessment of AfC, this was done without any industrial conflict – a significant achievement in view of the technical complexity and sheer number of staff involved.
2) The second was ‘Benefits Realisation’. Employers were expected to use AfC in partnership to deliver changes in service delivery, leading to improved patient outcomes. This is something that was in the gift of the employer, ie it was for them to look at their service, to look at what options AfC provided and to initiate this work. Very few did this as the Public Accounts Committee acknowledged. Essentially Trusts across the country, including in the South West, saw no need to reconfigure services or re-profile the workforce while the money was coming in under the last Government. Many also failed to implement KSF (Knowledge and Skills Framework) in a meaningful way or to stop incremental movement for poor performance.

On page 5 it says it has been stated that there have been 24 changes to Agenda for Change since 2004, all of which have been favourable to employees.

**RCN response:** It is true that there have been 24 changes, but it is not true that all have been favourable to staff. For example, there were losers as well as winners when the new unsocial hours arrangements were introduced in 2008, mostly the low paid.

The reality is that AfC has been constantly under review since it was established, not least in the pay review process. The document states that all the changes have been favourable to employees. The implication being that they have not been favourable to employers. However, where recruitment and retention issues have been resolved, this is clearly also favourable to the employer.

On page 5 it says it was agreed when AfC was established that there would be a comprehensive review in 2011, which has not taken place.

**RCN response:** This is not the case. However, the reality is that AfC has been constantly under review since it was established, not least in the pay review process.

On page 5 it says criticisms of these two pay systems are based on the views that they have not completely fulfilled the original ambitions underpinning their design, that implementation has raised unintended consequences, and that they are not “fit for purpose” going forward, especially given the very challenging financial future.

**RCN response:** These statements are not substantiated. If we revisit the criteria for success, in fact most of these have been achieved – more patients treated more quickly, better recruitment and retention, fair pay, better career development, and better morale for example.

**National pay reforms**

On page 6 they say the recent experience regarding the local establishment of on-call arrangements has frustrated both employers and trade unions with regard to the time and effort involved in such endeavours.

**RCN response:** This conflicts with the stated desire for local flexibility. When flexibility is offered trusts have been unable to manage negotiation and implementation.

**NHS workforce and pay dynamics**

On page 7 it says since 2008, private sector pay levels have fallen behind the public sector – although it appears that this gap is closing as the private sector recovers and public sector pay restraint occurs. It is worth noting that NHS pay continues to rise, despite a freeze on pay due to the immaturity of the relatively new pay systems (creating additional headroom) and the nature of the annual increments.

**RCN response:** The XpertHR survey private sector pay forecasts for 2012 predict that pay rates in the sector will grow at 2.5% over the coming year compared to the 1% cap in the public sector. Inflation predictions stand well above the 1% pay cap. The Staff Side evidence to the NHS Pay Review Body shows that by 2013,
inflation will have stripped between 8% and 12% out of NHS wages.

In evidence to the NHS Pay Review Body, the Department of Health stated in 2012 that incremental rises represent a 1% annual uplift in the pay bill. 32% of NHS staff receive no benefit from incremental increases as they are at the top of their pay band.

Local pay arrangements and freedoms
Page 7 highlights the one example of a NHS Foundation Trust which has moved away from AfC, saying staff chose the new local terms over AfC.

RCN response: In June 2006, the HSJ recognised that the Trust had ‘always negotiated local pay before AfC’. The vote was about retaining the local deal, not so much rejecting AfC. The Trust recognised this in 2008/9 in a document in which they said ‘the majority of staff elected to remain on Southend University Hospital NHS Foundation Trust local terms and conditions’.

Change in exchange
On page 11 it says there is evidence that employers who have managed to secure voluntary agreement to a reduced value of terms and conditions (on a temporary or permanent basis) which have reduced the overall cost of the pay bill, have done so by offering a genuine exchange.

RCN response: The discussion so far in the South West has been one-sided, seeking agreement to cuts in pay, terms and conditions without any offer of a benefit in exchange. There is no evidence that the money saved by such cuts would be spent on saving jobs, rather the evidence is that this would be used to meet savings targets.

Questions for discussion
On page 16 a question is asked around whether the SWC wants to propose a model for a brand new set of pay and conditions, or make specific proposals to change the existing national terms and conditions whilst maintaining its broad structure and value.

RCN response: Any change will involve frictional costs. Systems need to be negotiated and updated and local deals run the risk of local industrial action without the cover of negotiations within the NHS Staff Council. Any move to a local approach needs to be costed in terms of the staff time and employer time required in negotiating and managing change and not simply as a saving.

Conclusion
In summary, both papers contain assertions about the failures of the national pay system as justification for a local approach. This avoids mention of Trusts’ failures to manage the local freedoms they already have through Agenda for Change.

The discussion papers present cuts to pay, terms and conditions as the only way to achieve competitive efficiency and ignore the proven costs of previous local pay experiments experienced in the NHS. Excessive time has been spent by both employers and staff in local negotiations instead of improving patient care and managing change, including the negative impact on recruitment and retention.